

Ministry of Home Affairs
Police-II Division
(Pers-Coord)

1697
10/4/18


555
10/04/18

North Block
New Delhi-110001

Sub:- Continuation of Incentives to promote digital transaction beyond 31st March, 2018.

Enclosed please find herewith a copy of D.O letter No. 12(42)/2017-DPD dated 13.03.2018 received from Ministry of Electronics & Information Technology alongwith copies of Central Government package for Promotion of Digital and Cashless Economy dated 08.12.2016 & Gazette Notification regarding reimbursement of MDR charges on Debit Cards/BHIM UPI/AePS transactions of value less than or equal to Rs. 2000/- dated 27.12.2017 for necessary action, please.

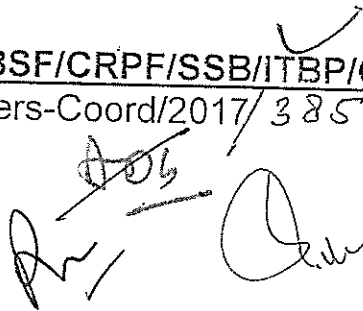
Encl:- as above.


(Ashok Ranwa)
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Telefax-23092255

Director(s) General :-BSF/CRPF/SSB/ITBP/CISF/NSG/AR(Through LoAR)

I.D No. 124/MHAP-II/Pers-Coord/2017/385

08 April 18



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dy No 441-Coord-1
22-03-18

भारत सरकार
Government of India
इलेक्ट्रॉनिकी और सूचना प्रौद्योगिकी मंत्रालय
Ministry of Electronics & Information Technology
इलेक्ट्रॉनिक्स निकेतन, 6, सी जी ओ कॉम्प्लेक्स, नई दिल्ली-110003
Electronics Niketan, 6, C G O Complex, New Delhi-110003
Website: www.meity.gov.in

Dy No-1050/JS(A)
19-3-18 (173)

संख्या D.O. No. 12(42)/2017-DPD
No.....

दिनांक 13th March, 2018
Date.....

OFFICE MEMORANDUM

Subject: Continuation of Incentives to promote digital transaction beyond 31st March, 2018

Reference is invited to Government of India's instructions dated 8th December, 2016, stating that the Central Government has decided on a package of incentives and measures for promotion of digital and cashless economy in the country (copy enclosed).

2. To this end, MeitY has requested various Ministries/Departments to continue providing incentives for promotion of digital payments beyond 31st March, 2018. Furthermore, MeitY issued a Gazette Notification regarding reimbursement of MDR charges on Debit Cards/BHIM UPI/AePS transactions of value less than or equal to Rs. 2000.00 to promote digital transactions (copy of the Gazette Notification enclosed).

3. It is stated that Government is keen on cross-subsidization of digital transactions with cash transaction. A co-ordinated effort by all Government Ministries /Departments is of vital importance for the success of Government's initiative of promotion of digital payments.

4. It is therefore requested to start incentivizing digital payments by offering visible discount on digital payment vis-à-vis cash. If any incentive/discount is already being provided by your Ministry/Department, the same may be continued beyond 31st March, 2018 and informed to MeitY.

5. This issues with the approval of competent authority.

With regards,

"HS busy/on leave/on tour"

JS(A)

19/3

To,

JS(CIC) 19-3-18

Secretaries and Nodal Officers of Ministries/Departments
(as per list enclosed)

Yours sincerely,

Geeta Kathpalia
(Geeta Kathpalia)

Digital India
Power To Empower

स्वच्छ भारत

ELECTRONICS INDIA
Billion More. Million Lives.

Press Information Bureau
Government of India
Ministry of Finance

08-December-2016 18:20 IST

Package for Promotion of Digital and Cashless Economy

In the aftermath of the cancellation of the legal tender character of old Rs.500 and Rs.1,000 notes, there has been a surge in the digital transactions through use of credit/debit cards and mobile phone applications/e-wallets etc. To further accelerate this process, the Central Government has decided on a package of incentives and measures for promotion of digital and cashless economy in the country.

