E-commerce in India and the potential competition issues

With special reference to credit cards market in India

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Index

1. Introduction
2. E-commerce in India
   2.1 Facilitators of E-commerce in India
3. E-commerce and Competition
4. Potential Competition issues
5. E-commerce and anti-competitive agreements
   5.1 Excessive pricing in E-commerce markets
   5.2 Collusion
   5.3 Factors that facilitate collusion in E-commerce
   5.4 Impact of E-commerce on nature of vertical restraints
6. Credit Cards in India
7. International interventions in credit cards market
   7.1 Anti-trust cases in Credit cards
   7.2 Other interventions done worldwide
8. Competition law in India
9. Role of CCI
10. Conclusion
11. Appendix
   11.1 Growth of E-commerce
   11.2 Status of E-commerce in India
   11.3 List of top E-commerce companies in India
   11.4 Future of E-commerce in India
   11.5 Future of Credit cards in India
   11.6 Credit Cards and interchange fees
12. References
Abstract

E-commerce which is developing at a high rate in India can become a platform for anti-competitive issues and agreements that can come up in the future. Some potential competitive issues have been discussed and international cases where anti-trust issues have come up in E-commerce markets.

Credits cards are the facilitators of E-commerce. Some international case studies are done where anti-competitive agreements have come up between the credit card companies.

Lastly, Role of CCI in dealing with these issues is discussed.

Keywords

E-commerce, e-hubs (electronic marketplaces), credit cards, anti-trust issues
1. Introduction

Internet is one component which has recently become the key ingredient of quick and rapid lifestyle. Be it for communication or explorations, connecting with people or for official purposes, ‘internet’ has become the central-hub for all. Resultantly, Internet growth has led to a host of new developments, such as decreased margins for companies as consumers turn more and more to the internet to buy goods and demand the best prices, as observed by C.K Prahalad, Professor, Business School, University of Michigan. The internet means that traditional businesses will change because ‘incumbents (in markets ) and large firms do not have the advantage ‘ just by virtue of being there first or by being of big , he said. The implication of perfectly competitive market as the world will observe is that markets will produce an efficient allocation of resources. Internet has truly been an effective agent in changing the fundamental ways of doing business.

In any market with no entry barriers – the Net is biggest of them, the continuous influx of competition will, automatically, drive down the prices. In such a case, in long term all firms could only earn normal profits.2

E-commerce

Electronic commerce (or e-commerce) encompasses all business conducted by means of computer networks. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of the economic infrastructure. More and more companies are facilitating transactions over web. There has been tremendous competition to target each and every computer owner who is connected to the Web.

1 Delhi business review –December 2007
2 PERFECT COMPETITION: FROM MYTH TO REALITY Yogesh Upadhyay & S.K. Singh
Although business-to-business transactions play an important part in e-commerce market, a share of e-commerce revenues in developed countries is generated from business to consumer transactions. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue but online retailing will also enjoy a drastic growth. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow.
2. E-commerce in India

For developing countries like India, e-commerce offers considerable opportunity. E-commerce in India is still in nascent stage, but even the most-pessimistic projections indicate a boom. It is believed that low cost of personal computers, a growing installed base for Internet use, and an increasingly competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia’s second most populous nation. Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce. To make a successful e-commerce transaction both the payment and delivery services must be made efficient. There has been a rise in the number of companies' taking up e-commerce in the recent past. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers. With stock exchanges coming online the time for true e-commerce in India has finally arrived. On the negative side there are many challenges faced by e-commerce sites in India. The relatively small credit card population and lack of uniform credit agencies create a variety of payment challenges unknown in India. Delivery of goods to consumer by couriers and postal services is not very reliable in smaller cities, towns and rural areas. However, many Indian Banks have put the Internet banking facilities. The speed post and courier system has also improved tremendously in recent years. Modern computer technology like secured socket layer (SSL) helps to protect against payment fraud, and to share information with suppliers and business partners. With further improvement in payment and delivery system it is expected that India will soon become a major player in the e-commerce market.
While many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-commerce would become an asset for common people.

India’s ecommerce industry is on the growth curve and experiencing a spurt in growth. The Online Travel Industry is the biggest segment in ecommerce and is booming due largely to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a nascent stage). The online travel industry has some private players such as Makemytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. Mobile Commerce is also growing rapidly and proving to be a stable and secure supplement to eCommerce due to the record growth in mobile user base in India, in recent years. Growth drivers and barriers are present in equal measures for new eCommerce ventures.

A report by the Internet and Mobile Association of India has revealed that India’s E-commerce market is growing at an average rate of 70 percent annually and has grown over 500 percent since 2007.

