Disputes in Digital Payments Sector

Why in news?

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India based digital payment company Paytm has made allegations on US based company WhatsApp.

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What is the dispute about?

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- Paytm is one of the biggest beneficiaries of digital payments in India and, is likely to see a valuation of about $10 billion when it goes public.
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- There is an ongoing face-off between Paytm and messaging app WhatsApp over the latter's launch of a UPI-based payments tool.
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- Paytm alleges that it would petition the National Payments Corporation of India (NPCI) against WhatsApp money transaction features (now on a 'beta' or pilot mode).
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- Paytm senses that WhatsApp will damage the well-being of India's e-payments industry given the security risks and monopoly concerns involved.
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What are the challenges before Paytm?

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- Paytm stands to lose much in terms of users and revenues once WhatsApp's payment faculty facility goes mass-mode.
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- WhatsApp payments does not require a special log-in or Aadhaar verification, which highly raises the security concerns.

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- Facebook, which owns WhatsApp, is also colonising India’s e-payment system and tweaking the Unified Payment Interface (UPI) to its benefit.
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- Paytm’s wallet model is waning off in the post-UPI era, where a customer can directly interact with the bank via the UPI interface and easily transact, instead of parking his money in a wallet.
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- Those who do not want to expose their bank accounts for low-value transactions may still prefer e-wallets.
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- Government had also despised the wallet model given that it still has components (like how the money is used inside the wallet) that are beyond the supervision of the RBI.
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What were the issues with e-payments regulation?

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- Start-ups and other players building such solutions had to get verifications from the NPCI on almost all features of their applications and this situation reduced significantly the pace of work and innovation in the e-payments space.
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- Innovations in the space started losing momentum, according to the start-ups, every screen had to go through the NPCI’s verification.
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- Many developers allege that this dramatically impacted the quality of their interfaces as the NPCI was not in a great position to understand the market, consumer needs and best practices.
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- And at this stage those who had access to power and were privy to exclusive information allegedly gained.
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- Due to such regulations small players started losing the race, the absence of a level-playing field saw that big players who tied up with big banks and retailers could gain significantly.
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How e-payment sector is disrupted by Government’s move?

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- Start-ups alleged that unevenness in digital sector would deadlock if the Government did not step in to create a level-playing field, and the sector would end up being controlled by a monopoly or two.
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- To address such concerns the NPCI, a body set up with the guidance of regulator RBI and the Indian Banks’ Association, launched its own UPI app, Bharat Interface for Money or BHIM in 2016 which started competing with the other payments apps.
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- But this was unexpected for the smaller players in the payments space as they had the regulator as the competitor.
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- Union government started offering cashbacks to BHIM transactions in the Budget, which made the level-playing to vanish without a trace.
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What lies ahead?

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- Now there are expectations on NPCI, how it is going to respond to Paytm’s petition.
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- Curiously, it won’t be able to do much as WhatsApp’s pilot (‘beta’) project sits in a dicey area in terms of regulation.
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- Unless the Government takes urgent measures to fix the gaps, create a level-playing field, the e-payments space will fail to deliver optimum choices to consumers.
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Source: Business Line

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