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UIDAI tells banks to continue Aadhaar-enabled payments

BY DHEERAJ TIWARI & SURABHI AGARWAL, ET BUREAU | OCT 19, 2018, 10.48 PM IST

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NEW DELHI: The Unique Identification Authority of India (UIDAI) has told banks to continue with the Aadhaar-enabled Payment System (AEPS) after some private banks had suspended these services. UIDAI's call is seen as a boost for digital payments.

Some lenders had suspended AEPS operations following the Supreme Court order in September setting aside mandatory linking of Aadhaar with bank accounts, a finance ministry official told ET. "This was despite the fact that the judgement had observed that direct benefit transfers (DBT) will continue to be Aadhaar-linked," he said, adding this was leading to confusion in interbank transfers as well. "We had asked UIDAI to take a legal opinion and issue directions."

A UIDAI official confirmed the development. Based on legal advice, UIDAI has asked banks to continue with AEPS facility as this mode of withdrawal is part of the DBT scheme where use of Aadhaar is allowed, the person said.

"As per the verdict of the Supreme Court, Aadhaar can be used in direct benefit transfer schemes under Section 7 of the Aadhaar Act. AEPS is of great help to beneficiaries who live in remote villages," he said.

Most AEPS transactions are made through either handheld devices provided by bank mitras or installed at public distribution system outlets.

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It's Aadhaar As Usual

Some private banks had suspended Aadhaar-enabled Payment System

This was after court said Aadhaar linking to bank a/c not mandatory

UIDAI sought legal advice following a request from the FinMin

Aadhaar payments are part of the Direct Benefit Transfer ecosystem

Supreme Court has allowed DBT-related Aadhaar use

WHAT IT MEANS

Big boost for digital payments

More financial inclusion

Welfare payments without leakage

Vivek Belgavi, fintech leader, PwC, said several aspects were being worked out after the apex court's verdict. "Our understanding is also that beneficiary payments are allowed through Aadhaar, and that even for non-beneficiaries, the offline KYC option is being explored."

He added that though the model will evolve a little bit, it can provide the same experience as the online know-your-customer (KYC) process for both digital and physical onboarding.

Apart from being a payment platform, the government looking to use AEPS to generate demand for micro loans as part of its financial

inclusion outreach. Monthly AEPS transactions have risen tenfold to 124 million in June this year from 12 million in July 2016.

"Based on their transaction data, banking correspondents could also introduce other financial products to these customers such as insurance," said the finance ministry official cited earlier.

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The government in September extended and revised the Pradhan Mantri Jan Dhan Yojana under which all accounts are eligible for an overdraft facility of Rs 2,000 without conditions. The existing overdraft limit of Rs 5,000 was raised to Rs 10,000.

"The AEPS system ensures that the government benefits and subsidy money reach directly in beneficiaries' hands and eliminates any diversion by ghosts and middlemen," said UIDAI chief executive Ajay Bhushan Pandey.

Almost 140 million beneficiaries under the Pahal and Ujjwala schemes receive gas cylinder subsidies in their bank accounts every month. Out of 600,000 villages, only about 140,000 have bricks-andmortar bank branches.

Beneficiaries of the rural jobs guarantee programme are able to withdraw wages in their villages through Aadhaar-enabled Payment System micro-ATMs.

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