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Market Watch

Digital payment gains should be used to acquire merchants, says Nirmala Sitharaman

BY ASHWIN MANIKANDAN, ET BUREAU | JAN 13, 2020, 07.39 AM IST

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Mumbai: Finance Minister [Nirmala Sitharaman](#) on Friday told a representation of digital payment industry executives the government would neither amend nor withdraw the zero [merchant discount rate](#) (MDR) policy, nor compensate these companies on losses due to the waiving off the transactional charges in the upcoming budget.

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However, the FM assured the delegation, which included [Paytm](#) CEO [Vijay Shekhar Sharma](#) and PhonePe Founder Sameer Nigam, that the banks would be mandated to continue their investment in acquiring merchants through payment service providers (PSPs) from the capital they save up on account of handling less cash.

The six-member delegation was led by Payment Council of India (PCI) chairman Vishwas Patel and included Ajay Kaushal, director of Billdesk; Loney Antony, vice-chairman, Hitachi Payments; and Gaurav Chopra, the executive director of PCI.

The meeting was also attended by two senior government secretaries.

"While the finance minister appreciated the role played by payment service providers in expanding the acceptance of digital payments, she was very clear that the zero MDR on [RuPay](#) and UPI are here to stay,"

Patel, who is also the director of Infibeam, told ET. "She has assured that, as announced in the budget, the amount saved by banks on handling less cash would have to be used for acquiring business."



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"She said that a directive mandating the banks to use this money to continue issuing RuPay cards and expanding their acquiring business through PSPs would be issued soon," Patel said.

The prebudget meeting on Friday was necessitated after the government waived off MDR for merchants on digital payments made through RuPay debit cards and [Unified Payments Interface](#) (UPI) devices from January 2020.

To be sure, the MDR is the fee accrued by banks and is generally levied from the merchants processing the transactions. The current MDR charges are capped at 0.6% of cardbased transactions for payments over Rs 2,000. The costs of MDR below Rs 2,000 for banks was till last year borne by the Ministry of Electronics and Information Technology (MeitY).

The policy to waive off MDR was first announced during Sitharaman's first budget in July last year, A notification issued by Department of Revenue on 30 December brought about a zero MDR regime, effectively removing all charges paid by merchants, and sometimes the customers, on payments made through RuPay and UPI devices.

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