The current estimate of US$ 6.79 billion for year 2010 is way ahead of the market size in the year 2007 at $1.75 billion. The following chart depicts the growth of E-commerce in India in the last couple of years:³

³ A report by the Internet and Mobile Association of India
Apparently, more online users in India are willing to make purchases through the Internet. Overall e-commerce industry is poised to experience a high growth in the next couple of years. The 70 percent year on year growth is expected to continue and India’s e-commerce market is forecast to reach a whopping $US 10 billion by the end of 2011. The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second spot with 6.48% market share.
E-tailing and digital downloads are expected to grow at a faster rate, while online travel will continue to rule the major proportion of market share. Due to increased e-commerce initiatives and awareness by brands, e-tailing has experienced decent growth.

According to the third edition of eBay India census 2010 conducted across 28 states and seven union territories, India’s top five rural e-commerce hubs are Ambalapuzha (Kerala), Sajiyavadar (Gujarat), Adala (Gujarat), Abdalipur (West Bengal) and Kangayampalayam (Tamil Nadu). This means there are two rural e-commerce hubs of Gujarat in top five across India.

The survey reveals that Gujarat has emerged as one of the top five online shopping markets in the country. Gujarat is ranked 4th after Maharashtra, Delhi and Tamil Nadu. During the census in 2009, Gujarat was ranked at seventh, from which it has jumped to fourth position.

The city of Ahmedabad ranks 7th among top 10 e-commerce hub in the country. eBay India, a 100 per cent subsidiary of eBay Inc one of the leading e-commerce hub in India, has observed a surge in the number of e-commerce hubs in India from 2,500 last year to 3,300 this year.
According to the eBay Census Guide 2009 for Indian eCommerce scenario, it has been found that India has over 2,471 eCommerce Hubs. These hubs are the cities, towns, villages and smaller towns covering the entire length and breadth of the country.

Technology or technology related products dominate India’s domestic eCommerce. Whereas, lifestyle product category dominates in the global trade. Technology, being India’s favourite traded vertical category contributes 44% of totals eCommerce transactions according to the latest eBay Census. Lifestyle category at 35% comes second in popularity for online Indians. For Global Trade, lifestyle is the clear winner at 64% of all transactions followed by Media & Collectibles at 15% each.

Elaborating India’s domestic online shopping scenario, South India has the most active buyers at 41% of all transactions, followed by West India at 27%. However, West India has the most active sellers at 46%, followed by North India at 28%. Delhi entrepreneurs sold the most technology gadgets at 46% of all transactions to buyers in India. Lifestyle scored on the Exports front at 67% of all transactions.

Delhi sells the most musical instruments – percussion, brass, synthesizers, and guitars - in the country. In addition to this, Delhi buyers bought the most sunglasses in the country according to the eBay census. Delhi buyers have also bought the most number of high end digital cameras in the country.

India is showing tremendous growth in the Ecommerce. Rival tradeindia.com has 700,000 registered buyers and it has the growth rate of 35% every year which is likely to double in the year 2010. Indiamart.com claims revenues of Rs. 38 crores and has a growing rate of 50 every year.

It receives around 500,000 enquiries per month. Undoubtedly, with the middle class of 288 million people, online shopping shows unlimited potential in India. The real estate costs are touching the sky. The travel portals’ share in the online business contributed to 50% of Rs 4800 crores online market in 2007-08. The travel portal MakeMyTrip.com has attained Rs 1000 crores of turnovers which are around 20% of total e-commerce market in India. Further an annual growth of 65% has been anticipated annually in the travel portals alone.
2.1 Facilitators of e-commerce in India

A. Information directories: The products and services are listed with appropriate sub-headings to make it easy for a serious information-seeker to find what he wants. Allied services provided by them: Message boards, chat rooms, forums, etc.

B. Banks:

1) Net banking/phone banking: This is an online banking facility available for savings account holders as well as current account holders. Some of the special Net banking services are: Demat accounts for sale/purchase of stocks and shares, Foreign Exchange services, Direct/Instant payment of bills on the account-holder’s behalf, Financial Planning.

2) Credit/Debit Cards: Banks facilitate E-commerce by providing the most vital trade instrument, namely the Credit or Debit Card, without which E-commerce would be impossible.
3. E-commerce and competition

The changes brought about by E-commerce have the potential to significantly increase competition by increasing consumers’ choice of products and traders. They also enable business to achieve significant efficiencies in their commercial operations as they move from high cost paper-based transactions to faster, lower cost electronic transactions.

At the same time, care must be taken to ensure that the opportunities for competition in the dynamic new area of economic activity are not stifled by anti-competitive issues. While it is true that in rapidly changing high technology markets competition may be fierce but in some instance businesses may achieve significant market power, and use their position to stifle further competition. From a consumer protection prospective, there have also been a no. of international cases where unscrupulous traders have taken advantage of the internet as a medium to propagate old-fashioned scams.

