

# RBI panel recommends incentives to increase popularity of QR code transactions

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The Centre and the Reserve Bank of India (RBI) should allow a lower, controlled interchange fee instead of zero Merchant Discount Rate (MDR) on Quick Response (QR) code, Unified Payments Interface (UPI) and RuPay debit card transactions, according to a RBI panel.

The ‘Committee for Analysis of QR Code’ also recommended that tax incentives be given to merchants who accept payments through electronic mode. Further, the government should provide incentive schemes to ensure popularity of QR code transactions among consumers in the country.

The six-member committee was headed by DB Pathak, Professor Emeritus, IIT-Bombay.

Interchange fees are transaction fees paid by the acquirer (merchant’s) bank to the card issuer bank for promoting payment through cards. MDR is the commission charged by the acquirer bank to the merchant.

## Discounts and subsidies

The panel emphasised that to promote positive attitudes towards QR code payment, advertising and promotion are important factors. There is a need for significant investment and marketing activities to establish a lot of use cases.

A large number of discounts and subsidies in a wider payment environment can cultivate user habits, it added.

While QR codes can be great marketing tools for business and a convenient way of payment, a huge drawback is the lack of pay-off for consumers when scanning a code.

“There is often too little incentive to scan a QR code compared with other modes of digital transactions. Incentives will engage more customers and help increase the popularity of QR code transactions in the country,” the committee said.

The panel observed that generic names such as ‘verified merchant’ or ‘merchant’ make it difficult to build trust in the system, and result in poor consumer and merchant experience. Hence, P2M (person to merchant) QR scans should provide meaningful, user-friendly names.

## Interoperable QR codes

The panel suggested that there should be a clear plan to phase out proprietary, closed-loop QR codes in favour of open, interoperable standards.

Considering the scale of the country, multiple interoperable QR codes should drive the acceptance infrastructure in coming years.

The committee opined that the RBI should encourage multiple interoperable QR codes like Bharat QR and UPI QR to enable faster on-boarding of all types of merchants to digital payments.

It cautioned that a common QR code or a single QR across all payment instruments will create greater concentration risk.

When it comes to innovation, the committee observed that standardisation of apps (banks and non-banks) and network (common) QR branding needs to be assessed to deliver a consistent and seamless experience for customers.

Consumer-presented offline QR code can be explored for low-value payments such as transit and ticketing. This will help enable various use cases.

The committee felt that QR code-enabled apps can explore additional features such as 'Save QR', 'Invoice relay through Dynamic QR' and 'Setting up eMandate' for recurring payments.

The regulator may accept the existing bank account as a valid KYC for faster merchant on-boarding.

## Multiple UPI IDs

Permission for multiple UPI IDs for a single recipient will help enhance customer experience. In the event of failure to use a UPI ID, an alternative UPI can be used by the customer. This will further increase customer confidence in QR payments

The committee recommended that on-boarding of micro merchants under Bharat QR (similar to P2PM category) can be permitted (merchant with up to ₹1-lakh monthly credits).

Participation of non-banks and fintechs can be explored to increase penetration of Bharat QR, it added.

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