These incentives/measures are following:

1. The Central Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel if payment is made through digital means.

Nearly 4.5 crore customers buy petrol or diesel at such petrol pumps per day who can take benefit of this incentive scheme. It is estimated that petrol/diesel worth Rs.1800 crore is sold per day to the customers out of which nearly 20% was being paid through digital means. In the month of November 2016 it has increased to 40% and the cash transaction of Rs.360 crore per day have got shifted to cashless transaction methods. The incentive scheme has the potential of shifting at least 30% more customer to digital means which will further reduce the cash requirement of nearly Rs. 2 lakh crore per year at the petrol pumps.

2. To expand digital payment infrastructure in rural areas, the Central Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 Lakh villages with population of less than 10,000. These POS machines are intended to be deployed at primary cooperative societies/milk societies/agricultural input dealers to facilitate agri-related transactions through digital means.

This will benefit farmers of one lakh village covering a total population of nearly 75 crore who will have facility to transact cashlessly in their villages for their agri needs.

3. The Central Government through NABARD will also support Rural Regional Banks and Cooperative Banks to issue "Rupay Kisan Cards" to 4.32 crore Kisan Credit Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.

4. Railway through its sub urban railway network shall provide incentive by way of discount upto 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means.

Nearly 80 lakh passengers use seasonal or monthly ticket on suburban railways, largely in cash, spending worth nearly Rs.2,000 crore per year. As more and more

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passengers will shift to digital means the cash requirement may get reduced by Rs.1,000 crore per year in near future.

5. All railway passengers buying online ticket shall be given free accidental insurance cover of upto Rs. 10 lakh.

Nearly 14 lakh railway passengers are buying tickets everyday out of which 58% tickets are bought online through digital means. It is expected that another 20% passengers may shift to digital payment methods of buying railway tickets. Hence nearly 11 lakh passengers per day will be covered under the accidental insurance scheme.

6. For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to the passengers, it will provide a discount of 5% for payment of these services through digital means.

All the passengers travelling on railways availing these services may avail the benefit.

7. Public sector insurance companies will provide incentive, by way of discount or credit, upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.

8. The Central Government Departments and Central Public Sector Undertakings will ensure that transactions fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them. State Governments are being advised that the State Governments and its organizations should also consider to absorb the transaction fee/MDR charges related to digital payment to them and consumer should not be asked to bear it.

9. Public sector banks are advised that merchant should not be required to pay more than Rs. 100 per month as monthly rental for PoS terminals/Micro ATMs/mobile POS from the merchants to bring small merchant on board the digital payment eco system.

Nearly 6.5 lakh machines by Public Sector Banks have been issued to merchants who will be benefitted by the lower rentals and promote digital transactions. With lower rentals, more merchants will install such machines and promote digital transactions.

10. No service tax will be charged on digital transaction charges/MDR for transactions upto Rs.2000 per transaction.

11. For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in the year 2016-17.

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[To be published in the Gazette of India, Extraordinary Part I, Section 1]

GOVERNMENT OF INDIA

Ministry of Electronics and Information Technology

New Delhi, the 27th December, 2017

NOTIFICATION

Subject: Subsidizing MDR charges on Debit Cards/BHIM UPI/AePS transactions of value less than or equal to Rs. 2000/-.

No. 6(19)/2017- DPD - 1

- 1) The Digital India Programme envisions transforming India into a digitally empowered society and knowledge economy by making available digital infrastructure, digital governance and digital services to every citizen. Promotion of digital payments ecosystem is an essential aspect of the Digital India programme and has the potential to transform India's economy and extend inclusion of financial services to all those who remain excluded.
- 2) Finance Minister in his Budget Speech on February 1, 2017 had announced a target of 2,500 crore digital payment transactions for FY. 2017-18.
- 3) In the digital payments ecosystem, merchants play a very crucial role especially in a country like India where nearly 90% of merchants are from the unorganized sector in the form of small grocery stores, local outlets, etc. Besides, there are vendors, auto/taxi drivers etc., who constitute a large share of unorganized merchants. The transaction amount at each of these merchants is generally small.
- 4) In the Debit Card/BHIM UPI/Aadhaar-Pay payment eco system, when any payment is made at a merchant Point of Sale (POS) through a POS machine or QR "scan & pay" or online mode of payment, Merchant Discount rate (MDR) charge is payable by the merchant to his bank (Acquirer). A portion of this is shared by the acquirer bank with the card issuing bank and the card network operator.

