



Merchant Discount Rate

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Why in News

From 1st January, 2020, businesses with an annual turnover of more than ₹50 crore will have to offer low cost digital payment options to customers and Merchant Discount Rate (MDR) will not be levied on either customers or merchants.

- Low cost digital payment modes will include options such as BHIM UPI, UPI QR Code, Aadhaar Pay, Debit Cards, NEFT, RTGS, among others.
- The move is expected to boost payments via home-grown real-time payments system Unified Payments interface (UPI) at merchant locations, along with RuPay debit cards.
- MDR is the cost paid by a merchant to a bank for accepting payment from their customers via digital means. The merchant discount rate is expressed in percentage of the transaction amount.
 - Presently, it is applicable for online transactions and QR-based transactions.
 - The amount that the merchant pays for every transaction gets distributed among three stakeholders--the bank that enables the transaction, vendor that installs the point of sale (PoS) machine and the card network provider such as Visa, MasterCard, RuPay.

Source: TH