A theme which emerges in this area of competition policy is whether new technology alters the way in which market power issues should be analysed.

The purpose of this paper is to analyse the type of potential issues that can emerge in E-commerce in developing country like India under the competition Act and role that Competition Commission of India can have in dealing with these issues.
4. Potential competition issues

Generally, e-commerce has the potential to increase competition by enabling the development of new services, new distribution channels, and greater efficiency in business activities. Competition policy issues may arise in relation to joint ventures to develop B2B electronic marketplaces (e hubs), particularly when they are developed by existing market participants with a significant combined market share (as buyers and sellers) in underlying wholesale markets. Competition policy issues may arise in relation to eHubs on an ongoing basis if they appear to have developed sustainable market power resulting from network effects and other factors, and/or engage in strategic acts to preserve or maintain their market power. Potential issues would include evidence of price fixing or tacit collusion, or anti-competitive discrimination against, or refusal of access to third parties. Issues will not arise in all cases, and this will depend on the details in each case. In many situations there will be pro-competitive and other public benefit issues that should be taken into account. A recent Federal Trade Commission report identified a range of potential efficiency gains that may accrue from the use of eHubs. They include reductions in administrative costs, reductions in search costs when accessing appropriate trading partners, creating new markets (e.g. markets for surplus stock), economies of scale in joint purchasing, and more effective supply chain management.  

Points to be kept in mind

EHubs may be pro-competitive and enable the achievement of efficiencies. They may also provide wider gains to society by encouraging innovation.

- Competitive concerns are more likely to arise when a B2B exchange allows a number of firms on one side of a wholesale market to coordinate transactions and those firms jointly represent a significant part of the market. The key question is whether the B2B

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4 E-commerce and competition issues under the Trade Practices Act: discussion paper
exchange enables an exercise of market power not previously available to participants.

Main issues include the potential for participants to engage in tacit collusion, exercise of monopsony power or exclusion of third parties. This may affect competition in the relevant wholesale markets, and in some cases associated retail markets. In considering whether issues of tacit collusion are likely to arise it is important to assess if the eHub in question really changes the underlying nature of transactions occurring. In some instances it may not, and each case should be considered individually.

eHubs may exhibit network effects\(^5\), a factor which suggests that a market will favour one eHub being used. This is a fact of life in such industries. What is relevant is to assess whether certain firms can prevent serial competition over time between new entrant eHubs. This behaviour is more likely from firms which have significant market presence in underlying wholesale markets.

The question is what to do about it. There may be value in allowing an incumbent to invest in an eHub, as this may assist in developing such proposals. However, they should not be allowed to use market power to affect the competitive process.

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\(^5\) Network effects, sometimes also called network externalities or demand side economies of scale, occur when the value of a product to users increases when another user joins the network. Where network effects are strong, this may lead to the development of high barriers to entry for potential competing networks — as they face the task of having to persuade substantial numbers of users to simultaneously switch services in order to offer similar benefits to the incumbent network.
5. E-commerce and anti-competitive agreements

E-commerce may have implications for the nature, prevalence, and monitoring of a variety of forms of anti-competitive agreements and conduct, including excessive pricing, collusion, price discrimination, predation, vertical restraints, and refusal to supply/essential facilities.

5.1 Excessive pricing in e-commerce markets

Over the short term, excessive pricing is unlikely to be a major issue for e-commerce companies. Few e-commerce operations are currently making any profits, let alone excessive profits. Over the longer term, however, excessive pricing may become a serious concern for those e-commerce companies that develop dominant positions in their relevant markets.

5.2 Collusion

One of the most widely held competition concerns relating to e-commerce is that it may facilitate such collusive behaviour. Much of the recent discussion of this issue has focussed on the development of B2B online marketplaces that are co-owned by a number of significant market participants. More generally, there are a number of characteristics of e-commerce that might be expected to facilitate collusion, even in the absence of joint ventures and online marketplaces.
5.3 Factors that facilitate collusion in E-commerce

Online marketplaces co-owned by market participants
Where online marketplaces are co-owned by market participants, these participants will naturally communicate about the running of the exchange. Indeed, even an informal conversation between board members about price levels can potentially communicate a collusive strategy. Moreover, where an online marketplace is owned jointly by a number of the main suppliers in a market, collusion may simply take a different form than it might have done traditionally.

For example, collusion may be achieved by designing the dynamic pricing mechanism so as to favour the owners over other market participants. Alternatively, where the marketplace is owned by a number of sellers, collusive profits might be collected in the form of fees charged to buyers for using the marketplace. In all of these cases, collusion may be formal or tacit.

