

RuPay 

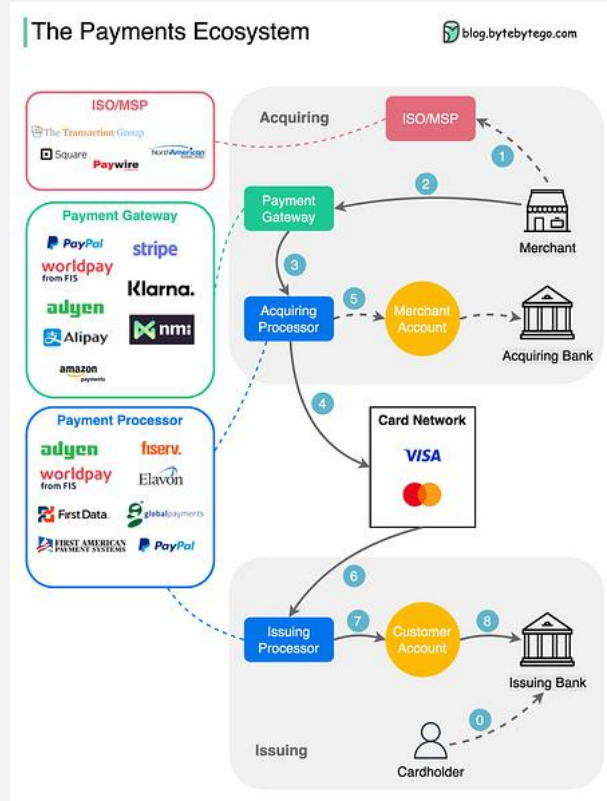
**Business Case Study
of
RUPAY, THE INDIAN REVOLUTION**

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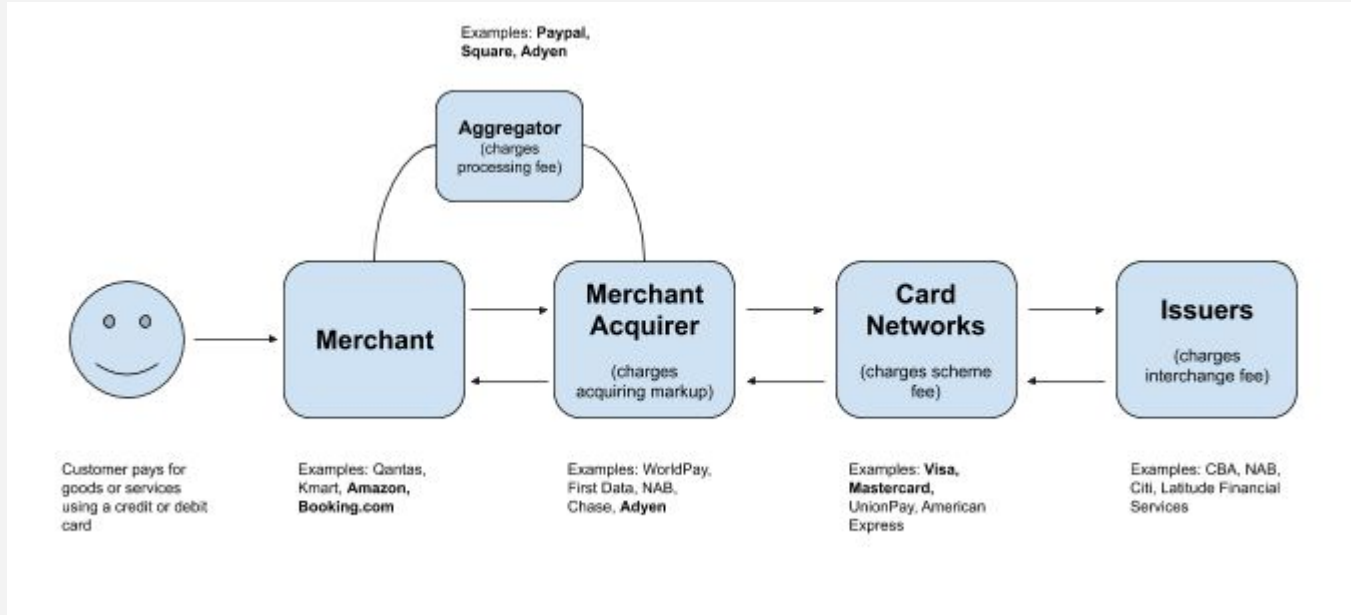
Rupay as a Brand

