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How AP Hota created Amul of Indian finance

By [Pratik Bhakta](#), ET Bureau | Updated: Nov 16, 2016, 12.25 AM IST

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If one wants to find out what it is to compete against two companies in an industry almost enjoying duopoly and still succeed in the business, dial [AP Hota](#), the founder chief executive of the [National Payments Corporation of India](#) of though with a little help from the government.

To take up a challenge in what started as a mission without much vision on what to do is actually a leap of faith, especially when the multinational corporations are the only answer in the world with nothing much to borrow from either.

It was way back in 2005, when 'payments' was not a term in vogue and did not draw much attention of bankers when Hota joined the Department of Payments and Settlements carved out within [RBI](#). Two key suggestions came out of the department: One was to take payments and settlement outside the daily routine of the regulator, and second was to develop a domestic cards payments network.

Customers, in this case banks, especially the private ones, used to dealing with the sophisticated market and technology-savvy companies like MasterCard and Visa, were at times downright hostile to [NPCI](#) and have even slighted Hota and his team. But the former central banker is not the one to be deterred by slamming of doors.

"The motto about having the country's own card payments network worked for some players and did not work for the others," says Hota in an interview with ET. "We had faced a lot of troubles. In fact, many of the banks had told us that they were not Swadeshi entities, and the Swadeshi mantra would never work with them."

While much of this happened before Prime Minister Narendra Modi began his Make in India campaign, NPCI has on its own become a financially-viable entity and stands tall among the payment companies. Thanks to Hota's perseverance and support from his team today, NPCI counts 56 banks among its shareholders from 10 initially, which indicates the increased interest among even private sector lenders to be part of the domestic payments company.

Hota, born in 1956 and a literature graduate from Sambalpur University, was keen on a government job during his growing up days like many other Indians of that era. He landed at the Reserve Bank of India in 1982, and continued there till 2009 when this opening cropped up.

While he started as the first managing director of this organisation supported by nine others who came on deputation from various banks, he was the only one who stayed on. He took voluntary retirement from RBI and assumed the role of NPCI's chief executive.

"We started operations out of a small office at Stadium House near Churchgate Station, created the board in the next nine months. We officially started functioning from January 1 2010, now having completed six years of service. We had started with 1.8 million ATM-related transactions to processing 25 million transactions per day presently," says Hota.

Starting from National Financial Switch, or NFS, for ATM transactions, which it had inherited from RBI to National Automated Clearing House for interbank transactions, Immediate Payments Service (IMPS) for peer-to-peer payments, RuPay for card transactions and Cheque Truncation System (CTS) for cheque clearances, NPCI has developed a large product suite.

Today, RuPay accounts for 37% of the total number of plastic cards in circulation amounting to around 290 million, of whom around five million are platinum cards meant for high-end customers, and around 190 million as Jan Dhan cards. What was once an impossible task — making India cashless — appears to be possible now with even rural India swiping cards.

But the path for Hota has been pretty rough and they had to contend with many issues, especially the technology when there was none available off the shelf. Furthermore, to draw talent to an organisation that cannot match the pay scales of private sector rivals is another issue that NPCI has had to grapple with.

One of the biggest stumbling blocks came in 2012, the business appeared to be collapsing when the largest point of sales (POS) manufacturer Verifone refused to accept RuPay cards. RuPay usage and acceptance could not be scaled up until it could be swiped at shopping malls and restaurants for payments and Verifone had 80% of the market share. Verifone arm twisted NPCI and made them pay

`200 per terminal for the update.

“We ended up paying around `20 crore to Verifone for its one million terminals which was even more than what we had spent on developing the payments infrastructure,” says Hota. But that was the business call he had to take.

Once done, there was no looking back for Hota. Indeed, the learning for entrepreneurs could be that one need not rush to the biggies for collaboration or joint ventures fearing survival, but can challenge them and not only survive, but thrive.

“Initially we thought we should partner with these players to get wider network,” says Hota. “But then, globally wherever they have partnered, there has always been a merger which we never wanted. NPCI was developed as an institution with public sector banks as its major shareholders, hence neither is it for sale nor are its shares available in the market,” he says.

AP HOTA
Born on August 4, 1956
Master of Arts from Sambalpur University, Odisha
Tenure at RBI: 1982-2009
He was part of the Department of Payments and Settlements System with the RBI
As MD at NPCI: 2009 to till date
NPCI: A CLOSER LOOK
Shareholders: 56 banks
Regulated by the Reserve Bank of India
Started in January 2010 in Mumbai
Co currently has offices in Mumbai, Delhi, Chennai and Hyderabad
KEY PRODUCTS
RuPay cards, UPI and ATM payments switch

How did this change of mind happen for Indian banks? The answer to it does not lie in the ‘Swadeshi’ mantra, but in cost. It offered much cheaper rates for something as simple as the interchange fees for ATM transactions. While the global players were charging anything between `5 to `8 per transaction as switching fee, NPCI offered at 45 paise, or around 5% of the others. What about the feeling that he could achieve what he did only because of the government and the regulatory backing? Baseless, he says.

Hota’s mission might not have the passion associated with the likes of a Varghese Kurien, the dairy revolutionary. But Hota and his team may well have created the Amul of Finance.

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