

RUPAY: HOW A SIX-YEAR-OLD CARD GAVE THE SCARE TO GLOBAL BIGGIES SUCH AS VISA AND MASTERCARD

Relevant for: Indian Economy | Topic: Inclusive growth, Inclusion and Poverty

NEW DELHI: [Mastercard](#) recently complained to the Office of the United States Trade Representative that Indian government associated the use of [RuPay](#) cards with nationalism, claiming it serves as kind of national service. Mastercard complained that the Indian government had adopted a series of protectionist measures to the detriment of global companies.

Why are global leaders with market dominance, technological superiority and decades of experience are scared of a six-year-old sarkari project?

Slowly and steadily, RuPay card has been expanding in the Indian market, riding on the back of the government. Thanks to PM Modi's policy of [financial inclusion](#), RuPay has made quick inroads into the hinterland.

At the Delhi Economics Conclave in 2015, Modi had spoken about emergence of RuPay cards as an alternative to the otherwise duopolistic industry dominated by Visa and Mastercard. "Thanks to RuPay cards, we introduced healthy competition in the debit and [credit card](#) space traditionally dominated by a few international players," he had said. India's total debit-card volume is 925 million, according to Reserve Bank of India (RBI) data. RuPay claims to power over 500 million cards issued by nearly 1,100 banks — giving it more than 50% share in the country's debit-card market by volume, beating the much older duo of Visa and Mastercard. In 2013, RuPay's market share was just 0.6 per cent.

In 2009, the RBI had asked the Indian Banks Association to launch a not-for-profit company and design a rival card, then tentatively called India Card, that met the requirements of the domestic banks. The card was launched in 2012. A big boost for RuPay came when the government prescribed the issuance of RuPay cards to every account holder who opened the account under the Prime Minister Jan Dhan Yojana launched in 2014.

RuPay card usage at point-of-sales devices has [jumped](#) 135% to 459 million transactions in financial year 2017-18 as against 195 million last year. The number of RuPay cards in circulation also grew, having reached 494 million in financial year 2018 up 35% against 365 million in the previous year. RuPay card usage at ecommerce websites jumped 137% to reach 208 million transactions in financial year 2018 against just 87.5 million in 2017. In terms of value of payments, the transactions stood at Rs 16,600 crore against Rs 5,934 crore the year before, a jump of 180%.

"We (RuPay cards) are already the No. 1 scheme in the number of cards issued. This year, we will become No. 2 scheme on value and volume done on PoS machines and ecommerce. So we will not be number 3 anymore behind Visa and Mastercard. We will pip one of them to become number 2. I don't see a reason why we should not be Number 1 in couple of years, in both value and volume," Dilip Asbe, chief executive at National Payments Corporation of India (NPCI), which runs RuPay, said in April.

PM Modi's drive for a less-cash economy in the wake of demonetisation has promoted RuPay card in the interiors of the country where paying with a card was a big novelty just five years ago. Finance Minister [Arun Jaitley](#) said recently that RuPay's total transactions had increased to

Rs. 8,430 crore (\$1.16 billion) as of September 2018 from Rs. 1,100 crore before demonetisation.

Consistent government efforts through banks and special offers will further expand the reach of RuPay. For example, in August the GST Council allowed incentivising digital payments through RuPay card by way of cashbacks. Customers making payments using RuPay card or BHIM UPI will get a cashback of 20 per cent of the total GST amount, subject to a maximum of Rs 100.

However, the biggest weapon that helped RuPay conquer a big chunk of the market was its flat fee. According to an ET Prime report that cited sources in the banking industry, for every RuPay-based transaction, NPCI charges a flat 60 paise for acquiring and 30 paise for issuing. For instance, if a customer with a RuPay card issued by Bank A pays through Bank B's PoS terminal, as the acquirer, Bank B will pay 60 paise to NPCI and, as the issuer, Bank A will pay 30 paise. This is a tiny fraction of Visa and Mastercard's merchant-discount rate, which is calculated as a percentage of the actual transaction amount.

The challenge RuPay faces is its limited reach in the premium segment. Its user base is still dominated by rural users. Nearly half of the RuPay cards have been issued to Jan Dhan account holders. So half of the RuPay users would be in low-income people who have recently been included in the formal banking system. Another challenge is the international acceptance. While the government is trying to turn RuPay into an international card, yet it may take a long time to match the acceptance level of Mastercard and Visa.

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