

Wary of Losing Out, MasterCard & Visa Lobby Govt



Visa and MasterCard are said to be lobbying the government to make sure they don't lose out amid India's digital payments push, which is being forged through homegrown applications like UPI, BHIM and now Aadhaar Pay, report **Kirtika Suneja, Surabhi Agarwal & Yogima Seth Sharma**. ►► **PAGE 7**

Card Cos Lobby to Ensure they don't Lose Out to Homegrown Apps

Cheaper options from UPI, BHIM, Aadhaar Pay worry Visa, MasterCard

Kirtika Suneja, Surabhi Agarwal & Yogima Seth Sharma

Visa and MasterCard are said to be lobbying the government to make sure that they don't lose out amid India's digital payments push, which is being forged through homegrown applications such as the Unified Payment Interface (UPI), Bharat Interface for Money (BHIM) and now Aadhaar Pay, also known as the BHIM-Aadhaar interface.

The card companies are highlighting avenues such as QR codes and contactless payments as part of a bouquet of options to stay relevant in a cashless economy apart from the traditional avenues such as debit and credit cards. The government wants to reduce the use of cash to help track all transactions, ensure taxes are paid and root out black money.

At stake for the card companies is a business worth ₹ 6,000 crore with significant growth potential, given that only 5% of India is cashless. Prime Minister Narendra Modi launched Aadhaar Pay, supported by 27 banks and 715,000 merchants, on Friday. BHIM was launched in December last year, weeks after demonetisation was announced on November 8 and has already registered 19 million downloads.

Top government officials across central ministries told ET that the card companies are concerned about missing potential business, especially because of the Aadhaar Enabled Payment System (AEPS), given that the unique ID covers close to 99% of the adult population and over 40 crore bank accounts are already linked to Aadhaar. The biometric-based system will allow the authentication of payments through fingerprint readers, for instance, cutting out the card companies completely.

Senior executives of the card companies have in the last two months been making their case to departments, including the Niti Aayog and the finance ministry, meeting ministers and top bureaucrats.

It's not clear whether they've been getting a sympathetic hearing.

"We are not in the process of protecting the revenue of private players," said a senior Niti Aayog official. "The government will continue to provide alternate and cheaper options to end users to enable them to board our digital payment drive."

Niti Aayog CEO Amitabh Kant has repeatedly said cards and ATMs could become obsolete over the next few years as state-backed systems become operational and gain ground. "Credit cards, debit cards and ATMs will disappear," he said as recently as April 1.

Visa and MasterCard however said they fully support the government's digitisation drive and don't seem to be too perturbed.

MasterCard said it's held discussions with the government on expanding the payments ecosystem. "We don't see it as a loss of business. There is enough opportunity for multiple players. Otherwise you wouldn't have had more banks in the ecosystem or wallet operators or payment solutions," said Porush Singh, divisional president for MasterCard in South Asia. "We haven't seen it yet (possible impact), but yes if the consumer finds it more relevant, then we will have to start evaluating."

Visa too is focused on expanding the market, said TR Ramachandran, group country manager, India and South Asia.

"It's important to remember the payments industry in India is not a market share game—it is about growing the market and displacing cash," he said. "We will continue working with the government, our clients and merchants



Prime Minister Narendra Modi formally launches the Aadhaar-linked Bharat Interface for Money (BHIM) on Friday. TNN

to expand access to electronic payments in support of India's drive to a less-cash society."

The two are technologically upgrading besides seeking alliances with the government on its nationwide digital programmes. Recent launches in which Visa was involved include Samsung Pay, QR code payment solutions such as BharatQR and mVisa, and Visa pay-Wave contactless payment technology. The Airtel payments bank run on the MasterCard processing platform. It is also betting big on the BharatQR system and the company says more innovations are in the works.

Card payment gateways such as MasterCard, Visa or RuPay get a transaction fee each time a person transacts through them. They are excluded from payments made through BHIM and Aadhaar Pay.

"Aadhaar Pay will be like India's own solution to the cashless economy," said an official closely involved with the system. "Lots of players such as Visa, MasterCard are shaken up and there is a big war going on. But the government is very clear and wants to just bulldoze ahead with it."

The government estimates that digital transactions will rise to ₹ 90 lakh crore from ₹ 6 lakh crore and the card companies don't want to miss out. "Card companies get 1% commission which is around ₹ 6,000 crore market for the likes of Visa, MasterCard and RuPay," a government official said. "Since UPI, BHIM and Aadhaar Pay don't give this commission to them, they think it's a big loss to them of the potential business."

Amrith Rau, CEO of PayU India, one of the largest payment firms in the country, is impressed by the opportunity UPI and Aadhaar Pay offer to new entrants. "Government-backed Aadhaar Pay, UPI and some of the faster transaction models will overtake VISA, MasterCard," he predicted.

Visa and MasterCard dominate the Indian card market. "These players are facing existential crisis. Hence, they want clarity on the stability of their business," said an expert.

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