Chat rooms
There is some concern that ‘chat rooms’ may become the 21st century equivalent of smokefilled rooms. Many of the online marketplaces include chat rooms in which market participants can ‘get together’ for discussion, without any need to meet up in person and thus without any need for the diary entries, travel arrangements or records of phone calls, that often facilitate detection of such meetings. While some of these chat rooms are public, and thus would be relatively easy to monitor, others may be private, and reserved for particular market participants. They could even be carried out via an ‘Extranet’, rather than the Internet, for improved secrecy. Such chat rooms would be very hard to monitor, and the information would be easy to delete entirely from the chat room server (if saved in the first place).

Market transparency can play an important role in supporting collusion, since it enables competitors both to co-ordinate their prices and to observe cheating on prices more readily.
Indeed, increased price transparency may facilitate ‘tacit’ collusion, whereby competitors adjust to each others’ behaviour without any form of explicit agreement. Non-price information may also be useful in co-ordinating supply decisions. For example, knowledge of input prices may be useful in determining whether price reductions by competitors are related to cost changes or due to cheating. Knowledge of input volumes can provide important information on competitors’ expected production levels (and thus sales). Similarly, monitoring purchases of production equipment could provide information on competitors’ capacity.

**There are a number of characteristics of e-commerce that may have a significant impact on transparency in the market.**

Where all of the sales made in a particular market are transacted via a single online marketplace, the marketplace will have perfect information on sales made between market participants. Where the online marketplace is co-owned by a number of market participants, there is a risk that detailed transaction information of this sort could pass from the marketplace to the participants, unless strict rules are put in place to ensure confidentiality of data. Even if competitors cannot gain direct access to detailed transaction information, the marketplace will be in a uniquely good position to put together summary market statistics of key information. In some cases, such information will not be anti-competitive, but in other cases it could be, especially if it is current and relatively disaggregated. Competition authorities may be required to determine what sorts of statistics may and may not be published.

Where online marketplaces do not provide price and sales data to market participants directly, the fact that all sales on such marketplaces are made electronically may mean that they are relatively public and easy to monitor. Indeed, compared with the secret bilateral negotiations between buyers and sellers that have previously characterised many B2B markets, this ability to monitor sales may imply a dramatic increase in transparency.
Lower search costs
The Internet is likely to bring about low search costs and high price transparency. When competitors simply publish their prices on the Internet, it is possible to design search engines that will monitor prices across different websites, and this will be further facilitated by the growth of protocols such as XML. Such price transparency may facilitate collusion.

Internet technology could potentially offer an ideal micro-climate for collusion, due to increased communication and transparency in the market, as well as the potential for more frequent market interactions. In particular, collusion concerns may arise with respect to market design and ownership within both online marketplaces and joint Internet sales ventures.

In order to improve the monitoring of collusion, it might also be useful for competition authorities to provide guidance as to the long-term storage of electronic data. They might also wish to develop their own market-monitoring search engine software, which might be used to track prices, sales and conversations in chat rooms, with the aim of detecting evidence of collusive behaviour.

5.4 Impact of e-commerce on the nature of vertical restraints

Vertical restraints are made between independent parties at different points in a supply chain.
The extent to which vertical restraints are used may thus be affected by any changes to the nature and number of independent parties that make up each supply chain. E-commerce is likely to affect the supply chain in three relevant ways.
Integration between parties that was previously separate

Under traditional commerce, the costs of maintaining a network of retail outlets, and the attractiveness of having a relatively wide range of products within each outlet, may have deterred manufacturers from retailing their own products. The reduced search costs associated with the Internet mean that customers can more easily be served from a single website and there may be less need for that site to offer wide range of products. Thus, in an online environment, more manufacturers may opt to retail their own products. The creation of new intermediaries the Internet has given rise to a variety of new intermediaries, such as portals and online marketplaces, which may sign restrictive vertical agreements with online buyers and sellers.

Increased power of downstream players

Much of the literature on vertical restraints emphasises the ability of suppliers to impose restraints on powerless retailers. Over the last 50 years, such a view of retailers has become increasingly inappropriate. The growth of e-commerce may further strengthen the market position of downstream buyers relative to suppliers. Firstly, lower search and switching costs will increase the credibility of buyers’ threats to switch supplier, and thus increase their bargaining power. Secondly, buying clubs and careful market design may also improve their buying power. Thirdly, the widening of geographic retail markets may facilitate the development of global retailers. These will tend to have far greater bargaining power with suppliers than traditional local or national retailers.

