

FIELD VISIT NOTE: AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

INTRODUCTION: AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

AEPS is a payment service that authorizes bank customers to use Aadhaar as their identity to access their respective Aadhaar enabled bank accounts and perform banking transactions such as balance enquiry, cash deposit, cash withdrawal and Aadhaar to Aadhaar fund transfer.

VISIT DETAILS

A field visit was undertaken by Ms. Deepanshi Bhardwaj as part of research study under DIRI, ISB to understand the working of BC Model post the introduction of AEPS. 5 BCs' retail outlets in Shamshabad area in Hyderabad were visited. Out of these, 3 BCs owned general stores/kirana shops and 2 owned a milk dairy.

EXECUTION OF AEPS TRANSACTION

A typical transaction begins with a balance enquiry, followed by a cash withdrawal (chosen service) and is executed as follows:

1. BC selects the banking service, (e.g. balance enquiry/cash deposit/withdrawal), in this case, withdrawal, on his mobile phone.
2. He then enters his mobile number and pin, the Aadhaar number of the customer and the withdrawal amount.
3. Thereafter, the customer is asked to put his fingerprint impression.
4. This is followed by a message displayed on the mobile phone that mentions the transaction status.
5. If the transaction fails, the message displays the error code of the failure.
6. In case of a success, it mentions the Transaction ID and amount withdrawn.

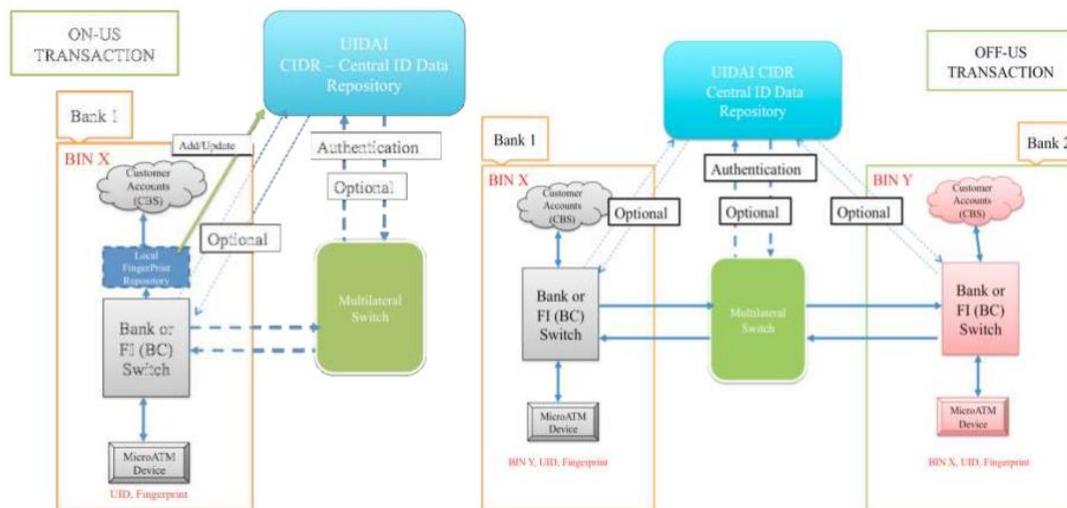


Since these customers receive Direct Benefit Transfers (DBT) into their bank accounts, it was observed during the field visit that most of the customers visited the BC for either cash withdrawals or fund transfer.

OBSERVATIONS REGARDING AEPS

Prior to the implementation of interoperability under AEPS, all transactions required the customer and BC to be of the same bank. Because of this, customers had no choice but to open bank accounts depending on the presence of BC in their area/locality. AEPS allows the following types of transactions:

1. Intra-Bank (ON-US) Transaction wherein an Aadhaar initiated transaction has effects only in accounts within the same bank as the BC.
2. Inter-Bank (OFF-US) Transaction is one where there is movement of funds from one bank to another necessitating an interbank settlement. This allows customers to approach other bank terminals for availing AEPS service, making it a possibility to execute transactions for various accounts of different banks under a single roof, thus saving time and travel expense for customers.



However, the failure rates in case of OFF-US Transactions were observed to be higher and as a result, 2 out of the 5 BCs showed hesitancy carrying out transactions which involved other banks.

Electronic-Know Your Customer (e-KYC), an electronic way of conducting real time consent-based KYC for a customer using Aadhaar number, biometrics and OTP has become a possibility, through which data for a customer, such as address details etc. can be accessed from UIDAI database. This has made the process instantaneous, paperless and convenient for both the customer and BCs, thus saving time and effort of BCs, who prior to this had to travel to the banks with the documents.

To deal with the issue of wearing of fingerprints in case of manual labor, which was mentioned as one of the major reasons for failure in AEPS transactions, BCs capture biometrics from all fingers for a customer. The best match (highest possibility of matching) from all the fingers is communicated to the customer, for them to be able to use the same finger, when he/she comes for a transaction the next time, thereby reducing failure rates due to biometric authentication.