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- 5) RBI has issued a directive on 6th December, 2017 revising MDR applicable for debit card transactions which will be effective from 01.01.2018 wherein merchant category wise differential MDR rates have been proposed for transactions.
- 6) It has been decided by the Government to reimburse the MDR charges on small transactions which are less than or equal to Rs. 2000/- in value so that such digital payment transactions are promoted. The MDR on such transactions for the merchant will effectively become zero and hence they will come on par with cash transactions. The salient features of the scheme are as follows:-
 - i) MDR applicable on Debit Card/BHIM UPI/Aadhaar-Pay transactions less than or equal to Rs. 2000/- in value will be borne by Government for a period of two years with effect from 1st January 2018 by reimbursement of the same to the acquirer banks so that no MDR is payable by the merchant in respect of such transactions. Accordingly, the banks shall not charge any MDR from merchants for all eligible transactions under this scheme and consequently the consumers will not be overcharged citing MDR as a reason.
 - ii) No MDR will be applicable in case of transaction value less than or equal to Rs. 2000/-. However, for transaction value above Rs.2000/-, MDR would be applicable on the entire transaction value. For example, no MDR will be applicable in case of a transaction value of Rs.1800 and in respect of a transaction of Rs.2300/-, MDR would be applicable on the entire transaction value of Rs.2300/-.
 - iii) Each acquirer bank has to ensure that in accordance with the relevant RBI instructions, there should be no "bundled" agreement with the merchants covering both debit cards & credit cards.
 - iv) In line with the RBI instructions dated 6.12.2017, the agreements should include a clause that MDR charges should not be passed on by the merchants to the customers while accepting payments through debit cards / BHIM UPI / Aadhaar Pay.

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- v) Each acquirer bank will be required to submit their respective reimbursement claims in the format to be laid down.
- vi) Such claim shall be accompanied with a certificate that the share of the MDR charges that is due to the issuer bank and the card network operator have been paid in full and the share of the acquirer bank has been clearly identified.
- vii) For every quarter the acquirer banks should submit a report duly certified by their statutory auditors regarding the volume and value of the debit card / BHIM UPI / Aadhaar Pay transactions (showing on-us and off-us transactions distinctly).
- viii) Along-with the claim, the acquirer banks should submit to the RBI, a certificate from their auditor confirming that with respect to the claim under examination, MDR has neither been charged from the consumer by the merchant nor charged by the bank from the merchant in respect of the applicable low value transactions.
- ix) The Scheme is applicable to banks having operations in India and transactions done in India.
- x) The Committee set up to look into the issues relating to reimbursement of MDR to the acquirer banks with effect from 1.1.2018, has examined the inputs from Indian Banks Association (IBA) and leading acquirer banks and has suggested a cap of 0.40% of value of total debit card transactions less than or equal to Rs.2000/- with regard to reimbursement of MDR on such low value transactions for a period of one quarter with effect from 1.1.2018. The committee has also recommended that a detailed consultative process for the reimbursement may be worked out.

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- xi) Therefore, for a period of one quarter starting from 1.1.2018 there will be a cap on MDR reimbursable to the acquirer banks which will be at 0.40% of the total value of the debit card / BHIM UPI / Aadhaar Pay transactions less than or equal to Rs.2000. If felt necessary this cap could be revisited thereafter.
- xii) The reimbursement mechanism in respect of such low value transactions would be evolved through a consultative process involving the RBI, IBA and banks. Thereafter, the procedure for quarterly reimbursements of MDR to the Acquirer banks will be worked out and communicated to all concerned.
- 7) The banks are requested to ensure that the transition to this new scheme of MDR reimbursement for low value transactions w.e.f 1.1.2018 is done smoothly without any hitch.


(Gopalakrishnan S.) 27/12/17
Joint Secretary
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Email: gopal@meity.gov.in