

PAYMENT MECHANISM

Reaching out to farmers, the electronic way

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MUMBAI

RuPay, India's first card payment network similar to Visa and MasterCard, is changing how farmers are banking and handling their money.

Take the case of Mahesh Kumar, 38, a farmer on the outskirts of Mumbai. He used to withdraw the entire ₹1.5 lakh of annual farm credit he was entitled to under the Kisan credit card scheme in a single instance, and end up paying huge sums in interest.

Last year, he began using a RuPay Kisan card instead to withdraw smaller sums of his entitlement from automated teller machines as well as to make payments at retail stores. "It has made life very easy. Now, I can withdraw small amounts of money any time and save on interest costs," he said.

Crop loans of up to ₹3 lakh are disbursed at an annual interest rate of 7%, according to the ministry of agriculture's website. The government provides interest subvention of 3% per annum on prompt repayment, effectively making the crop loans available at 4%.

The Kisan credit card was launched

India's first card payment network, RuPay, similar to Visa and MasterCard, is changing the way farmers are banking

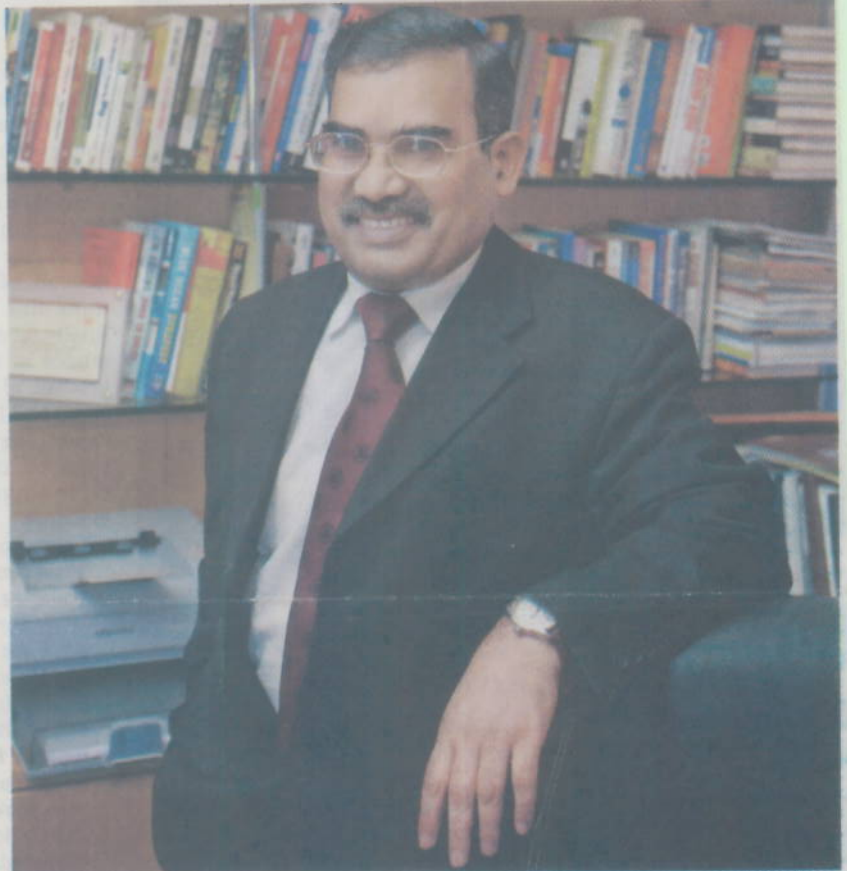
in 1998-99 by then finance minister Yashwant Sinha to help farmers make smarter decisions on how to use cash for cultivation rather than depend on suppliers who were funded by banks.

RuPay was conceived to offer a domestic system that will allow all Indian banks and financial institutions to participate in electronic payments. Through RuPay Kisan cards, farmers are now able to make electronic payments. For a bank, the RuPay cards mean lower transaction costs than MasterCard- or Visa-branded cards.

RuPay was launched in March 2012 by the **National Payment Corp. of India (NPCI)**, and currently cards affiliated to it are issued by 20 state-run banks, six private banks and 84 cooperative and *gramin* banks that cater to people in small towns and villages.

"We now have 6 million cards in circulation, out of which 2.7 million are Kisan cards, 2.5 million are with cooperative banks and the remaining are with mainstream banks," said A.P. Hota, chief executive and managing director of NPCI. He hopes to issue 150 million cards in two-three years.

On 6 August, **Dombivli Nagari Sahakari Bank Ltd** became the first scheduled urban cooperative bank to introduce RuPay debit cards. Milind Varerkar, general manager, said it was "the first time we issued debit cards and it is through the RuPay network, as



Money matters: A.P. Hota, chief executive officer and managing director of NPCI, which launched the RuPay system in March 2012.

the Visa and MasterCard software loading proves to be very expensive".

"From a bank's perspective, RuPay network is cheaper," said C. Sumoth, chief manager (priority sector advances department), **Federal Bank Ltd.** "It will help a bank save at least 25-30% on switching and cardholding cost compared with using a Visa or a MasterCard platform." Federal Bank has issued 10,000 RuPay-branded debit cards since it launched these in April.

"Competition is always welcome," said **Visa Inc.**'s group country manager for India and South Asia **Uttam Nayak.** "We undeniably accept that they (RuPay) have support of the government, nationalized banks and shareholder banks, but the market opportunity is huge."

Calls to Ari Sarker, division president, South Asia, MasterCard Worldwide, went unanswered.

In June, NPCI also launched **PaySecure** for RuPay cards, an e-commerce system similar to PayPal that allows secure online payments. Until now, these cards worked only at ATMs and point-of-sale terminals at retail outlets.

Shekhar Ganapathy, general manager for South Asia at **ACI Worldwide Inc.**, which provides software for banks to help recognize transactions made through RuPay cards, believes the network has a good chance of success if its reach improves.

According to the Reserve Bank of In-

dia, there are around 120,000 ATMs and about 1 million point-of-sale (PoS) terminals in the country. While customers can use RuPay cards at all ATMs, most PoS terminals are yet to be configured to accept it. "As of now, only 25-30% of the PoS machines in the country accept RuPay card. Hence, there are issues when it comes to swiping the cards at other terminals," said Sumoth of Federal Bank.

The penetration of RuPay cards is slow, admitted Hota. "Out of the nine lakh (900,000) PoS terminals, RuPay works on 2.7 lakh terminals," he said, attributing the delay in acceptance to software upgradation that is being done manually. "To get private sector banks and mainstream banks to convert to RuPay cards full-time will be our biggest challenge," he said.

RuPay will soon be available as an international card in collaboration with **DFS Services LLC**, a US payment network. "RuPay, by default, is a domestic card, but an international variant will be available soon," Hota said.

"RuPay is a step in the right direction and a starting point that can be applicable to the rest of the market," said Bharat Poddar, partner and director, **Boston Consulting Group.** "And with RuPay set to launch international cards, it can help solve the problem that inhibits its acceptability in high-end markets."

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