

Banking Automation **BULLETIN**



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Country profile: Portugal

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How big a threat is RuPay to Mastercard and Visa?

The prolific growth of UnionPay has been well documented, but it is another Asian scheme, RuPay, which is now receiving a lot of attention.

We discuss card schemes in Asia in a feature article on page 12 of this issue of the *Bulletin*. As the article highlights, nearly half of cards in the region (excluding China) are issued by domestic schemes. While domestic schemes in more mature markets have generally been losing relevance and market share, such schemes are thriving in a number of less developed countries. Driven by a mix of national pride and a desire to avoid what are seen as higher costs of operating through international card scheme networks, domestic schemes have most definitely found a new lease of life.

India's RuPay, formed as recently as 2012, has demonstrated phenomenal growth. Its share of cards in issue in India has grown from 3% at end-2013 to 51% at end-2018. With over half a billion RuPay cards in issue, it certainly has scale. Through that scale it is able to develop its product portfolio, and following its initial debit offering now offers credit, prepaid and combo (debit and credit) cards, all with contactless functionality. In 2016 it launched BharatQR, a QR code based system, which has huge potential given the meteoric expansion of similar schemes in China.

RuPay is expanding in international markets too, having officially launched in Singapore, Bhutan and the UAE, and made commitments to do so in Bahrain and the Maldives. As well as the ability to issue RuPay cards abroad, a partnership with Discover gives access to the latter's Discover, Diners Club International and PULSE networks, allowing RuPay Global cards (international variants of its domestic cards) to be used in 190 countries.

So how significant a threat to Mastercard and Visa is RuPay?

It is hard not to draw parallels with UnionPay when analysing RuPay. Both operate in huge countries, and with strong government support have expanded rapidly. Their ability to invest, both domestically and internationally, not only makes it more difficult for other schemes to expand in China and India, but also disrupts Mastercard and Visa's expansion into other emerging payments markets.

RuPay will nevertheless face the same challenges that UnionPay has in penetrating established markets. It will increasingly build up a global acquiring presence, primarily to benefit Indian cardholders travelling overseas, but growing a large base of internationally issued cards will be much more difficult.

Dominic Hirsch, Editor

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Printed and electronic (1-5 users) £1,500

Printed and electronic (6+ users) £3,000

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ISSN 1748-5304

RBR

393 Richmond Road

London TW1 2EF, United Kingdom

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