

Aadhaar based payment systems

What is the issue?

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In the digital era mitigation risks of Aadhaar based payment mechanism is required, not its revocation.

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How Aadhaar based payment systems works?

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• The Aadhaar-based payment system has been robust and secure, which is evident from the track record of the Aadhaar Enabled Payment System (AEPS).

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- Aadhaar based micro-ATMs AEPS enables rural population to withdraw or deposit money from this ATM's using their fingerprints.
- **BHIM-Aadhaar** Any merchant can install this software in his smartphone connected to a fingerprint device to recieve payments.
- \bullet Customers can pay small amounts up to Rs 2,000 by using their fingerprints without needing a debit or credit card. \n
- \bullet Bharat QR Merchants can also use the Bharat QR Code to receive payments.
- **UPI** There are 350 million smartphone users in India, who can use UPI to make digital payments up to Rs 1 lakh without any card or POS device.

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What are the measures taken to make Aadhaar payments secure?

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• Three major reforms happened in the last six months, which would make UPI

and Aadhaar-based payment systems even more secure. \n

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- 1. Amendment of the Income Tax Act to mandatorily link PAN with Aadhaar.
- 2. Supreme Court directed that more than 100 crore existing mobile SIM cards must be biometrically verified with Aadhaar, by Feb 2018.
- 3. Amendment of Prevention of Money Laundering Rules, required every bank account to be verified and linked with Aadhaar and PAN by December 31, 2017.

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How safer are this payments?

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• There are various phobias prevalent over Aadhaar systems, but recent experiences break the myths.

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- \bullet In BHIM-Aadhaar and UPI, Bank accounts, mobile numbers and Aadhaar are used for the payments and the transactions are undoubtedly safer. $\$
- In the worst case if there is an unauthorised transfer from an account, the beneficiary can be identified through Aadhaar.
- In the last four years, more than 700 million transactions have been carried out without a single case of financial loss due to fraud or identity theft.

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What are the issues with traditional payments systems?

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- The payment systems based on physical signatures, cheques, debit cards, ATM cards, PIN etc. are also not safe and has vulnerabilities.
- Physical signatures used for cheque transactions can be easily forged when compared to biometrics.

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 There are fraudulent activities in ATMs, debit cards and internet banking through cloning, scheming, spoofing, phishing etc., and yet many have not stopped using them.

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Way forward

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• India has set an ambitious target of achieving 2,500 crore of digital payment transactions by end of 2017-2018 FY.

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- Efforts are on to bring down transaction costs so that consumers are not at a disadvantage for choosing to pay digitally.
- The US in 2010 undertook reforms to protect consumers of digital transactions.

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• The EU also passed regulations in 2015 to rationalise and reduce transaction fees.

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• Similar steps are necessary in India to ensure mass adoption of digital payments.

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Source: Indian Express

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