

12.02.2019

To,

Shri Nandan Nilekani,
Hon'ble Chairman,
Committee on Deepening of Digital Payments,
Reserve Bank of India (RBI)

Subject: RAI Suggestions/recommendations to enhance digital payments and enhance financial inclusion through digitization.

Hon'ble Chairman,

Greetings from Retailers Association of India (RAI)!

At the outset, we would like to thank you for giving us the opportunity to interact with the Committee for Deepening of Digital Payments and to put forth our concerns and suggestions which would encourage digital payments.

Retailers Association of India (RAI) is the apex body of retailers in India that works with all the stakeholders for creating the right environment for growth of modern retail industry in India. As the unified voice of Indian retailers, RAI encourages, develops, facilitates and supports retailers to modernize and adopt best practices to delight customers. RAI represents members who operate more 5,00,000 stores throughout India.

Our submission to promote digital transactions is as under:

- **Merchant discount rate (MDR)**

RAI Submission: MDR is a transaction charge levied for facilitating digital transactions, which is seen as a hurdle in the way of digital payments. Currently the Banks charge as high as 1.5%-2.5% MDR for credit cards. Last year the Government of India had decided to bear the MDR amount and reimburse Banks for debit card transactions below ₹2,000, starting January 1, 2019, for two years. There are multiple options for payment from saving account i.e. UPI, BHIM, Net banking, Bharat QR, TM cheque and debit cards which, if promoted, can help in bringing down the overall transaction costs.

RAI Recommendations:

1. UPI is a banking transaction like RTGS/NEFT and IMPS, however, the charges levied are linked to Debit card pricing. The transaction cost of UPI / BHIM should be at par with Net Banking as in both cases transaction processing design is the same. **A nominal flat fee structure for UPI, which may be collected from payee (unlike RTGS/NEFT where the charges are borne by the payer) is recommended.**

RAI National Council

Avijit Mitra,
Infiniti Retail Ltd. (Croma)

B A Kodandarama Setty,
Vivek Ltd.

B S Nagesh,
Shoppers Stop Ltd.

Bhaskar Bhat,
Titan Industries Ltd

Deepak Aswani,
My Kingdom

J Suresh,
Arvind Lifestyle Brands Ltd.

Jamshed Daboo,
Trent Hypermarket Ltd

Kishore Biyani, Future
Group

Krish Iyer, Walmart India

Lalit Agarwal,
V-Mart Retail Ltd.

Neville Noronha, Avenue
Supermarts Ltd (D-Mart)

Noel Tata, Trent Ltd.

Pranab Barua,
Aditya Birla Retail Ltd.

Rafique Malik,
Metro Shoes Ltd

Rahul Mehta, CMAI

Rakesh Biyani,
Future Retail Ltd.

Shashwat Goenka,
Spencer's Retail Ltd

Suhail Sattar,
Hasbro Clothing (P) Ltd

Vasanth Kumar,
Lifestyle International
Pvt. Ltd.

Vinay Nadkarni,
Globus Stores Pvt. Ltd.

2. On Debit Card transactions exceeding Rs. 2,000, **MDR should be @ 0.20% with capping at Rs 20/- per transaction** (whichever is lower). It is equivalent to alternative payment modes like Cash, ATM transaction, Net Banking, Cheque and pay order etc.
3. In line with the ceiling rates on Debit cards, **maximum rate of 1% is recommended on all credit card transactions below Rs 2000**. Multiple rates of MDR based on the type of Credit Cards should also be standardized. Banks charge premium cards with premium MDR from the merchant which is not a fair practice.
4. UPI is a workable alternative to card transactions, however this Mode of payment is currently having low success ratio and reconciliation issues for Merchants which needs to be addressed before Merchants can start adopting this.

- **Good & Service Tax (GST)**

RAI Submission: There is a strong need to exempt GST on MDR and to incentivize Digital Transactions.

RAI Recommendation:

1. GST on MDR Charges should be exempted since this is not a charge on end users. Furthermore, there would be no revenue loss to the Government as merchants get input credit on the same. Abolition of GST on MDR will simplify the process and reduce the cost for small merchants.
2. The benefits in terms of credit or exemption could be provided within Central and State GST to encourage such Digital transactions. A merchant could, for instance, get credit for digital payments that can be adjusted against GST liabilities. Consumers, on the other hand, could be incentivized through lower tax when payments are made digitally. Currently, such an exemption is not attractive enough.
3. More built-in incentives in the tax structure would help in making digital transactions more acceptable to customers and merchants as the benefit is visible immediately.

