



## Payment Aggregators

**Prelims:** RBI, Payment and Settlement Systems Act, 2007, Payment Gateway.

**Mains:** Payment Aggregators.

### Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) has given in-principle approval to 32 firms to operate as **Online Payment Aggregators (PA)**, under the [Payment and Settlement Systems Act, 2007 \(PSS Act\)](#).

- The PSS Act, 2007 provides for the regulation and supervision of payment systems in India and designates the RBI as the authority for that purpose and all related matters.

### Note

**In principle approval** means that an approval has been granted **based on certain conditions or assumptions**, but that additional information or steps may be required before final approval is given.

### What is a Payment Aggregator?

- **About:**
  - Online payment aggregators are companies **that facilitate online payments by acting as intermediaries between the customer and the merchant.**
  - The RBI introduced [Guidelines for Regulating PAs](#) and Payment Gateway in **March 2020.**
- **Functions:**
  - They typically provide **a range of payment options to customers**, including credit and debit cards, bank transfers, and e-wallets.
  - Payment aggregators collect and process payment information, **ensuring that transactions are secure and reliable.**
  - By using a payment aggregator, **businesses can avoid the need to set up and manage their own payment processing systems**, which can be complex and expensive.
    - Some examples of payment aggregators include **PayPal, Stripe, Square, and Amazon Pay.**
- **Key Features:**
  - **Multiple Payment Options:** Payment aggregators offer a range of payment options to customers, making it easier for them to pay for goods and services.
  - **Secure Payment Processing:** Payment aggregators use **advanced security measures** to ensure that transactions are safe and secure.

- **Fraud Detection and Prevention:** Payment aggregators use algorithms and machine learning to detect and prevent fraud, reducing the risk of chargebacks and other payment disputes.
- **Payment Tracking and Reporting:** Payment aggregators provide detailed reports on payment transactions, making it easier for businesses to manage their finances and reconcile their accounts.
- **Integration with Other Systems:** Payment aggregators can integrate with a range of other systems, such as accounting software and inventory management systems, to streamline the payment process and make it easier to manage business operations.
- **Types:**
  - **Bank Payment Aggregators:**
    - They involve **high setup costs and are difficult to integrate.**
    - They lack many of the popular payment options along with detailed reporting features. Because of the **high cost, bank payment aggregators are not suitable for small businesses** and startups.
    - e.g.; Razorpay and CCAvenue.
  - **Third-Party Payment Aggregators:**
    - Third-party PAs offer **innovative payment solutions to businesses and have become** more popular these days.
    - Their user-friendly features include **a comprehensive dashboard**, easy merchant onboarding, and quick customer support.
    - e.g.; PayPal, Stripe and Google Pay.
- **RBI's Criteria for Approving an Entity as Payment Aggregator:**
  - Under the payment aggregator framework, only firms approved by the RBI can acquire and offer payment services to merchants.
  - A company applying for aggregator authorisation **must have a minimum net worth of Rs 15 crore in the first year of application**, and at least Rs 25 crore by the second year.
  - It must also be compliant with **global payment security standards.**

## How is the Payment Aggregator different from Payment Gateway?

- A payment gateway is **a software application that connects an online store or merchant to a payment processor**, allowing the merchant to accept payment from a customer.
  - Payment aggregators, on the other hand, are **intermediaries that provide a single platform to connect multiple merchants** to different payment processors.
- The main difference between a payment aggregator and payment gateway is that the **former handles funds while the latter provides technology.**
- Payment aggregators can offer a payment gateway, **but vice versa is not true.**

## What are RBI's Other Initiatives to Regulate Fintech Firms?

- **RBI's Fintech Regulatory Sandbox:**
  - Established in 2018 with the primary objective of being a controlled regulatory environment for testing fintech products.
- **Payment System Operators license:**
  - This initiative was brought in in order to scrutinize the ever-expanding payments landscape in India.
- **Digital Lending Norms:**
  - All digital loans must be disbursed and repaid through bank accounts of **regulated entities** only, without the **pass-through of lending service providers (LSPs)**
- **RBI's Payment Vision 2025:**
  - It aims to **elevate the payment systems** towards a realm of empowering users with **affordable payment options accessible anytime and anywhere** with convenience.
  - It builds on the initiatives of **Payments Vision 2019-21.**
- **RBI's upcoming White-List:**
  - The RBI has prepared a "white-list" of digital lending apps (**List of Approved Lenders**) in order to **curb rising malpractices in the digital lending ecosystem.**

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