



DIGITAL PAYMENT INDUSTRY IN INDIA



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RECENT DEVELOPMENTS IN THE DIGITAL PAYMENTS SYSTEMS



Welcome to WhatsApp Payments



Immediate bank to bank
transfer with UPI

Tap 'Agree' to accept the WhatsApp Payments
Terms and Privacy Policy and Bank's Terms
and Privacy Policy

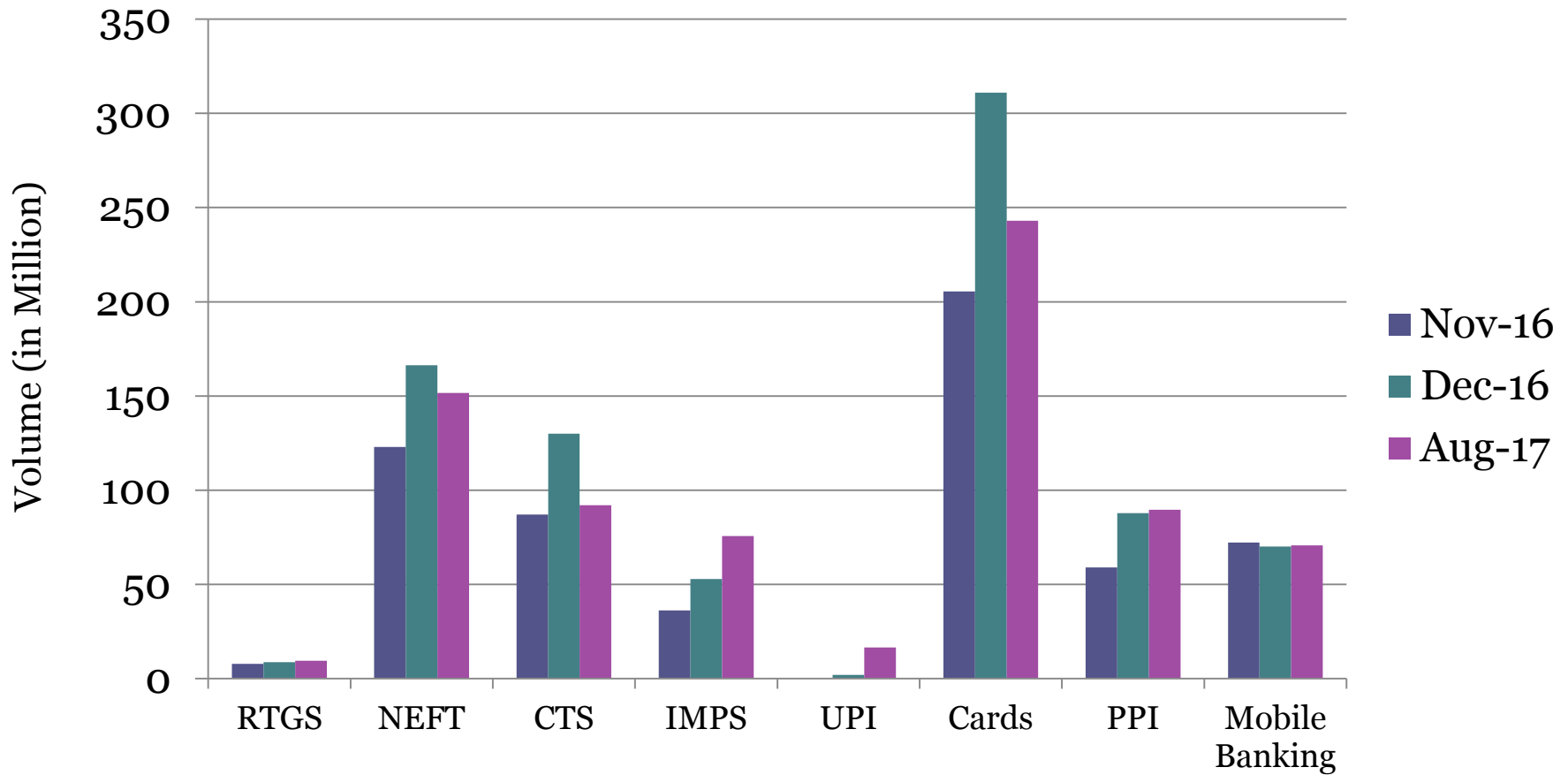


DIFFERENT METHODS OF PAYMENTS IN INDIA

- **CASH**
 - Money in the form of coins or banknotes
- **ELECTRONIC/ DIGITAL MEANS**
 - NACH – National Automated Clearing House
 - RTGS – Real Time Gross Settlement
 - CTS – Cheque Truncation System
 - NEFT – National Electronic Fund Transfer
 - IMPS – Immediate Payment System
 - UPI – Unified Payments Interface
 - USSD – Unstructured Supplementary Service Data
 - POS – Point of Sale (Credit/ Debit Card and QR Code)
 - PPI – Prepaid Payment Instrument