The main potential anti-competitive effects of vertical restraints are market foreclosure and rising of rivals’ costs, competition dampening, and facilitation of collusion.
6. Credit cards in India

In context of the Indian market, the leading credit card service providers are ICICI, HDFC, HSBC and Standard Chartered to name a few. These financial institutions have tried their hands on ensuring value-addition while offering customer-friendly credit card deals. The Best credit cards in India are usually meant for specific user group such as women, students and small business owners. These cards are offered to the prospective customers with appealing deals. Statistics have clearly revealed that the numbers of credit card holders in India are close to 22 million as on January, 2007. It has been also revealed that the increasing consumerism in the country has led to a two-fold increase in the number of credit card transactions from FY 2003-04 to 2005-06. The trends were as favourable as ever in the financial years, FY 2006-07 and 2007-08 and the same is likely to continue in the coming financial years.

A snapshot, as in Figure below, indicates that in volume terms 56% of retail electronic transactions are through credit and debit cards (though in value terms, it is only 10%).
In India, the number of valid credit and debit cards in circulation is 2,000 lakh. During 2009-10, the number of transactions on such cards had been of the order of 4,040 lakh and the amount of transactions ` 89,270 crore. The number of card transactions increased by 193% during the period 2003-04 to 2009-10.

Source: RBI Bulletin June 2010
### Table 1

<table>
<thead>
<tr>
<th>Year / Period</th>
<th>Number of Valid Cards as of End-March (Lakh)</th>
<th>Number of Transactions (Lakh)</th>
<th>Average Number of Transactions per Card</th>
<th>Amount of Transactions (Rs. Crore)</th>
<th>Average Amount per Transaction (Rs.)</th>
<th>Average Amount of Transactions per Card (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04</td>
<td>—</td>
<td>1001.79</td>
<td>—</td>
<td>17662.72</td>
<td>1763</td>
<td>17662.72</td>
</tr>
<tr>
<td>2004-05</td>
<td>—</td>
<td>1294.72 (29%)</td>
<td>—</td>
<td>25986.36 (45%)</td>
<td>1984</td>
<td>25986.36 (45%)</td>
</tr>
<tr>
<td>2005-06</td>
<td>173.27</td>
<td>1560.86 (21%)</td>
<td>8.38</td>
<td>33888.47 (32%)</td>
<td>2171</td>
<td>33888.47 (32%)</td>
</tr>
<tr>
<td>2006-07</td>
<td>231.23 (33%)</td>
<td>1695.36 (9%)</td>
<td>8.38</td>
<td>41361.31 (22%)</td>
<td>2440</td>
<td>41361.31 (22%)</td>
</tr>
<tr>
<td>2007-08</td>
<td>275.47 (19%)</td>
<td>2282.03 (35%)</td>
<td>9.01</td>
<td>57964.73 (40%)</td>
<td>2541</td>
<td>2541 (12%)</td>
</tr>
<tr>
<td>2008-09</td>
<td>246.99 (-10%)</td>
<td>2595.61 (14%)</td>
<td>9.94</td>
<td>65355.80 (13%)</td>
<td>2518</td>
<td>65355.80 (13%)</td>
</tr>
<tr>
<td>2009-10</td>
<td>183.19 (-26%)</td>
<td>2340.66 (-10%)</td>
<td>10.88</td>
<td>62851.86 (-4%)</td>
<td>2685</td>
<td>2685 (-4%)</td>
</tr>
</tbody>
</table>

**Source:** RBI Bulletin June 2010

**Note:**
1. The figures within parenthesis indicate % increase over previous year.
2. The average number (amount) of transactions per card in a year is number (amount) of transactions in the year divided by mean value of the end-march figures of number of valid cards for the year and previous year.
7. International interventions in Credit cards market

7.1 Anti-trust cases in credit cards

- **APRIL, 1974** - That peak came with a settlement in *April 1974* of an antitrust suit brought by Consumers union against the AMERICAN EXPRESS Co. and bankamericard. The lawsuit complained that the credit-card companies' contracts with merchants who honored the credit cards barred them from giving discounts to customers who paid cash. The legal action was based on the premise that since the participant sellers paid the credit-card companies a service fee of 3 per cent to 6 per cent of charge – card sales, cash customers should get a discount in proportion to a store’s lower costs on a cash sale. In settling the case, American Express agreed to allow dealers honouring its credit cards to give discounts.  

6  

- **OCT, 2005**

The National Association of Convenience Stores, the Association for Chain Drug Stores, the National Community Pharmacists Association, and the National Cooperative Grocers Association have filed suit against Visa International Inc., MasterCard International Inc., and their member banks, claiming they charged merchants illegally inflated transaction fees. According to *The Charlotte Observer*, Visa and MasterCard, the two biggest credit-card companies, conspired with their member banks to dictate inflated rates for so-called interchange fees, the groups claimed in a complaint filed September 23rd in federal court in Brooklyn, N.Y. Visa and MasterCard force merchants "to pay supracompetitive, exorbitant, and fixed prices for general purpose card network services and raise the prices paid by all of their retail customers," argued the groups.

