

SBI, NPCI seek 'Visa power' for RuPay cards

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ET Bureau | Jan 4, 2020, 06.48 AM IST

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MUMBAI | NEW DELHI: State Bank of India and the National Payments Corporation of India (NPCI) have sought parity for the RuPay debit card with the likes of Visa and Mastercard on waiver of processing charge, claiming that otherwise it would put them in a disadvantageous position.

SBI and other state-run banks are the main issuers of the RuPay card and their worry is that the government decision to scrap the processing charge on transactions with the card would cause them a revenue loss. According to NPCI, this would disincentivise banks to issue RuPay cards and they would instead prefer international rivals of the home-grown payment gateway.

NPCI, in recent letters to officials in the finance ministry and the cabinet secretary, has asked the government to keep RuPay out of the zero-merchant discount rate (MDR) scheme. On UPI transactions, which too have been made cost free for merchants processing digital payments from January 1, it asked the government to devise a mechanism to compensate banks for the revenue lost. If the government were to compensate for the revenue loss on both RuPay and UPI, the support could be about Rs 2,000 crore for FY21, NPCI estimates.

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Referring to the December 30 notification making RuPay and UPI zero-cost, NPCI said in a letter addressed to the cabinet secretary that it put the homegrown instruments in “serious disadvantage compared to International Card Schemes (ICS) as banks (especially, private sector that constitute 50% of the market share) will prefer issuance of ICS over RuPay”. “We also envisage impact on new merchant onboarding and players may discourage UPI and RuPay as payment options,” it added.

SBI, in a letter to the Department of Financial Services, has asked the government to widen the scope of MDR waiver to all card networks, including Visa and Mastercard, while extending state-sponsored subsidies for the deployment of the payment infrastructure in remote localities.

“The PSBs which are the largest issuers of RuPay cards will be put in a disadvantageous position resulting in sizeable loss to them.

Any changes in MDR waiver should be extended to all networks, viz - RuPay, Visa & MasterCard to ensure a level playing field,” SBI said in its December 28 letter, addressed to the revenue secretary. SBI and NPCI did not respond to emails seeking comment until press time Friday.

The government is watching the unfolding situation in the light of feedback from the stakeholders, officials with direct knowledge of the matter told ET. It is looking at industry-wide MDR waiver and devising a mechanism to reimburse banks and payment companies for losses incurred while processing transactions, they said.

The government is also considering setting up an Acceptance Development Fund, in line with the Reserve Bank of India's Committee of Deepening of Digital Payments recommendation, wherein a pooled regulatory fund would be used to incentivise the growth of payment infrastructure in rural India, one of the officials said.

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 card-based transactions for payments over Rs 2,000. The costs of MDR below Rs 2,000 for banks are borne by the Ministry of Electronics and Information Technology (MeitY).

Long-standing projects such as the National Common Mobility Cards, RuPay credit cards and RuPay globalisation could also be impacted if the government doesn't provide any relief, NPCI said in another letter addressed to the secretaries at the finance ministry, economic affairs department, MeitY, as well as an RBI executive director.

As per the latest RBI data, in October, RuPay cards contributed 33% to volume and 28% to value of the overall 131 crore transactions worth Rs 3.8 lakh crore that happened through debit cards. UPI transactions in December totalled nearly 131 crore, worth Rs 2 lakh crore.

Since the announcement to waive MDR, ET reported that several banks and payment companies had made representations to the finance ministry, warning the government of the possible impediments a complete waiver of MDR could have towards India's dream of becoming a less-cash, digital economy.

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