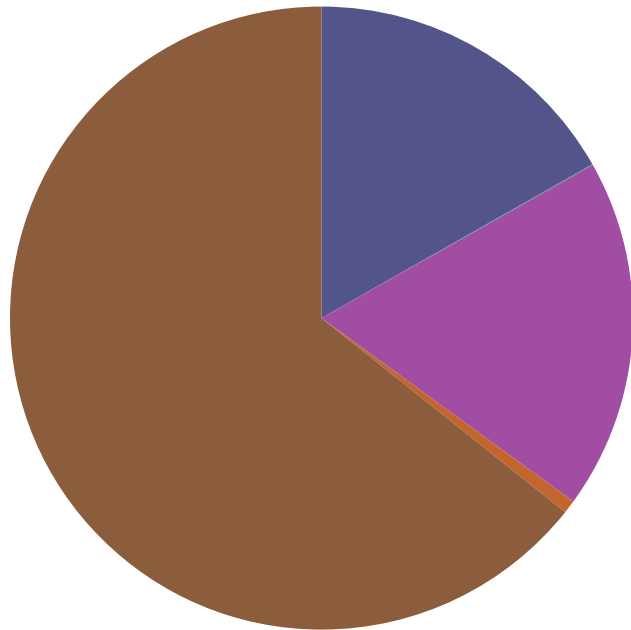
DIGITAL PAYMENTS IN INDIA- DATA





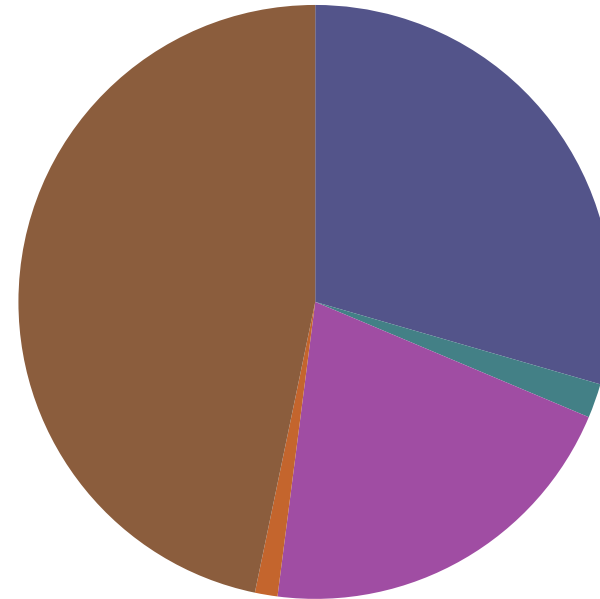
DIGITAL PAYMENTS IN INDIA- DATA

Nov-16



- IMPS
- UPI
- Cards
- PPI
- Mobile Banking

Aug-17



- IMPS
- UPI
- Cards
- PPI
- Mobile Banking

Value of transactions



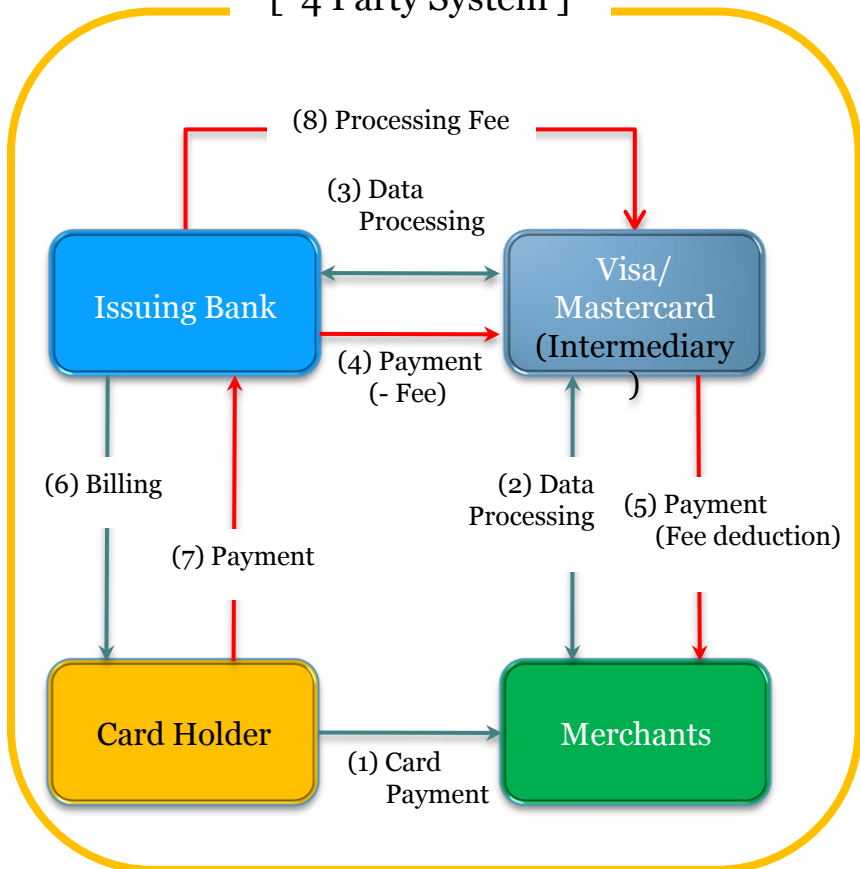
DIGITAL PAYMENTS IN INDIA- DATA

- Pre-demonetization vs Post-demonetization
 - Definite increase in use of certain modes of digital payment.
- Trend from November 2016 till date
 - Sharp increase in months immediately following Demonetization (especially for POS transactions).
 - UPI introduced.
 - Heavy reliance on Card Payments.



CARD PAYMENT SYSTEM

[4 Party System]



- (1) Customer uses Card to make payment.
- (2) Data Processing (Third Party)
- (3) Data Processing (Third Party)