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6 Miami news – March 9, 1978
in the complaint. The groups that sued represent the operators of more than 130,000 stores.

- In U.S, Last year, The Department of Justice and seven state attorneys general filed an antitrust lawsuit against Visa, MasterCard and American Express, charging that the credit card networks' rules prevent retailers from providing discounts to consumers. Financial institutions that issue the card charge the retailer a fee, typically, 1% to 3%. The Justice Department contends that rules imposed by the three credit card networks stop merchants from offering consumers discounts or rewards for using other, less expensive forms of payments. When consumers use a credit card to make a purchase, the card networks and price. These fees have been extremely lucrative for the three credit card companies and their affiliate banks, Holder said, generating more than $35 billion last year. Consumer groups charge that these fees lead to higher prices, even for consumers who pay with cash.

The proposed Final Judgment prohibits Visa and MasterCard from adopting, maintaining, or enforcing any rule, or entering into or enforcing any agreement, that prevents any merchant from:

1. offering the customer a price discount, rebate, free or discounted product or service, or other benefit if the customer uses a particular brand or type of General Purpose Card or particular form of payment;

2. expressing a preference for the use of a particular brand or type of General Purpose Card or particular form of payment

3. promoting a particular brand or type of General Purpose Card or particular form of payment through posted information; through the size, prominence, or sequencing of payment choices; or through other communications to the customer; or

4. communicating to customers the reasonably estimated or actual costs incurred by the merchant when a customer pays with a particular brand or type of General Purpose Card.

26
The proposed Final Judgment removes restrictions on three kinds of merchant competitive behavior:

(a) steering among General Purpose Card brands, or networks (e.g., from Visa to Discover);

(b) steering among payment methods (e.g., from a MasterCard General Purpose Card to PayPal or a debit card); and

(c) steering among card types (e.g., from an expensive Visa rewards General Purpose Card to a cheaper non-rewards Visa or MasterCard General Purpose Card).

7.2 Other interventions done worldwide

- In July 2002, the European Union’s Competition Directorate announced a settlement with Visa under which Visa agreed to reduce gradually its interchange fee on all cross-border transactions (between EU merchants and non-EU consumers) over the subsequent five years, and thereafter to subject its interchange fee to a cap, based on the prior year’s cost for processing card transactions, financing the interest-free grace period benefiting cardholders, and payments guarantees provided to merchants. The cost formula, however, does not allow Visa to recover costs for providing incentives to issuers to expand the distribution and use of Visa cards. The EU has mounted a similar effort against MasterCard.

- The Office of Fair Trading in the United Kingdom (that country’s antitrust authority) issued a formal finding in September, 2005 that MasterCard’s system of setting interchange fees was anti-competitive, infringing Article 81 of the EC Treaty. The OFT is conducting a similar investigation of Visa.

- In August 2002, the Reserve Bank of Australia (that country’s central bank) announced new rules relating to interchange fees set by MasterCard and Visa (but not American Express). As in the EU, the Australian rule caps interchange fees by the
assoc

associations according to prior years’ costs (averaged over three years, rather than just the previous year). The scope of allowable costs is similar to that in the EU.

8. COMPETITION LAW IN INDIA

The competition policy in India is laid out in the Competition Act, 2002. When the Competition Act replaced the MRTP Act, 1969, there was a shift in the focus from curbing monopolies to promoting competition. The Competition Act 2002 aims to prevent practices having an adverse affect on competition and abuse of dominance of enterprises either by entering into anti competitive agreements, or combinations.

The Act typically focuses on four areas:

a) Anti-Competitive Agreements (Section 3)
b) Abuse of dominance (Section 4)
c) Combination Regulation (Section 5)
d) Competition Advocacy (Section 49)

Anti-Competitive Agreements: Section 3 of the Competition Act deals with the prohibition of agreements, which have an adverse effect on competition. It states that no enterprise or association of enterprises or person or association of persons shall enter into any agreement in respect of production, supply, distribution, storage, acquisition or control of goods or provision of services, which causes or is likely to cause an appreciable adverse effect on competition within India. The specific anti-competitive practices of the pharmaceutical and health delivery system covered under Section 3 of the Act are collusive
agreements including cartels, tied selling, exclusive supply agreements, exclusive
distribution agreements, refusal to deal and resale price maintenance. The prohibition of
cartel agreements (price fixing, output restricting, market sharing or bid rigging) between
enterprises or persons is the strongest provision in the Act however the act shall not apply
in case such an agreement increases efficiency in production, supply, distribution, storage,
acquisition or control of goods and provision of services. Having said this it must be noted
that cartels may increase efficiency but alongside may also increase prices that may be
detrimental to the consumers. However there is an exception in the law for IPR-related
agreements. Section 3(5) states that under reasonable conditions that an IPR holder may
apply to protect his rights may not be regarded as anti-competitive, although what is
reasonable has not been defined well.

