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De-jargoned: Aadhaar Enabled Payment Service

Aadhaar-linked transactions take place through a platform called Aadhaar Enabled Payment Service

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In a bid to promote cashless transactions, the central government recently announced its plans to launch an app to help customers make payments to shopkeepers and vendors with the help of their Aadhaar number and fingerprint identification. It also plans to ask mobile manufacturers to come up with thumb- or iris-identification features on phones for a smoother rollout of this process.

The decision is seen as a move to eliminate the need for debit cards, as the money would instantly get debited from the customer's Aadhaar-linked account and transferred to the beneficiary's Aadhaar-linked account. Such payments will be possible with the help of a service known as an Aadhaar Enabled Payment Service (AEPS).

What is AEPS

The National Payments Corporation of India (NPCI) explains AEPS as a service that lets bank customers access their Aadhaar-linked bank accounts. Further, they can conduct transactions such as balance enquiry, cash deposits, withdrawals, and fund transfers to other Aadhaar-linked bank accounts through the help of business correspondents.

AEPS is aimed at encouraging customers to use Aadhaar for making payments to merchants or shopkeepers with their unique ID and finger print. Based on this, the user's identity will be verified and she can transfer funds from her account to the shopkeeper's account. Currently, customers of 118 public- and private-sector banks can use this service.

In a broader context, AEPS becomes a platform for the government to push its financial inclusion agenda. You can conduct services such as fund transfers, balance enquiries, and cash deposits or withdrawals with the help of business correspondents of any financial institution. The correspondent will have a point of sale (PoS) device that can input numbers and also scan irises or fingerprints. On entering your Aadhaar, you can view your account balance and choose to transfer money from the same account to someone else's account. Here, you will have to provide the beneficiary's Aadhaar number, following which the receiver's account details will be extracted and you can then transfer the money instantly.

How will it help?

While the usage of Aadhaar helps eliminate some of the paperwork in financial services, another reason behind the government promoting the AEPS is the security of the platform—as the identification of a customer is on the basis of biometric information, hence there is lesser scope of fraudulent or impersonation issues.

The scope of transactions is also huge, with nearly 1 billion Aadhaar holders in the country, according to the Unique Identification Authority of India. This process would, however, depend on network availability in the user's area. Poor connectivity will mean that the service won't be available. Also, the user will have to be familiar with the process of managing this procedure.