

## New Interchange Fee for Prepaid Instruments on UPI Transactions: What You Need to Know ?

In a recent announcement, the NPCI has taken a game-changing decision to support PPI & Prepaid Wallet transactions through the UPI channel to improve the interoperability in the Indian Payments Industry opening new opportunities for the growth of business & improve the competition. The NPCI has also introduced an interchange fee of 1.1% for UPI transactions on certain merchant payments made through prepaid instruments such as wallets & which will come into effect from April 1, 2023. These charges are applicable only for transactions above Rs. 2,000 and certain merchant categories, including digital merchants, large merchants, and small merchants.

### What is this Interchange fee?

The interchange fee is a small transaction fee that is to be paid by the merchant whenever a customer processes a transaction. Users do not have to pay any interchange fee & the merchants cannot pass on this expense to the user.

The Interchange fee is like the Merchant Discount Rate (MDR) that is applicable to debit and credit cards, in which the merchants are responsible for paying the interchange fee to the payment service provider. This MDR is a revenue-sharing system between the Payment Service Provider (PSP), the Credit card Issuer Bank & the Merchant Acquiring bank.

The interchange fee will range from 0.5% to 1.1%, & will be different for several merchant categories i.e., the fuel, education, agriculture, and utility payments merchants will have an interchange fee of 0.5%, while local mom & pop/convenience stores and speciality retail outlets will have an interchange fee of 1.1%.

If the user is making a payment through a PPI instrument i.e., Prepaid Wallet/card which now supports transactions through the UPI channel is using the same at a store using an QR code, the merchant will need to pay the interchange fee to the pre-paid wallet or card issuer.

### Are regular P2P UPI transactions also going to be charged?

Simple & Clear NO, Says NPCI.

In another release, the NPCI clarified that the interchange fee is not applicable to P2P or P2M transactions done through bank accounts, which holds almost 99.9% volume of UPI . The interchange fee will only be applicable to UPI transactions through PPIs such as wallets, & Prepaid Cards. Therefore, inter-bank or intra-bank UPI payments will not attract any interchange fees.

### Impact of the Interchange fee?

The Interchange fee move will impact high-value transactions alone. The medium-category shopkeepers will be expected to bear the cost of interchange on transactions over Rs. 2,000. Smaller shopkeepers will not be impacted.

Payment service providers like Paytm, G-Pay, PhonePe, and Amazon Pay will be benefitted greatly from this decision of NPCI, as it will bring in much-needed revenue for them. Due to low or no transaction fees on the UPI transactions, these organisations have been struggling to maintain profitability. This move may be first step towards creating monetization structure around UPI payments.

In conclusion, users making UPI payments via PPIs such as wallets should be aware of the interchange fee that will be applicable for certain merchant categories and transactions above Rs. 2,000 from April 1, 2023. No charges will be levied on the bank-to-bank UPI payments and P2P transactions.



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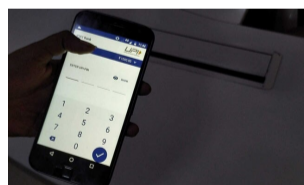
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## MARKET NEWS

### UPI Transactions Over ₹ 2,000 To Attract 1.1% Fee, But Customer Won't Pay



The National Payments Corporation of India (NPCI) has notified that an interchange fee of up to 1.1 per cent will be applicable on merchant UPI (Unified Payments Interface) transactions from April 1.

In a recent circular, the NPCI said that using Prepaid Payment Instruments (PPIs) for transactions through UPI will attract an interchange fee. The charges will be levied if the transaction is more than ₹ 2,000.

The interchange fee varies for the different categories of merchants. It ranges from 0.5% to 1.1% and a cap is also applicable in certain categories.

Source: NDTV

### Sebi says e-wallets for investing in mutual funds should be compliant with RBI-prescribed KYC norms



Sebi on Thursday said that e-wallets used for investing in mutual funds should be in compliance with KYC norms prescribed by the Reserve Bank of India (RBI). The capital markets regulator issued a circular on Thursday which states that the provisions related to e-wallets for investing in mutual funds will be applicable with effect from May 1, 2023. Earlier, the Securities and Exchange Board of India (Sebi) in its circular dated May 8, 2017, allowed the use of e-wallets for investment in mutual funds within the umbrella limit of Rs 50,000 for investments by investors, especially the young generation -- to purchase these instruments through both e-wallet and/or cash per mutual fund per financial year.

Source: Zee Business



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# FOUNDERS SPEAK

What would happen if FLDG becomes zero and Fintechs don't get quick access NBFC license?

- Credit to New to Credit Segment dominated by Fintechs will come down drastically
- Credit to Inclusion Segments like Rural, Msmes will slow down
- Lending fintechs will reduce in numbers and many will get acquired by larger ones / banks. Many will close without even getting a chance for a fire sale
- Investment in Lending Fintechs will reduce

Biggest losers would be the customers, who are not getting access to credit through current players. And the economy.

We need to bring down to 10 pc or 5 pc. But zero is not the answer.

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