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.
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- **BHIM-Aadhaar** - Any merchant can install this software in his smartphone connected to a fingerprint device to recieve payments.
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- Customers can pay small amounts up to Rs 2,000 by using their fingerprints without needing a debit or credit card.
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- **Bharat QR -** Merchants can also use the Bharat QR Code to receive payments.
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- **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.

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.

How safer are this payments?

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

What are the issues with traditional payments systems?

- 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.

- 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.
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- 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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