- **Retention of Charge Slip**

RAI Submission: As per existing policy, a merchant is required to retain charge slip for 18 months. We recommend that this practice should be stopped. Nowadays all transactions are processed with OTP / PIN number, the authentication and retaining of charge slip is not relevant.

RAI National Council

Avijit Mitra,
Infiniti Retail Ltd. (Croma)

B A Kodandarama Setty,
Vivek Ltd.

B S Nagesh,
Shoppers Stop Ltd.

Bhaskar Bhat,
Titan Industries Ltd

Deepak Aswani,
My Kingdom

J Suresh,
Arvind Lifestyle Brands Ltd.

Jamshed Daboo,
Trent Hypermarket Ltd

Kishore Biyani, Future
Group

Krish Iyer, Walmart India

Lalit Agarwal,
V-Mart Retail Ltd.

Neville Noronha, Avenue
Supermarts Ltd (D-Mart)

Noel Tata, Trent Ltd.

Pranab Barua,
Aditya Birla Retail Ltd.

Rafique Malik,
Metro Shoes Ltd

Rahul Mehta, CMAI

Rakesh Biyani,
Future Retail Ltd.

Shashwat Goenka,
Spencer's Retail Ltd

Suhail Sattar,
Hasbro Clothing (P) Ltd

Vasanth Kumar,
Lifestyle International
Pvt. Ltd.

Vinay Nadkarni,
Globus Stores Pvt. Ltd.

RAI Recommendation: The requirement of retaining the Charge Slip should be abolished.

- **Customers Refund**

RAI Submission: It is observed that many times the bank takes more than a month to process the refund to customers which should be ideally be done instantly or within 72 hours. Sometimes, delay occurs due to different processes and standards followed by the network companies. This is seen as a hurdle in the way of digital payments because it discourage customer to use digital mode of payment.

RAI Recommendation: The Government should prescribe the maximum time period allowed for banks to process the refund. This would definitely encourage the customers to adopt to the digital mode of payment, thus increasing the digital transactions.

- **Net Banking Charges**

RAI Submission: The net banking charges levied by banks are very high. Some banks charge as high as 1.5%. Apparently there is no reason for such a high cost on those transactions.

RAI Recommendation: We recommend reduction of Net Banking Charges.

- **Cost of EMI on Retail Transactions**

RAI Submission: EMIs have proved to be a very effective method to encourage customers to use the digital mode of payment. However, owing to high EMI costs, customers may not always want to go for EMIs.

RAI Recommendation: Reasonable EMI costs can boost the digital transactions.

We believe the above recommendations would surely bear fruitful results in both, supporting the retail industry as well as taking forth the Governments objective of Digital India.

Regards,



Gautam Jain,
Director – Finance & Advocacy,
Retailers Association of India.

RAI National Council

Avijit Mitra,
Infiniti Retail Ltd. (Croma)

B A Kodandarama Setty,
Vivek Ltd.

B S Nagesh,
Shoppers Stop Ltd.

Bhaskar Bhat,
Titan Industries Ltd

Deepak Aswani,
My Kingdom

J Suresh,
Arvind Lifestyle Brands Ltd.

Jamshed Daboo,
Trent Hypermarket Ltd

Kishore Biyani, Future
Group

Krish Iyer, Walmart India

Lalit Agarwal,
V-Mart Retail Ltd.

Neville Noronha, Avenue
Supermarts Ltd (D-Mart)

Noel Tata, Trent Ltd.

Pranab Barua,
Aditya Birla Retail Ltd.

Rafique Malik,
Metro Shoes Ltd

Rahul Mehta, CMAI

Rakesh Biyani,
Future Retail Ltd.

Shashwat Goenka,
Spencer's Retail Ltd

Suhail Sattar,
Hasbro Clothing (P) Ltd

Vasanth Kumar,
Lifestyle International
Pvt. Ltd.

Vinay Nadkarni,
Globus Stores Pvt. Ltd.