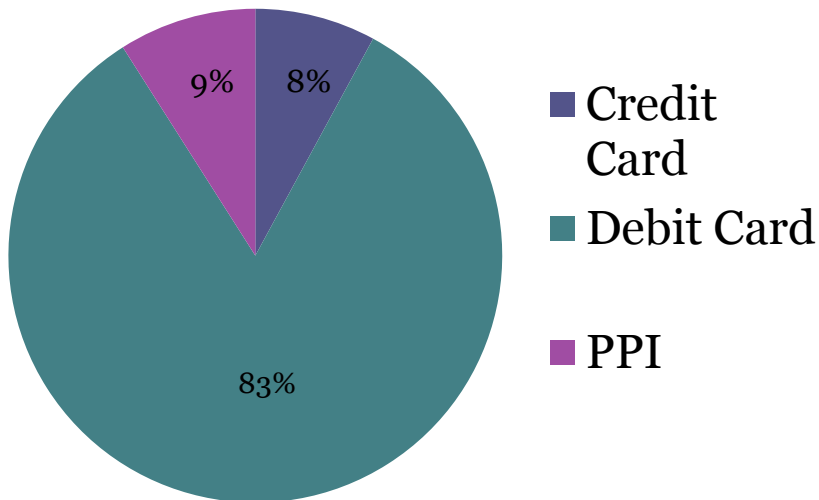


- (4) Bank releases payment, along with fee
- (5) Intermediary forwards payment to merchant
- (6) Bank bills the Customer
- (7) Customer pays the Bank
- (8) Processing Fee levied by Intermediary upon Bank



CARD PAYMENT SYSTEM

2015-16



Volume (number of transactions)

Merchant Discount Rate (MDR)

- The amount levied by Banks upon merchants for use of payment machines/systems.

Credit Cards:

- No cap, as per RBI.
- Banks charge between 0-2%, depending on the Card.

Debit Cards:

- 0.25% upto Rs. 1,000/-.
- 0.50% upto Rs. 2,000/-.
- 0.75% beyond Rs. 2,000/-.

Proposal:

- 0.30% for Digital POS; 0.40% for Physical POS-small/ special merchants.
- 0.85% for Digital POS; 0.95% for Physical POS-other merchants.



RETAIL PAYMENT SYSTEMS IN INDIA

- **National Payments Corporation of India**
 - Umbrella organization for all retail payments system.
 - Support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA).
 - State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank and HSBC.
- **RuPay**
 - Domestic Debit and Credit Card payment network.
 - Parallel to Visa and Mastercard.
 - 43% Debit Cards; 18% Volume.





NEW TYPES OF BANKING LICENCES

- Universal Bank
- Payments Bank
- Small Finance Bank
- Wholesale Bank*
- Custodian Bank*



paytm

airtel payments **bank**



ICICI Bank
Mobile Money



CURRENT TRENDS IN INDIAN SOCIETY

- Consumer Behavior
 - Low acceptance of QR code system of payment
 - Reliance on Cash increasing again
 - Debit Cards preferred over Credit Cards
- Lack of awareness regarding new systems
- Industry Issues
 - Number of POS machines/available technology does not match the needs of society and vision of Government
 - High costs involved; Multiple systems/devices
- Trust/ Security issues



FUTURE/ EXPECTED TRENDS

- **Biometric-based payment system**
 - Unification of systems through Adhaar Card.
 - Open Bank account using Bio-metric information; payment and verification through biometrics.
- **Bitcoins**
 - Virtual Currency.
 - Not yet reregulated in India; SEBI Meeting dated 19.09.2017; CFRT formed to consider regulation
 - Issues of money laundering.



LEGAL FRAMEWORK

Legislature

- Reserve Bank of India Act, 1934
 - Second Schedule
- Banking Regulation Act, 1949
- Payment and Settlement Systems Act, 2007
- Information Technology Act, 2000

Judiciary

- Justice KS Puttaswamy v. Union of India [W.P. (C) No. 494 of 2012]
(24.08.2017- 9 Judge Bench)
 - Right to be left alone
 - Not surrendered merely because individual is in public space
 - Legality; Need; Proportionality/ Rational Nexus
- Dilipkumar Tulsidas Shah v. Union of India [W.P. (C) No. 97 of 2013]
(24.03.2015- 2 Judge Bench)



CHALLENGES FOR LAWYERS

- **Start-up Support**
 - Advisory support
 - Documentation, etc.
- **Commercial Transactions**
 - Contracts, etc. with Banks, intermediaries, etc.
- **New type of Consumer Litigation**
 - Multi-party litigation
- **Cyber Security**
 - Justice BN Srikrishna Committee for Data Protection Framework
 - CERT-In: National Nodal Agency for Cyber Security
- **Right to Privacy**
 - Implications of the Constitution Bench decision

THANK YOU

Floor opened for discussions

For any further queries, kindly contact:
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