- 2013 → only 0.6% of all cards.
- 2017 → Surpassed visa with 375 million transactions.
- 2020 → 60% Indian card market.

Payment ecosystem to Carry out Transaction



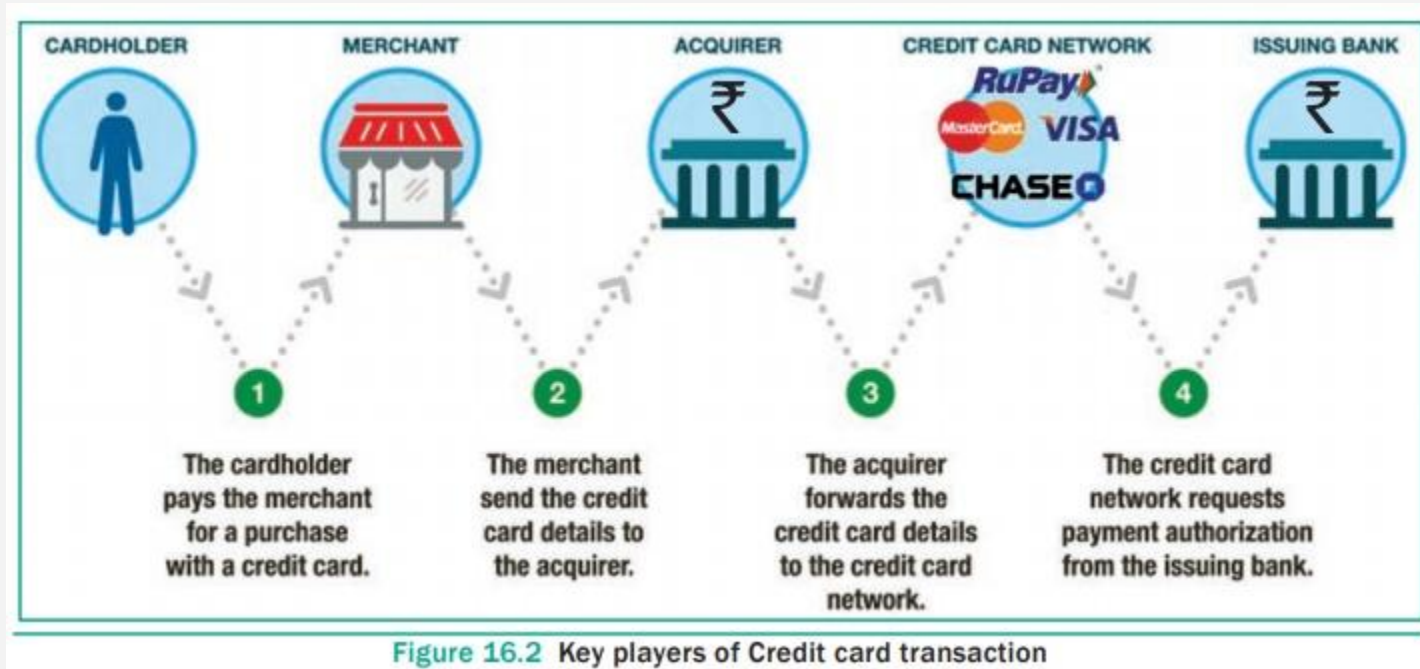
Payment ecosystem to Carry out Transaction



Merchant Discount Rate

- Issuing bank + visa = $(1 - 3)\%$ → MDR
- Debit card → Instead of credit limit the amount gets deducted directly from the bank account, repayment process is eliminated.
- MDR for credit card → 1 - 3%, debit card → 0.9%.
- Interchange fee → Issuing bank charges to acquiring bank.
- Switching fee → Card network charges to issuing bank.