**Mergers and Acquisitions**: Section 5 of the Competition Act deals with what is denoted
by a combination of enterprises and persons, delineating the specific circumstances as per
which the acquisition of one or more enterprise by one or more persons. The Act provides
for merger review beyond a certain threshold level which would be defined as the turnover
of the group to which the enterprise would belong after the completion of the acquisition or
merger

Unlike most other countries merger notification in India is not compulsory and is only
voluntary. Moreover since the threshold level for regulation is quite high, the Indian
industry may become an easy target for MNCs for acquisition.
9. Role of CCI

- As e-commerce and credit cards market in India is still developing and on nascent stage, these anti-competitive agreements and anti–trust issues are likely to arise in India in the near future.

- Competition Act 2002, section 3 and 4 will be applicable in this case of anti-competitive agreement between credit card companies, if it arises in India.

As a general point, when investigating anti-competitive behaviour in e-commerce markets, the CCI will need to evaluate the pros and cons of intervention with great care.

- On the one hand, where there are likely to be first-mover advantages, anti-competitive behaviour over the short-term can deliver significant long-term effects. Any delayed reaction to foreclosure by competition authorities could therefore have substantial and prolonged implications.

- On the other hand, the area of e-commerce is highly innovative, and developing very quickly. Premature intervention by competition authorities could in some cases inhibit innovation and the development of new markets.

- One potential approach to this problem might be to apply competition law with a light hand for the present, but to raise awareness of the large fines and risk of structural break-up that might occur at a later date if competition law is found to have been breached.

- In order to improve the monitoring of collusion, it might also be useful for competition authorities to provide guidance as to the long-term storage of electronic data. They might also wish to develop their own market-monitoring search engine.
software, which might be used to track prices, sales and conversations in chat rooms, with the aim of detecting evidence of collusive behaviour.

- The existing competition framework and tools would appear largely sufficient to deal with these various issues. There may, however, be benefits to be gained from preventing companies from sharing sensitive information about customers’ shopping habits and giving customers rights to greater access to the information held about them in suppliers’ databases.

- This might allow customers to make more sophisticated and informed choices between suppliers.
10. Conclusion

As E-commerce in India is at nascent stage but growing at a very high rate, these competition issues may arise in the near future. E-commerce may become a platform for the anti-competitive agreements between the companies. There are some international cases where anti-trust issues have come up with E-commerce as a platform.

Credit cards being the facilitators of E-commerce, some international case studies are done where anti-competitive agreements and anti-trust issues between the credit cards companies have come up. Credit cards market in India is growing at a fast rate. These issues may come up in India in the near future.

As stated in the last section, CCI must keep an eye on developing E-commerce market in India as well as the credit cards companies that might indulge in the anti-competitive practices to increase their own profits.
11. Appendix

11.1 Growth of e-commerce

During the year 2000-2001, two major Industry Associations produced separate reports on e-commerce in India. One was prepared by the National Committee on Ecommerce set up the Confederation of Indian Industry (CII), while the other was commissioned by the NASSCOM and prepared by the Boston Consulting Group. Both the reports are optimistic about the growth of e-commerce in India. The Confederation of Indian Industry (CII) report estimates the volume of e commerce to grow to Rs 500 billion (US$ 10.6 billion) in the year 2003. The NASSCOM-BCG Report, on the other hand, estimates for the same year that the total volume of ecommerce will be Rs 1,950 billion (US$ 41.5 billion). Amul, a milk cooperative, is successfully using ecommerce to deepen its brand loyalty. Likewise, corporate in the automotive sector are improving their customer relations through this medium. Some of the new names that are rediscovering e-commerce through new portals at relatively low capital cost, without venture capital funding include: Key 2 crorepati, Music Absolute, Gate 2 Biz. The low cost of the PC and the growing use of the Internet has shown the tremendous growth of Ecommerce in India, in the recent years. According to the Indian Ecommerce Report released by Internet and Mobile Association of India (IAMAI) and IMRB International, “ The total online transactions in India was Rs. 7080 crores (approx $1.75 billion) in the year 2006- 2007 and expected to grow by 30% to touch 9210 crores (approx $2.15 billion) by the year 2007-2008. According to a McKinsey-Nasscom report the e-commerce transactions in India are expected to reach $100 billion by the 2008. Although, as compared to the western countries, India is still in is its initial stage of development. E-Marketer forecasts that online sales will more than double by reaching $168.7 billion in 2011. market share is moving toward Australia, India and especially China. China’s share of regional B2C e-commerce will grow more than threefold from 4.1% in 2006 to 14.3% by
2011. At the low end, South Korea’s B2C e-commerce sales will grow by 13.3% over the same period. Between 2006 and 2011, the aggregate CAGR for the five countries will be 23.3%.

