

Business Standard

RBI issues e-wallet interoperability advice: How it will alter the industry

Enables money transfer between wallets in first phase, with banks in second and through cards in third; 4-5 wallet players already in a testing phase

Nikhat Hetavkar | Mumbai October 17, 2018 Last Updated at 02:19 IST

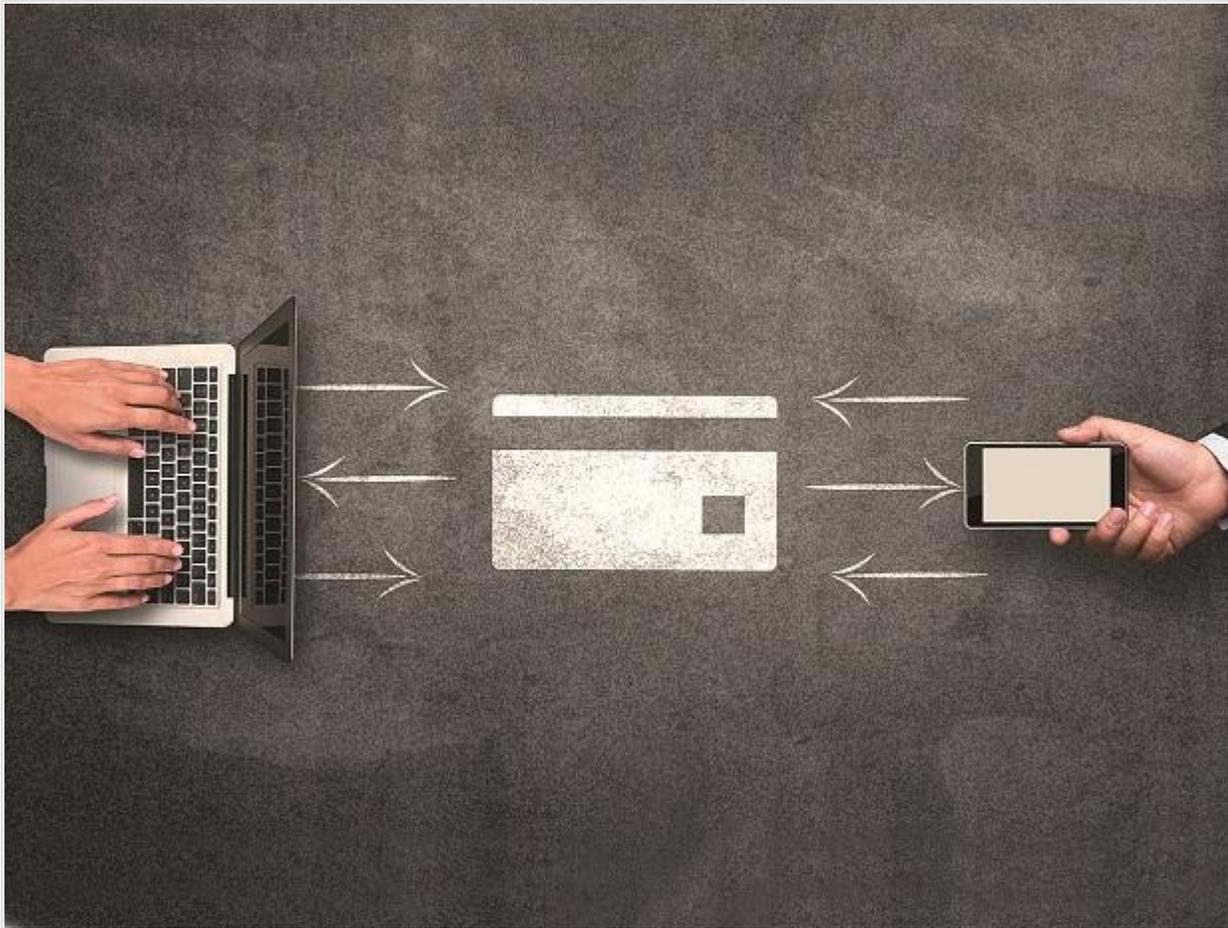
The Reserve Bank of India (RBI), on Tuesday, issued guidelines for interoperability of e-wallets, which will allow transfer of money from one wallet to another.

While the RBI, in its master direction in December 2017, had said it would enable full interoperability, the industry was awaiting the final rules.

Bipin Preet Singh, chief executive officer (CEO) of e-wallet company Mobikwik, said, “Wallets have always been treated as second cousins in the payments ecosystem.

Wallets were previously close-looped ecosystems. You will soon be able to transfer money from Mobikwik to any other wallet or bank. This basic interoperability has brought us on a par with banks,” he added.

He added the wallet company will consult with the RBI and start working towards meeting the interoperability requirements.



Wallet players said the final guidelines will propel the prepaid instruments (PPIs) or wallet industry further. Four to five wallet players are already in a technical testing phase to transfer money between each other, said sources.

Naveen Surya, chairman emeritus of industry body Payments Council of India, said the prepaid industry could easily grow by five times in two to three years due to interoperability.

National Payments Corporation of India's (NPCI's) Unified Payments Interface (UPI) is likely to get a further push with wallet interoperability. A P Hota, former managing director & CEO, NPCI, said, "Wallet interoperability is a much-awaited step in the right direction. A phased approach is necessary for regulated growth of the sector," he added.

The RBI, in its 2017 master direction, had said it would enable full interoperability in three phases. In the first phase, all know-your-customer (KYC)-compliant wallets would be made interoperable with other wallets and then with banks in the second phase, both through UPI.

The final stage of interoperability would allow wallets to issue cards by partnering card networks like Visa, Mastercard, or RuPay without requiring a partner bank. PPI players said this move will boost both wallets and cards, both of which have only seen a modest growth against a rapidly growing digital payments space in the country.

The RBI data showed mobile wallet transactions for August 2018 stood at 340.65 million in volume and Rs 155.73 billion in value versus 325.18 million transactions totalling Rs 152.02 billion in July. This was a rise of 5 per cent in volume and 2 per cent in value.

On the other hand, UPI transaction volume in August jumped by 30 per cent to 405.87 million in volume from the previous month, according to the NPCI data. The value of UPI transactions during the same period grew by 10 per cent to Rs 598.35 billion.

Mobile wallets have seen a rocky path during the year and saw a dip in volume and value in March 2018 as the central bank's strict KYC norms came into place. While wallets bounced back subsequently through cashbacks and numerous retail partnerships, the fierce competition from UPI apps led to numerous players looking at alternative business avenues.

The interoperability guidelines might be a game changer for the payments industry. Akhil Handa, head-fintech and new business initiatives, Bank of Baroda, said the move is highly positive for all players with some negative impact on banks. “Interoperability will bring in new players, which could possibly challenge existing players, including banks,” he added.

A source from the payments industry said allowing wallets direct access to the UPI network could negatively impact the access of banks to the data of wallet users.

Wallet players currently have to partner banks for UPI transactions. “While UPI does not create much revenue for partner banks, it allows banks to view consumer spending habits enabling cross-selling of products,” he added.

This could give further boost to digital commerce at merchants, say experts. “Wallet players have acquired many merchants, especially in tier 2 and tier 3 cities.

There are 10-12 million touch points currently across the country, all of which can soon become interoperable,” said Vivek Belgavi, partner and leader, fintech, PwC India.

DIGITAL PUSH

How wallet interoperability will change the payments game

- Allow transfer from one wallet to another through UPI
- Allow transfer from wallets to a bank also through UPI
- Wallet companies can now issue cards
- Wallets don't need to partner with banks for UPI and card issuance
- Will boost digital payments, improve financial penetration