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THE TIMES OF INDIA

Lenders use Aadhaar-based payments

TNN | Dec 2, 2016, 04.00 AM IST

Mumbai: The currency crunch is compelling small finance providers, including microfinance companies, to look at alternatives to cash disbursements. RBL Bank has built an application around the Aadhaar Payments Bridge Solution (the application used by the government for direct transfers) for enabling MFIs provide cashless loans. Another lender IDFC Bank has tied up with Capital First to provide loans for small businesses. "We were experimenting with developing various applications around Aadhaar even before demonetisation. Now there are several MFI clients who want to move away from cash and work with only those with Aadhaar," said Rajiv Ahuja, head strategy, RBL Bank.

According to Ahuja, with the Aadhaar Payments Bridge Solution, the entire architecture of how banks deal with small-value transactions can be turned on its head. "We can now have applications that go directly into the beneficiaries' account or vice versa," said Ahuja. What this means is that lenders can disburse funds directly into Aadhaar-enabled bank accounts and collect their EMIs from the accounts.

The Aadhaar Payments Bridge Solution was created by the National Payments Corporation of India to check leakages in subsidies. The government could send money to individuals based on Aadhaar identity and the money would go into the account that was last linked to the Aadhaar number. The government has thrown this application for cashless fund transfer in business.

Similarly, IDFC Bank has partnered with Bangalore-based online lending platform, Capital Float, to provide digital lending to

small businesses across India. In terms of the tie-up, Capital First will provide IDFC Bank access to its digital network of borrowers, enabling the bank to diversify its portfolio of small-ticket loans and grow its customer base. Capital Float, in turn, can leverage IDFC Bank's strong balance sheet, product innovation and extreme customisation of banking products for this segment of borrowers