'UIDAI app will enable people to do cashless transactions'

Q&A

An Aadhaar-based app for cashless transactions on Android phones would be launched next week, says **A B PANDEY**, CEO of the Unique Identification Authority of India (UIDAI). He explains to Nitin Sethi and Ishan Bakshi how the application will beat other digital payment systems. Excerpts:

Is UIDAI planning something for digital transactions?

The idea is that in a village, a small town or city, the merchant would have a simple Android phone to which a simple biometric scanner can be attached. The merchant will download an application we have developed. The customer makes a purchase of ₹50-60 and then at the time of payment, he or she enters the Aadhaar number, selects only the bank and then authenticates with his or her biometric. He does not need to remember his bank details. The money gets debited from his bank account to that of the merchant.

So now, the system will work on any merchant's Android phone. The logic is that if everyone does not have a smart phone, most of the merchants can or will have one. So, they'll be able to get cashless payments from customers. In a country of 1,290 million people, we have only 1.4 million point of sale (PoS) devices serving them. Even if one was to triple that, it would contribute to the cashless movement but to a limited extent. The total number of small merchants are roughly 30 million — including both organised and unorganised

sectors. Our mobile-based application can enable them all to have cashless transactions without needing these PoS devices. On the other hand, the lack of a smart phone will not deny the people at the bottom of the pyramid the chance to make cashless payments. It enables both lands.

Have you done the dry runs?

Yes. This is already being done in 4-5 districts in Andhra Pradesh at the PDS (public distribution system) shops, where not only identity authentication but payments for the rations are also happening through Aadhaar. That was being done on the micro-ATM kind of device. To expand it all over the country, we have customised the application to work on smart phones. It is under testing. In the next few days, we should launch the application.

Is there a revenue stream for UIDAI from this?

So far as UIDAI is concerned, it is not charging for any authentication service as of now. At this point of time, we're not looking at the revenue side.

Is it possible in the future that it becomes a revenue stream for UIDAI? Is it legally permitted under law right now?

The law provides for imposition of fee. But, it is a question of broader policy decision of the government that at what time should we levy a fee. This is something that UIDAI would decide in consultation with the government at an appropriate time.

What about the security of transactions considering how vulnerable are Android phones?

The application we are developing will be tested for security.

So, do all the wallets become your competitors now? And, is there a target for you to reach?

In the cashless movement, we are all collaborators not competitors.

Your targets?

We are looking at 250-300 million people to use this service. We need to be prepared for this. In case of merchants, we estimate about 30 million. Our size should be to that scale. If people find it

convenient and banks do the last-mile work along with various arms of the government to enable the merchants, daily transactions could jump five to six times from 12.5 million now.

The other important issue is when you make payments through other modes, there is a concept of MDR (merchant discount rate). If you pay through debit card, they charge you a levy on ad valorem basis. On Aadhaar-based platform there will be no MDR. So, the customer is not charged anything extra and neither is the merchant.

What about the biometric machines which are now available easily in the grey market?

I don't know what is happening in the grey market. But, with our application, only specified models with the specified manufacturers who have passed

the tests by a government agency will work. We will release the full list of all these device manufacturers along with the models. We will instruct that only these be used.

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