Players of Card Payment System



Indian Govt. Strategy

- Indian govt. started PM Jan Dhan Yojna, mandated zero balance accounts with deposit insurance and overdraft facility for the unbanked population of India.
- January 2015 → 125 million bank accounts.
- January 2021 → 416.5 million bank accounts.
- Women in rural areas accounting for half of this number.

Indian Govt. Strategy



Rupay Revolution

- Rupay → Fixed MDR = 90 paisa [60 paisa (issuer bank) + 30 paisa (acquiring bank)].
- All Indian companies with an annual turnover exceeding 50 crores were required to offer Rupay payment to customers.
- 31.74 crores Rupay debit card issued till January 2022.
- Market share of 34.5% out of the 90 crores debit card issued in India.

Rupay Revolution

- Zero MDR for Rupay debit cards.
- 2011 → 557 million of people, more than 50% don't have bank accounts.
- Banks required at least 3000 - 5000 Rs deposited to open a bank account, not possible for the unorganized sector.
- Jan Dhan Yojna → Every citizen in India can be banked without having minimum balance barrier.

Rupay Revolution

- Total estimated balance in these accounts: 137195.93 crore Rs = 18 billion USD.
- Cards were needed to access cashless services.

Limitations for Visa and Mastercard

- Offering only in 55 banks among 500+ banks in India, mostly private banks.
- Required customization given credit lines to farmers helping them to procure grains, not come under the process of Mastercard.
- Processing cost very very high.
- Indian govt. Cabinet approved 1300 crores reimbursement scheme for Rupay debit card.

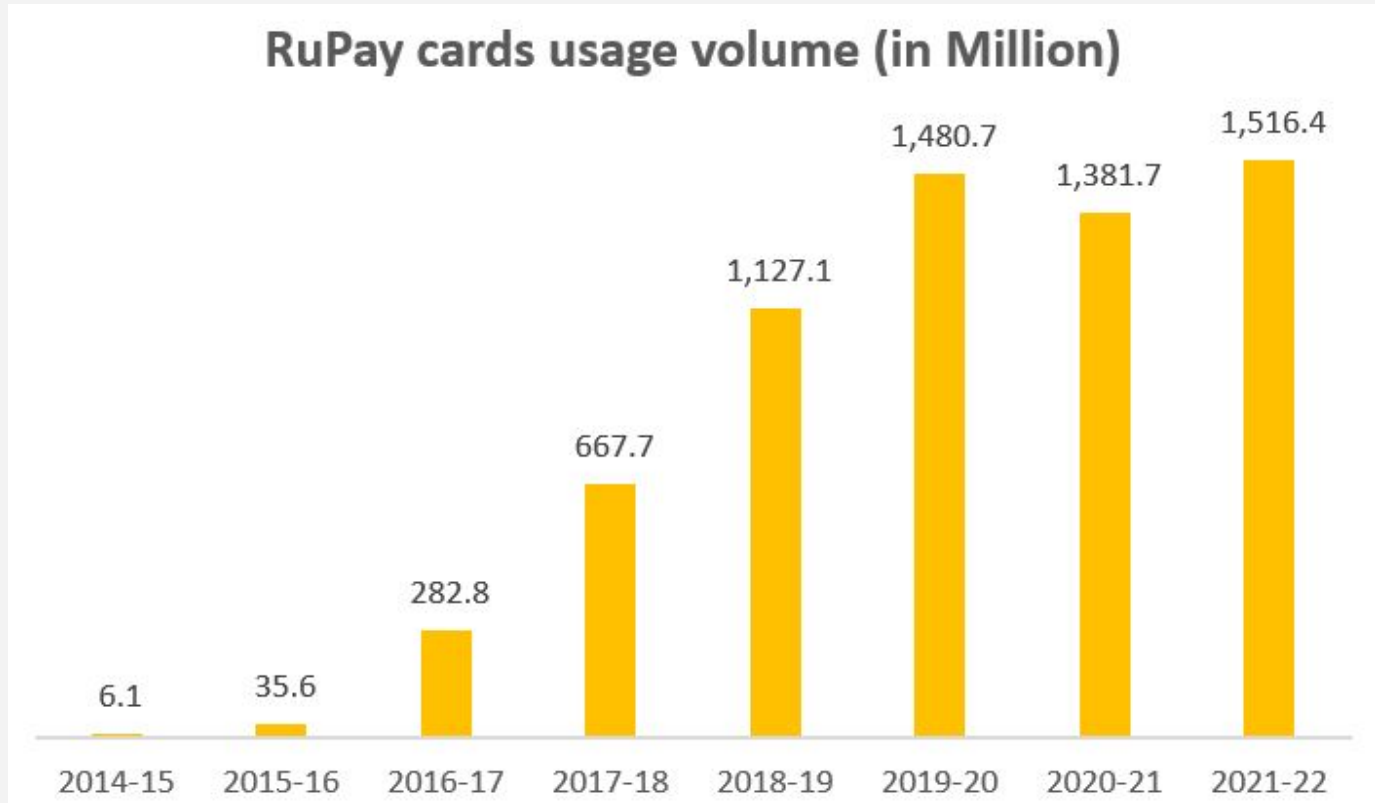
Why govt spend so much money?

