

BUDGET 2019: VISA, MASTERCARD BRACE FOR SERIOUS BLOW AFTER SITHARAMAN'S E-PAYMENT PUSH

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

MUMBAI: The government's move to do away with bank charges on electronic payments for businesses with an annual turnover of Rs 50 crore could hit [Mastercard](#) and [Visa](#) hard as merchants will now find it more profitable to accept UPI and other local e-payments.

Large retailers (with a turnover of over Rs 50 crore) are the mainstay of retail credit card transactions. These retailers have been paying fees by way of merchant discount rate (MDR) of close to 2%.

The finance minister [Nirmala Sitharaman](#) in her budget said that it would be mandatory for such large companies to provide their customers with low-cost electronic payment options. These include Bhim UPI (unified payments interface), UPI-QR Code, Aadhaar Pay, certain debit cards, NEFT (national electronic funds transfer), and RTGS (real time gross settlement).

The budget also ensures that the customer does not pay a fee for using any of these channels and the charges are borne by banks and the RBI.

This means that the business now has an electronic payment channel that will improve its margin by 2%.

The new section, 269SU, of the Income-tax Act requiring large businesses to provide a facility for acceptance of payment through electronic modes will come into effect later this year from November 1, 2019.

"The move will lead to an increase in the UPI-based to onboard them by the likes of PhonePe, Paytm and Google Pay. RBI wants these companies to deploy BharatQR, which can be accessed by any bank customer.

According to Anand Ramachandran, CFO, Ingenico ePayments India, the two moves - no MDR for businesses above Rs 50 crore turnover and 2% tax deduction on cash withdrawals over Rs 1 crore per annum are a further nudge to industry to lower the entry barrier to digital payments.

"The proposal to set up a payment platform for MSMEs for online presentation and payment of invoices will not only help cash flow but also give a huge boost to digital payments, as the entire supply chain will now be incentivised to go digital. Also, the platform opens up possibilities for accessing lower cost funding," Ramachandran added.

Change on the cards?

payments from customers to merchants and this might probably lead to some migration from cards to merchants, which could in the long term impact card volumes and influence behavioural change of merchants towards UPI," said Rajeev Agarwal, founder of Innovity Payments, a firm that sets up payment infrastructure for retail.

The choice of words 'certain debit cards' in the speech has led many to believe that the government might be seeking to differentiate between Rupay and other payment cards like Visa and Mastercard.

Payment operators are upset that there is no incentive for payment companies providing acceptance infrastructure. Some players feel that the government may have chosen to ignore the small businesses given that there is a lot of competition.

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