

Digital Drive

Should you cash in on Aadhaar Pay?

While security is a relative advantage of this system, connectivity issues can play spoilsport

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Ever since demonetisation happened on November 8, 2016, all digital modes of transactions like the UPI (Unified Payment Interface), mobile wallets like Paytm, etc, have been gaining ground. Customers have been forced or nudged to move to cashless transactions.

The latest to join the bandwagon of digital payments is IDFC Bank's "IDFC Aadhaar Pay", the country's first Aadhaar-linked cashless payment system. Here's a look at its pros and cons.

What's in it for merchants

One of the main objectives of IDFC Aadhaar Pay is to help small merchants go cashless. All that the merchant requires is a smartphone and a current account with IDFC Bank. To promote the use of this payment mode, the bank is taking the initiative to meet the merchants directly and open a zero-balance current account instantly by doing an e-KYC (Know Your Customer). The new account number which is generated is then registered in the Aadhaar Pay App. But remember, the IDFC Aadhaar Pay App can be obtained only from

the bank, unlike other apps that can be downloaded from the public domain like Google Playstore, etc.

Once this is done, the merchant is given the biometric 'dongle' which he can connect to his smartphone for receiving payments. The merchant must bear the one-time cost of purchasing the dongle which ranges between ₹1,800 and ₹2,500.

What's in it for customers

As a customer, all you need is the Aadhaar number and the bank name in which you hold the account. Remember, the account from which you intend to make payments should be linked to your Aadhaar.

After entering the Aadhaar number and the bank name, you have to give your thumb impression on the biometric dongle, which is connected to the merchant's smartphone. The dongle authenticates the finger impression and the transaction is completed by transferring money from the customer's account to the merchant's current account.

Pros

Security is the key advantage of this system. Experts claim that

using the finger print to authenticate the transaction is more secure than using a payment wallet or a credit or debit card.

Vikas Kumar, Co-founder - LoanTap, says, "Since the finger print is unique, it will be difficult to cheat. Whereas in case of cards, one can steal card details. Also, in case of payment wallets like Paytm, etc, there is the risk of losing your mobile."

"You can lose your cards or mobiles. Authenticating the transaction by thumbprint makes this system relatively less risky," adds Kunal Pande - Partner, KPMG

Secondly, the transaction charge is zero in case of the Aadhaar Pay system unlike the Point of Sales (POS) machines used for swiping the credit and debit cards where a Merchant Discount Rate (MDR) is levied on

the merchant for every transaction. From the bank's perspective, this system is cost effective as plastic cards don't have to be issued and re-issued.

But there are some weak links which customers need to take note of.

Cons

For most of us, convenience, particular while making small purchases, matters the most.

Lack of strong internet connectivity or inability of the biometric device to read and process the thumbprint information properly can be a dampener.

"Nobody is going to adopt a system just because it is more secure. People want convenience," says Vikas.

Time taken to enter the Aadhaar number, bank name



and to authenticate finger print data could be more, when compared to other modes of payments.

"Even in metros and major cities, data connection is not stable. So, the transaction might not go through and the customer has to repeat the entire process, which can get time-consuming both for the customer and the merchant," says Kunal.

"Smaller shops are more about speed and the merchant may prefer other faster modes of payments like cash," adds Vikas.

Although the transactions are not charged, when it comes to convenience, a merchant may prefer a mode which is easier and faster.

"If the 2-odd per cent transaction cost were a concern, then the credit or debit card business would not have taken-off at all, says Vikas.

Although one does not have to carry any card or mobile phone, it is mandatory to remember or store your Aadhaar number for payment. It is easy to remember a four-digit pin number rather than a 12-digit Aadhaar number.

Bottomline

Given the uncertainty over the time taken to complete a transaction, IDFC's Aadhaar Pay, while scoring on security, may fall short on the convenience aspect.



Zero charge
The transaction charge is zero in case of Aadhaar Pay unlike in Point of Sales machines