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Railways urges banks to waive or cut fee on digital transactions

BY [RAJAT ARORA](#) & [YOGIMA SETH SHARMA](#), ET BUREAU | UPDATED: NOV 30, 2017, 10.46 AM IST

NEW DELHI: The Indian [Railways](#) has urged banks to waive or sharply reduce the charges on digital payments for train tickets.

The national transporter has promised banks more business if they scrap or minimise the charges, called merchant discount rate (MDR), and said the move will encourage digital payments and benefit the banks, travellers and also the railways.

This will help the railways reduce the cost incurred on window bookings of rail tickets and travellers in turn will get cheaper tickets, officials said.

They said the railways wants its tickets business to be completely cashless to reduce the high cost of managing ticket windows. The railways has written to the heads of all major banks asking them to waive the MDR to facilitate digital payments, said a senior government official, who did not wish to be identified.

"The railways has told the banks that if they waive or minimise the charges, the national transporter will use their banking facilities for its deposits and employee salaries in lieu of this," the official said.

Railways minister Piyush Goyal has held several rounds of discussion with State Bank of India chairman Rajnish Kumar on this issue, the official said.

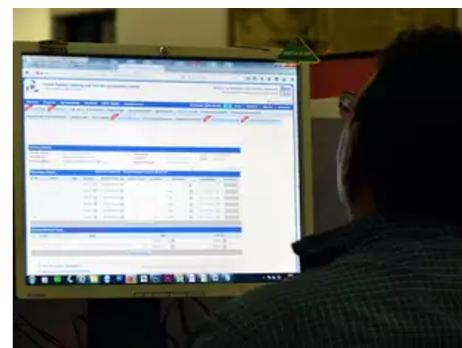
MDR is the rate charged to a merchant by a bank for providing debit and credit card services. It is based on factors such as volume, average ticket price, risk and industry. At present, Indian Railway Catering and Tourism Corporation (IRCTC), which manages catering, tourism and online ticketing operations of the railways, passes on the MDR to consumers.

The charge varies from Rs 10 plus taxes to 1.8% of transactions plus taxes. The charge discourages digital payments at ticket windows, officials said.

Simultaneously, they said, the railways has asked the IRCTC to continue with no service charge policy and to work out a mechanism for its catering business as well to free customers from the burden of paying MDR in such a way that the cost impact is evened out between the banks and the railways.

DIGITAL PAYMENTS INFRASTRUCUTRE

At its end, the railways is installing 15,000 point of sale (POS) machines at reservation counters. There are very few ticket counters at present that provide POS services for debit and credit cards payments. The railways plans to equip all of its 12,000-odd ticket counters with one or more POS machines depending on daily transactions.



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LEVY ON RAIL TICKET

NET BANKING & BHIM/UPI	₹10 plus taxes	CREDIT CARDS	1.8% plus taxes
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DEBIT CARDS

UP TO ₹1,000	0.25% plus taxes
₹1,000-₹2,000	0.5% plus taxes
OVER ₹2,000	1% plus taxes
E-WALLETS	1.8% plus taxes

WHO GAINS WHAT

WHAT BANKS GET
Railways promises more volume, its own business

WHAT'S IN IT FOR CUSTOMERS
Lower ticket price, ease of payment

HOW DOES RAILWAYS GAIN

- Lesser cash handling cost
- Can reduce costly window ticketing

"Managing cash is also a huge task for our staff. It would be beneficial for them as well if we could have enough swipe machines," the official cited earlier said.

In the first phase, counters at all urban centres will be equipped with POS machines.

In places such as Mumbai, where there is a huge sale of monthly passes, the railways plans to have POS machines installed immediately. The Reserve Bank of India had earlier lowered MDR on payments made through debit cards to 0.25% for payment up to Rs 1,000. The MDR for debit card payments, including payments made to the government, are now capped at 0.25% for transactions up to Rs 1,000 and 0.5% between Rs 1,000 and Rs 2,000.

Bigger transactions attract an MDR of 1%. These rates are based on temporary guidelines issued by RBI during the [demonetisation](#) drive from November last year and extended thereafter. As per the draft guidelines for rationalisation of MDR put out by the RBI on February 16, railway ticketing and passenger service transactions would attract a flat fee of Rs 5 for transactions between Rs 1 and Rs 1,000 and Rs 10 for transactions of Rs 1,001-2,000.

Transactions of higher value would be charged a maximum MDR of 0.5%, with a cap of Rs 250 per transaction.

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