- Lay the foundation for financial inclusion such that it gives the govt a pipeline to distribute schemes and services to the people of India.
- Providing card service to rural people.

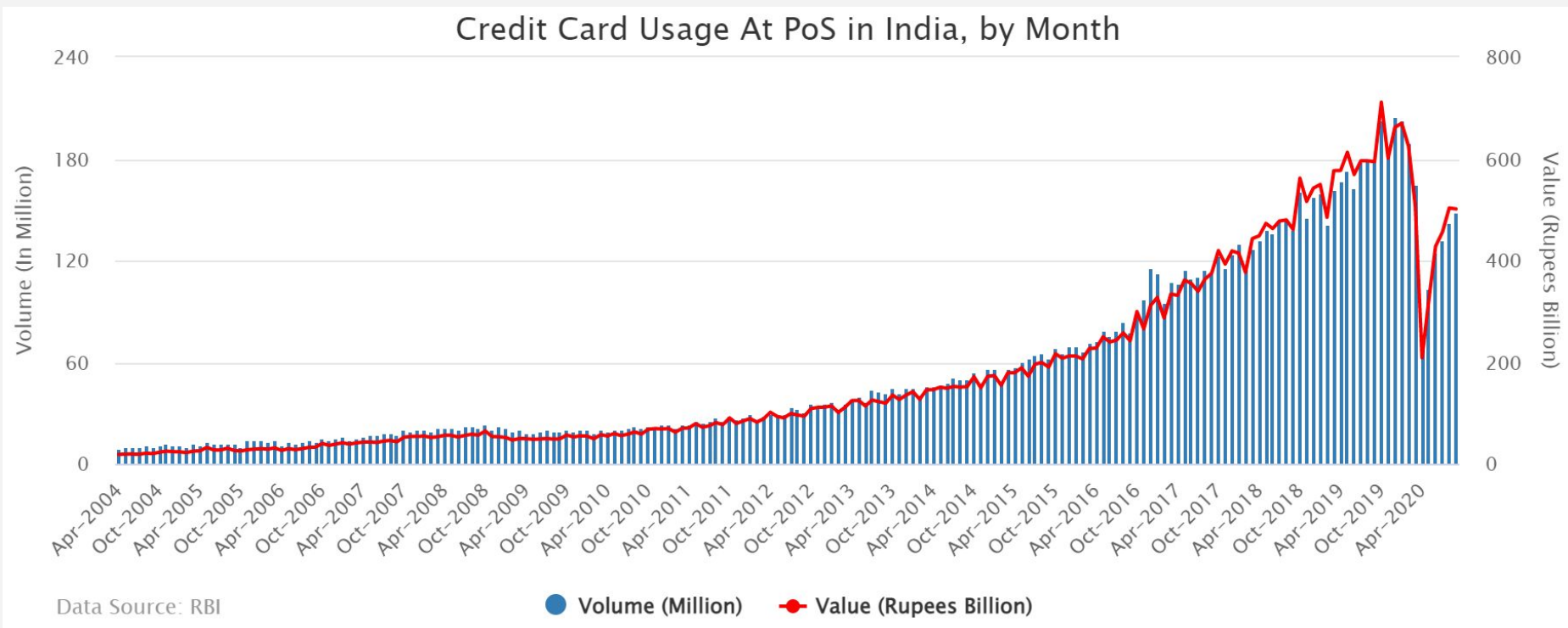
Rupay vs Other Cards



Rupay User Increase



Credit Card User Increase in India

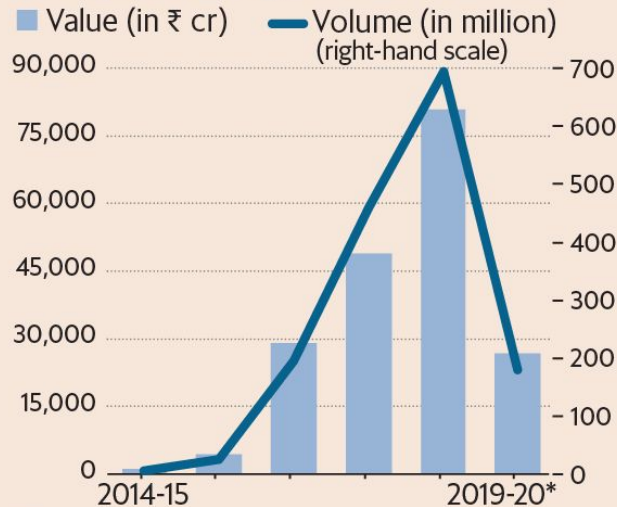


Rupay Popularity

RuPay surges in popularity

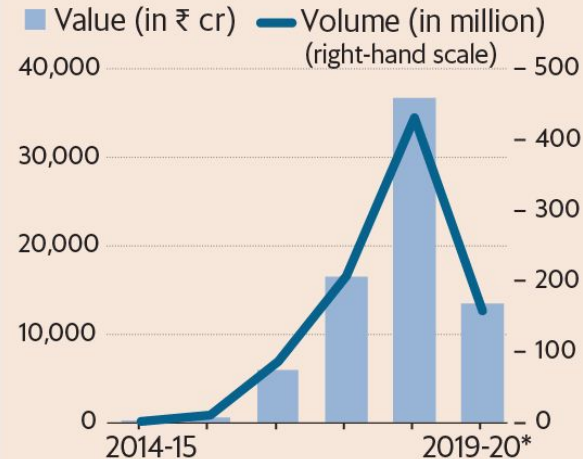
The value and volume of transactions via RuPay cards peaked in 2018-19 to reach a total of 1.13 billion transactions worth ₹1.18 trillion.

RuPay card usage at PoS



*Till June

RuPay card usage on e-commerce portals



Source: National Payments Council of India

Business Effects

- If this initiative not executed properly, 1300 crore will be a meaning less expenditure into cash.
- Since there are many stakeholders in the payment ecosystem, until a certain point, subsidizing makes sense.
- When it will start to eat the profit of player, the incentive this entities have in order to spread digital payments will fade away, causing socialistic nightmare.