Whatsapp’s Payments Platform

What is the issue?

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- Whatsapp is now in the final stage of testing for its payments feature that has been built on the UPI platform.
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- In the backdrop, concerns have cropped up regarding data privacy and its potential to monopolise the sector (due to its massive reach).
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What new on WhatsApp?

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- WhatsApp has developed a Payments feature that allows users to send money to their contacts on the app directly from their bank accounts.
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- This feature is based on the United Payments Interface (UPI), which allows instant direct bank-to-bank transfers via a virtual payee address.
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- **Currently -** beta-testing is going on with a limited user domain of 1 million, and it may become live for all shortly.
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- National Payments Corporation of India (NPCI), which is regulator for UPI and umbrella body for all retail payments in India, has also been updated of it.
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- **The Banking Support -** WhatsApp is not a bank, and it can’t process money transactions on its own due to legal constraints.
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- It has been stated that ICICI will be partnering the initiative to provide the required banking support for the monetary transactions.
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- **Accessory Conditions -** It is mandatory for both the sender and receiver of the payment to have the ‘payments feature’ enabled in their Whatsapp.
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- All transactions are said to final and there is no option for backtracking once the transfer has already been processed.
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- WhatsApp’s terms and conditions for using the feature say the user must be 18 years or older, but it is not clear how this will be verified.
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How will the system work?

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- A bank account that supports UPI is needed for transacting on the platform.
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- Once the Payments System is activated on a user’s Whatsapp app, he/she would’ve to choose his/her bank from a list of banks that is provided.
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- The service is slated to enrol almost all UPI enabled banks on its platform, and the user needs to link his/her personal bank account to access the facility.
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- It’s mandatory for the mobile number with the WhatsApp account to be same as the mobile number with that of the bank.
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- Notably, UPI on BHIM (Bharat Interface for Money) also has a similar provision, as the mobile number is the identifier to locate the bank account.
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- Debit card information would have to be entered to sync Whatsapp’s Payment System with the bank account, while Aadhar details aren’t needed.
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- A payment instruction can then be attached to a message, in the same way as users attach a file, a video or a photo.
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- Each transaction has to be authorised by a unique four-digit UPI PIN, which is generated when a user activates the feature on her bank account.
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- If the UPI PIN is forgotten, there is the option of generating a new one.
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Is it merely a platform for informal and small retail transfers?

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- As payments are envisioned on a peer-to-peer basis, no upper limit specific to the platform is expected (not sure) once the app goes fully live.
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- WhatsApp Payments will also work on Group chats and users will be able to pick an individual member in a WhatsApp Group to send money to.
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- Tranfers involving business and merchant accounts are currently not included on the platform, but these may also be covered subsequently.
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- Notably, Whatsapp already has a separate business version of the app in India.
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What are the privacy related implications?

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- Whatsapp has stated that it won't retain debit card details or the UPI PIN, but there is considerable concern on other transaction data being monetized.
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- Notably, third parties, including Whatsapp's parent "Facebook" do have stakes in access these valuable banking and transaction details.
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- The privacy policy for WhatsApp Payments says that those who agree to the service are also agreeing to the company's current data practices.
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- This would hence govern - collection, use, processing, and sharing of your information that has been retained with consent.
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- Additionally, payments related aspects like transfer and processing of information will also be monetized across countries where Whatsapp operates.
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- Such privacy clauses will hence enable automatic information aggregation when a user sends or receives a payment.
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- This will including the date and time, the sender and receiver's name and 'virtual Payments Address' (VPA), and the reference transaction number.
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How will it impact the open UPI ecosystem?

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- As WhatsApp currently has a 200 million active user base in India, its foray into the Payments sector could prove a gamechanger for the entire ecosystem.
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- People may switch entirely to the app for smaller, daily transactions, which could potentially wreck other mobile wallets like PayTm.
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- Additionally, once businesses are allowed to accept payments via WhatsApp, the feature's use could be boosted even further.
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- Some see this as Facebook's attempt to monopolise the open UPI platform after its failed try to destroy the open internet with its "Free Basics" program.
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- This accusation stems from indications that 'Whatsapp Payments' is being built as a closed net without interoperability with other platforms.
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- Interoperability would mean enabling a person accessing UPI on one platform (say BHIM) to transact with someone on another platform (say Google Tez).
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- Considering this scenario, NPCI has now clarified that WhatsApp Payments won't be allowed to go live unless the principles of interface are complied with.
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- Notably, NPCI envisions that any UPI account should be able to seamlessly transfer to any other UPI account irrespective of the operating platform.
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Source: Indian Express

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