



04:05 PM 29 JAN CLOSED	சென்செக்ஸ் 36,283 ▲ 232.81	நிஃப்டி 50 11,130 ▲ 60.75	கோல்டு (எம்சிஎக்... 30,052.00 ▼ -309.00	யுஎஸ்டி/ஐஎ... 63.58 ▲ 0.04	CREATE PORTFOLIO	FF-டி மார்க்கெட்ஸ்...	CHOOSE LANGUAGE TAM
---------------------------------	--------------------------------------	-------------------------------------	---	--------------------------------------	-------------------------	--------------------------	------------------------

Banks see liquidity stress on cards as digital payment subsidy kicks in

BY PRATIK BHAKTA, ET BUREAU | JAN 29, 2018, 08.28 AM IST

Post a Comment

BENGALURU: The government's decision to subsidise digital payments below Rs 2,000 is cumulating problems for **banks** in the merchant-acquiring business. With the subsidy amount expected to be released after three months and the charges for issuing banks and card schemes to be paid monthly, acquiring banks are trying to find out ways to reduce the **liquidity stress** that they will have to face.

Big Change:
The end of Five-Year Plans: All you need to know

While various suggestions are doing the rounds, **bankers** say that if issuing banks could push the billing for digital transactions by three months, then acquiring banks could release the payment at the same time as they received the subsidy amount, thereby reducing challenges.

"There is a need to figure out a solution to this issue else there will be a major stress on the merchant acquiring business for banks as well as for payment companies who are acquiring merchants independently," said a senior banker with a private sector bank. Merchant discount rate, or MDR, is the charge that a merchant needs to shell out against every digital transaction.

A share of the charge goes to the bank whose debit or credit card is used for a **digital payment**, another to the various card schemes,

and the remaining to the entity deploying the PoS devices at merchant outlets. While bankers agree with the intention of the government to subsidise digital payments to push small-value retail transactions from cash to digital, they say that challenges for smooth implementation are aplenty.

"I don't think the government has made any progress to finalise the process on digital payment subsidy row through which the subsidy will be released and I believe it will take more time to do that," said the chief executive of a Mumbai-based payments company.

Pushing the timeline for issuing banks to charge acquiring entities by three months is a process easier said than done as it would require major changes in the infrastructure of the card schemes as well. Card schemes like Visa and Mastercard, mostly international companies, are not in a position to bring those changes quickly.



Insure your parents & save tax upto ₹9000 under Sec 80D!

ET INSURE



Burn Excess Body Fat with this healthy trick(Try it Today)

NutraLyfe

Recommended By Colombia

Another section of the industry believes that there is a serious need to relook into the manner in which MDR gets split between the acquiring entity and the issuing entity. "Why should issuing banks get the lion's share of the MDR? The problem is not about issuing new cards but acquiring more merchants and acquirers need to be incentivised," said one of the people quoted above.

Bankers say the new guidelines around MDR will be a severe challenge for fresh entrants into the digital payments business as they will be discouraged by the skewed cost structure. "I still feel it would have been better if they would have kept the MDR similar to the one under UPI. The latest rates have created entry barriers for new players in the payments space," said another banker on the condition of anonymity.

After demonetisation, the government's efforts to digitise payments have been severely handicapped by the prickly issue of cost of transaction. Now with the subsidy amount being declared and the final modalities yet to be decided, the challenges staring at the industry are aplenty.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Powered by

[Live Market](#)
[News](#)
[Portfolio](#)
[Mobile](#)
[Live TV](#)
[Biz Listings](#)

[Industry](#)
[Newsletters](#)
[Commodities](#)
[Speed](#)
[Blogs](#)
[RSS](#)

[About Us](#)
[Create Your Own Ad](#)
[Advertise with Us](#)
[Terms of Use & Grievance Redressal](#)
[Privacy policy](#)

FOLLOW US

Download it from
APP STORE

Download it from
GOOGLE PLAY

Download it from
Windows Store

Other Times Group news sites

[इकनॉमिक टाइम्स](#) | [ઇકોનોમિક ટાઇમ્સ](#) | [Pune Mirror](#) | [Bangalore Mirror](#) | [Ahmedabad Mirror](#) | [ItsMyAscent](#) | [Education Times](#) | [Brand Capital](#) | [Mumbai Mirror](#) | [Times Now](#) | [Indiatimes](#) | [नवभारत टाइम्स](#) | [महाराष्ट्र टाइम्स](#) | [ವಿಜಯ ಕರ್ನಾಟಕ](#) | [Go Green](#) | [AdAge India](#) | [Eisamay](#) | [IGN India](#) | [NavGujarat Samay](#) | [Times of India](#) | [Samayam Tamil](#) | [Samayam Telugu](#) | [Miss Kyra](#) | [Bombay Times](#) | [Filmipop](#)

Living and Entertainment

[Timescity](#) | [iDiva](#) | [Entertainment](#) | [Zoom](#) | [Healthmeup](#) | [Luxpresso](#) | [Gadget Reviews](#) | [Titanium & Platinum Credit Card](#) | [Online Songs](#) | [MensXP](#) | [Hotels](#) | [Travel Destinations](#) | [Cricbuzz](#) | [Recipes](#) | [Gaana](#) | [Happytrips](#) | [Getsmartapp](#)

Interest Network

[itimes](#)

Hot on the Web

[Economic Survey](#) | [Tax Saving Investments](#) | [Income Tax Slabs](#) | [Aadhaar Card](#) | [How to Save Income Tax](#) | [Budget Session](#) | [Income Tax](#) | [Sensex Today](#) | [Budget](#) | [Sensex](#) | [Income Tax Calculator](#) | [Aadhaar](#)

Services

[Book print ads](#) | [Online shopping](#) | [Matrimonial](#) | [Astrology](#) | [Jobs](#) | [Tech Community](#) | [Property](#) | [Buy car](#) | [Bikes in India](#) | [Free Classifieds](#) | [Send money to India](#) | [Used Cars](#) | [Restaurants in Delhi](#) | [Remit to India](#) | [Buy Mobiles](#) | [Listen Songs](#) | [News](#) | [TimesMobile](#) | [Real Estate Developers](#) | [Restaurant Deals in Delhi](#) | [Car Insurance](#) | [Gadgets Now](#) | [Free Business Listings](#) | [CouponDunia](#) | [Remit2India](#) | [Techradar](#) | [AliveAR](#) | [Getsmartapp App](#) | [ETMoney Finance App](#) | [Feedback](#) | [Auto](#)

In Case You Missed It

[Gold Rate](#)

[What is Bitcoin](#)

[Budget 2018](#)

[Silver Price](#)

[H1B Visa](#)

[Aadhaar Card](#)

Bank FD Rates

Infosys Share Price

Nifty

SBI Share Price

Sensex

Crude Oil Price