

India's revised payment storage rules will likely complicate online card transactions

Article

The news: The Reserve Bank of India (RBI) revised guidelines on its data storage laws to prohibit payment gateways and online merchants from storing customers' payment card

details, per India Today.

The new rules—which are expected to go into effect in January 2022—mean customers using websites like **Amazon** or **Netflix** will need to input their card numbers and CVVs manually for each purchase. At the moment, customers can quickly and easily check out on websites they've used in the past because many online merchants store their card information.

How we got here: In 2017, the Supreme Court of India ruled that privacy is a constitutional right for Indian citizens. Since then, the country has adopted more stringent policies for payments companies—especially when it comes to consumer data privacy.

- In April 2018, the RBI issued a rule requiring payment companies to store all user data in local servers by October 2018—posing a significant issue for global firms like **Visa**. Last month, **Mastercard** was barred indefinitely from issuing new payment cards for allegedly breaching this rule.
- In November 2020, the RBI imposed a cap on the share of Unified Payments Interface (UPI) transactions a single company, such as **Google Pay** or **PhonePe**, can process, with some exceptions. Companies have until December 2023 to comply with the central bank's protocols.

The problem: The RBI's new guidelines pose a major problem for online merchants since it would prohibit them from using payment data to gain valuable information on customer demographics, which they could use for marketing purposes.

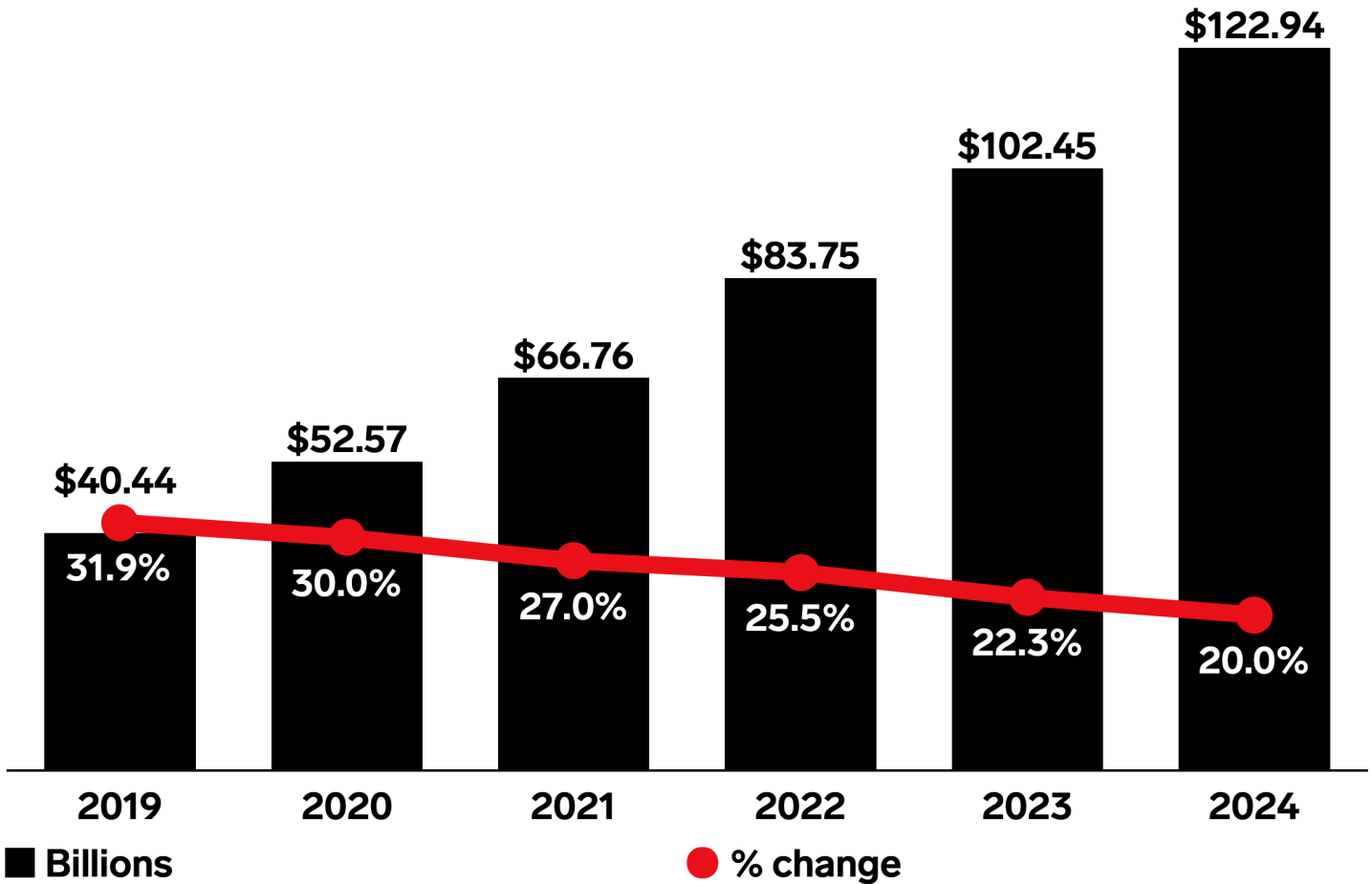
It also means companies like Netflix that operate a subscription payments model may have to collect customer payment information on a monthly basis—increasing the time and effort it takes to process payments. For customers, the new guidelines could add a lot more friction to the purchasing and renewal process, especially as ecommerce picks up in India.

The opportunity: While the RBI's new guidelines could cause trouble for online merchants, it will likely be a growth opportunity for UPI and mobile wallets since customers might lean on these payment methods more to save time once the rules go into effect.

And consumers might not mind considering how they've already embraced UPI—in July alone, the system processed **3.247 billion transactions**, once again setting a new monthly record.

Retail Ecommerce Sales

India, 2019–2024



Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales

Source: eMarketer, May 2021

Methodology: Estimates are based on the analysis of data from other research firms and government agencies, historical trends, reported and estimated revenues from major online retailers, consumer online buying trends, and macro-level economic conditions.

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