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GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

No. 12(84)/2017-DPD

New Delhi, Dated : 23.06. 2017

NOTIFICATION

Subject: BHIM Aadhaar Merchant incentive Scheme

1. Background and Objective

- 1.1 The Digital India Programme envisions transforming India into a Digitally empowered society and knowledge economy by making available digital infrastructure, digital governance and digital services to every citizen. Promotion of a digital payments ecosystem is a natural extension of the Digital India programme and has the potential to transform India's economy by formalization of financial transactions. Financial inclusion is one of the foremost challenges for India Digital payments have the potential to provide access to formal financial services and benefits from e-commerce, especially for those who continue to be excluded.
- 1.2 Finance Minister in his Budget Speech on February 1, 2017 had announced "a target of 2,500 crore digital transaction for 2017-18 through UPI, USSD, Aadhaar Pay, IMPS and debit cards."
- 1.3 In the digital payments ecosystem, merchants play a very crucial role especially in country like India where nearly 90% of merchants are unorganized like small grocery stores, local apparels outlets, mom-n-pop stores and more. Apart from these, the merchants like local vendors, auto/taxi

drivers etc., constitute of large share of unorganized merchants. Their customers often lack sophisticated digital payments means like debit cards, smart phones etc.

- 1.4 This issue can be addressed by the mechanism of the innovative BHIM Aadhaar payment mode which requires citizens to only provide their Aadhaar (biometrics) to transact from their linked Bank account. To promote BHIM Aadhaar amongst merchants, this Merchant Incentive Scheme is being launched.
- 1.5 The scheme aims to incentivize not just one-time adoption of BHIM Aadhaar by merchants, but should also increase the ease of transactions for all citizens as it uses the means of Aadhaar for digital transactions

The objectives of the scheme are twofold, viz.:

- Increase in number of merchants registered on BHIM Aadhaar
- Increase in number of merchant payment transactions using BHIM Aadhaar

2. **BHIM Aadhaar Merchants incentive scheme**

- 2.1 The scope of the scheme shall be limited to merchants using BHIM Aadhaar unless revised otherwise. The scheme duration is stipulated as 6 months from the launch date of the scheme, and can be renewed based on government directions.
- 2.2 NABARD will play the role of implementing agency since the Merchant Incentive Scheme will draw the funds required for the incentive from the Financial Inclusion Fund (FIF). The FIF is maintained and managed by NABARD.

2.3 The BHIM Aadhaar Merchant Incentive Scheme is sought to be structured as follows:

- AADHAAR Authentication be device agnostic and any device viz., MicroATM/POS, mPOS, Kiosk / Tablet / Mobile Handset etc be covered provided that the transaction is for sale of goods & services by a merchant establishment and payment is by Aadhaar Number & Biometric authentication. However, regular Business Correspondent (BC) transactions through microATM will not be covered under the scheme
- Each BHIM Aadhaar transaction may be given an incentive @ 0.5% of the transaction value up to Rs. 2000 with minimum incentive of Rs. 1 and upper cap on incentive to merchants of Rs. 10/- per transaction . Maximum incentive is restricted to Rs. 2000/- per merchant per month, (excluding banking/operating costs)
- The incentive of 0.5% can be utilized to defray operating costs for the merchant acquiring bank to the extent of 0.25% only and the balance 0.25% has to be passed on as an additional incentive to the merchant
- Out of the incentive of 0.25% towards operating costs to banks, 0.20% will be paid to Merchant Acquiring Bank and balance 0.05% towards the Issuing Bank operating costs to be incurred by the Merchant Acquiring Bank

2.4 Each Bank live on BHIM Aadhaar will required to submit their respective claims towards the incentive to NABARD for being reimbursed against the same.

2.5 The Banks will not hold the payment of incentive contingent to their receiving funds from NABARD. The merchants will be paid the incentive amounts upfront (not later than 2 days from the occurrence of the transactions) whereas

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banks may claim the re-imbursments from NABARD as per a mutually agreeable frequency.

2.6 The various definitions for the entities in the scheme design are appended in **Annexure 1**

3. Eligibility Criteria for Merchant

3.1 Defined Transaction Criteria for BHIM Aadhaar Merchants to qualify for incentive:

- a. All transactions executed only on BHIM Aadhaar are eligible for receiving the merchant incentive
- b. The maximum transaction value eligible under the incentive programme is Rs. 2000

3.2 Other Criteria:

- i. Merchant should be BHIM Aadhaar user and receive credit payments from any valid payment mode integrated with BHIM Aadhaar.
- ii. BHIM Aadhaar Merchant incentive scheme is meant to defray the operational costs of the merchant acquiring bank and merchant. In no case can each of these entities share incentive more than 0.25% (from the total 0.5% distributed for each transaction).
- iii. BHIM Aadhaar incentive has to be passed on to the merchant by the merchant acquiring bank not later than 2 working days from the occurrence of the financial transaction.


(Rajiv Bansal)
Joint Secretary

Annexure 1**Definitions of terms/entities for the BHIM Aadhaar Merchant incentive**

The definitions of key terms/entities as specified in the notification are as below:

- a. "Valid financial transactions": Transaction amount less than Rs. 2,000
- b. "Merchant acquiring bank" – Bank which has enabled and deployed the BHIM Aadhaar device at the merchant location
- c. "BHIM Aadhaar Merchant": Has to be a BHIM Aadhaar user. For the purposes of the Incentive Scheme for BHIM Aadhaar a merchant (and accordingly the incentive receipt) would be defined as:
 - Any entity which is engaged in trading of goods and services. The merchant has to be made enabled on the BHIM Aadhaar platform by respective banks
 - The transaction criteria to qualify to receive incentive is the number of successful financial transactions executed at each merchant location
 - The computation for the incentives shall be done basis the transaction criteria.