

India's central bank imposes interoperability rule for mobile wallets and prepaid cards

Article

India's central bank is asking that all licensed [prepaid payment instruments](#) (PPIs)—which include mobile wallets and closed- and open-loop prepaid cards—be interoperable by April

2022, [per](#) Business Today. Mass transit cards are exempt from the rule, and gift card issuers have the option to enable interoperability. Interoperability will be facilitated through card networks for card-based PPIs and the Unified Payments Interface (UPI) for mobile wallets. In practice, this means users with mobile wallets can send payments to various wallet brands and also use them at any UPI-accepting merchant. It also means that consumers will be able to use their mobile wallet and select prepaid cards to withdraw cash from ATMs.

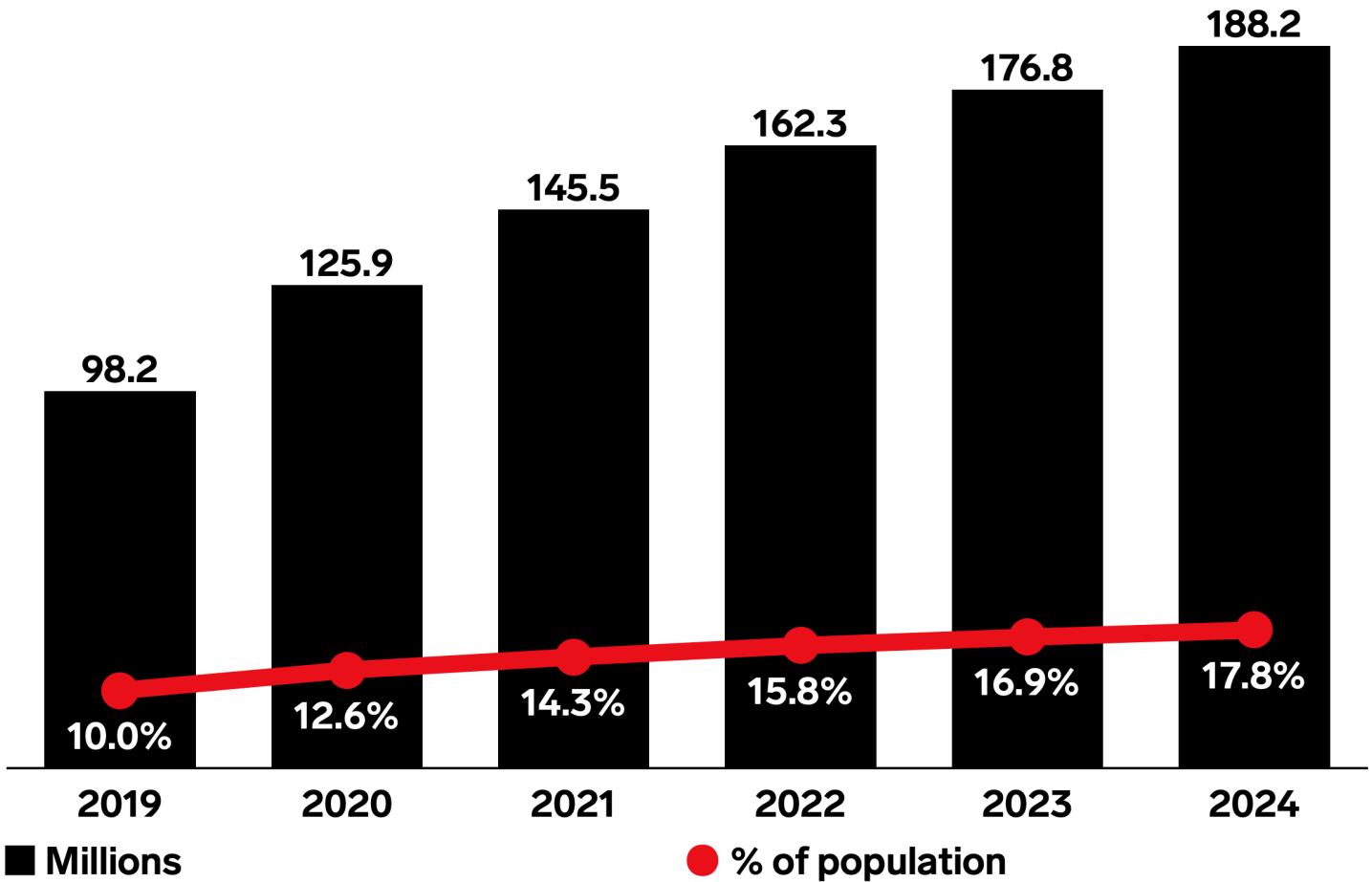
The new rules could further hinder mobile wallets from growing their market share in India. The regulation removes limitations that currently exist for mobile wallet users: Right now, consumers can only send payments to people who have the same mobile wallet, and some merchants only accept certain wallets.. The rule will reduce consumers' reliance on any specific wallet, which might make switching to different wallets a more common occurrence—making it harder for mobile wallet providers to keep users under their umbrella. The new mandate comes after the National Payments Corporation of India (NPCI) [imposed](#) a 30% UPI market share cap for mobile wallet transactions last November.

But the new mandate does come with some perks:

- **Merchants will be able to accept more wallets.** Currently, mobile wallet providers need to build up merchant networks to get customers to use their wallets. But with the new mandate, providers won't need to worry about that because all UPI-accepting merchants will be able to accept their wallets. In most cases, this will expand acceptance and perhaps pave the way for increased volume and revenue for some providers—as long as they comply with market share limits.
- **And it might lead to greater digital payment adoption and use.** Opening wallet acceptance may also be an attractive perk to consumers because it'll give the payment instrument greater utility and value—perhaps even leading some existing users to make it their primary payment method. It might also open the way for new wallet users, which could aid India's growing mobile payment users: The number of proximity mobile payment users is expected to grow 15.6% annually to reach 145.5 million in India this year, [per](#) Insider Intelligence forecasts.

Proximity Mobile Payment Users

India, 2019–2024



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile devices as a payment method; excludes transactions made via tablet. A proximity mobile payment is a point-of-sale (POS) transaction made by using a mobile device as a payment method. Includes scanning, tapping, swiping, or checking in with a mobile device at the POS to complete transaction; excludes purchases of digital goods on mobile devices, purchases made remotely on mobile devices that are delivered later on, and transactions made via tablets.

Source: Insider Intelligence, August 2020

Methodology: Estimates are based on the analysis of the market presence of major mobile payment players; estimates from other research firms; and consumer smartphone, mobile payment adoption, and retail spending trends.

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