

Competition and Regulatory Assessment in Digital Payments Infrastructure Sector

Background and Rationale

CUTS Centre for Competition, Investment & Economic Regulation (CUTS C-CIER) is implementing a study on 'Competition Assessment in Digital Payments Infrastructure Sector'. The study intends to understand and analyse the competition and regulation of infrastructure/technology providers in the digital payments space.

The Government of India is undertaking several initiatives to promote digital payments and move from cash heavy to less cash society. Some of its initiatives include waiver of service charge levied on online payments made to the government, increasing transparency in the rates charged to merchants in case of debit/credit card transactions etc.

The National Payments Corporation of India is a premier organisation facilitating digital payments through providing infrastructure and technological back-end. Some of its services include Unified Payments Interface (UPI), Immediate Payment Service (IMPS) and Bharat Bill Payment System (BBPS).

Competition increases efficiency and reduces costs, resulting in consumer welfare. Consequently, it is necessary to understand competition and regulation in digital payments infrastructure sector in India, and highlight related impediments to optimal competition in the sector.

Brief Methodology

The broad activities under the study are set out below:

- **Preparatory Work and Literature Review:** This stage would involve identification of relevant digital payments markets for further research, identification of key market players, and review of regulations and policies in such markets. During literature review, desk research would be conducted to identify key studies in relevant markets and to understand the regulation and competition in similar markets in comparable jurisdictions.
- **Gap identification and stakeholder interaction:** Based on literature review, information gaps would be identified and stakeholder interaction tools will be designed in form of semi-structured questionnaires. Interactions with stakeholders including banks, merchants, government officers, regulators, experts, academia, and media will be conducted to validate the findings of preliminary research the address information gaps.
- **Analysis:** Findings of primary and secondary research will be analysed to understand the state of competition and regulation in the digital payments infrastructure sector, and highlight any concerns in this regard, if any. A draft research report highlighting the findings and analysis will be prepared, using elements of CUTS competition impact assessment and regulatory impact assessment toolkits.

- **Stakeholder Dialogues (Outreach):** After the preparation of the draft research report, two stakeholder dialogues would be held to disseminate the research findings.
- **Finalisation of Research Report:** This is the final stage of the project wherein a final research report based on the inputs from the stakeholder dialogues would be prepared.

Expected Outputs

- Research report on state of competition and regulation in digital payments infrastructure sector
- Reports of stakeholder dialogues.

Expected Outcomes

- To understand the competition and regulation in the digital payments infrastructure sector
- To identify bottlenecks to suggest policy changes to increase competition in the digital payments infrastructure market.

The study is supported by MasterCard India Services Pvt Ltd (MasterCard). MasterCard does not assume any responsibility for the activities and outputs under this study. Such activities and outputs are provided solely by CUTS, under such terms and conditions as determined by CUTS, and MasterCard accepts no liability whatsoever in connection with such activities and outputs. The activities and outputs have not been certified by MasterCard and under no circumstances shall be construed as endorsed or recommended by MasterCard