Fig. 1: Sales of selected countries in Asia Pacific. Online travel is the largest e-commerce sales category in most major countries. For the same group of five countries, plus New Zealand, online leisure and unmanaged business travel sales totaled about $17.7 billion in 2007 and are forecast to rise to $41.7 billion by 2011. E-Marketer forecasts that from 2006 to 2011 online travel sales will grow at a 24.8% annual rate, higher than the 23.3% rate for B2C e-commerce. This indicates that travel is one of the key drivers of e-commerce sales in the APAC region.⁷

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⁷ Ecommerce Report released by Internet and Mobile Association of India (IAMAI) and IMRB International
In China and India, online-travel spending drives B2C ecommerce sales, and it accounts for a majority of total sales. Consumers are less wary of buying services like train or airline tickets online, and sellers can avoid the logistics and delivery problems associated with physical goods.
11.2 Status of e-commerce in India

Today E-commerce is a byword in Indian society and it has become an integral part of our daily life. There are websites providing any number of goods and services. Then there are those, which provide a specific product along with its allied services. Indian E-commerce portals provide goods and services in a variety of categories. To name a few: Apparel and accessories for men and women, Health and beauty products, Books and magazines, Computers and peripherals, Vehicles, Software, Consumer electronics, Household appliances, Jewelry, Audio/video, entertainment, goods, Gift articles, Real estate and services.

Some Indian portals/websites deal in a specialized field, for example:

1) **Automobiles**- On these sites we can buy and sell fourwheelers and two-wheelers, new as well as used vehicles, online. Some of the services they provide are: Car research and reviews, online evaluation, Technical specifications, Vehicle Insurance, Vehicle Finance.

2) **Stocks and shares and e-commerce**- In India today, we can even deal in stocks and shares through e-commerce. Some of the services offered to registered members are: Online buying/selling of stocks and shares, Market analysis and research, Company information, Comparison of companies, Research on Equity and Mutual Funds.

3) **Real estate and e-commerce**- They provide information on new properties as well as properties for resale. One can deal directly with developer through consultant. Allied services: Housing Finance, Insurance companies, Architects & Interior Designers, NRI services, Packers & Movers.

4) **Travel & tourism and e-commerce**- India has a rich history and heritage and e-commerce is instrumental, to a large extent, in selling India as a product, encouraging Indians as well as foreigners to see its multifaceted culture and beauty. The tourist destination sites are categorized according to themes like: Adventure - trekking, mountain climbing etc, Eco-Themes pertains to jungles, flora and fauna.
5) **Gifts and e-commerce** - In the bygone days, one had to plan what to gift a loved one, trudge across to your favourite shop, and browse for hours before purchasing a gift. The gifts are categorized as: Collectibles like paintings and sculptures, Luxury items like leather goods, perfumes, jewellery boxes, etc, household curios and carpets, etc, Toys & games, Chocolates, Flowers, Woodcraft.

6) **Hobbies and e-commerce** - The most popular hobbies from time immemorial are reading, music and films. The books cover a wide range of topics like Business, Art, Cookery, Engineering, Children’s Stories, Health, Medicine, Biographies, Horror, Home & Garden, etc.

7) **Matrimony and E-commerce** - It is said that marriages are made in heaven, but in the world of E-commerce they are made on marriage portals. One can search for a suitable match on their websites by region of residence (India or abroad), religion or caste. Allied services for registered members: Astrological services, Information on Customs and Rituals, Legal issues, Health & Beauty, Fashion & Style, Wedding

8) **Employment and e-commerce** - Two major portals like www.Monsterindia.com and www.naukri.com (meaning job.com in Hindi) are instrumental in providing job seekers with suitable employment at the click of a mouse. The service for job seekers is free and for Employers they charge a nominal fee. Jobs are available online in fields ranging from secretarial to software development, and from real estate to education lanners
11.3 List of Top E-Commerce Companies of India

1) ASA Systel Communications Pvt Ltd:
It is a leading E-commerce company in India which provides innovative and superb quality web services which encompasses the building of e-commerce related websites and portals. The company also uses the latest payment modes and security. The company has its offices in Chennai, Lucknow and will shortly set up offices in Delhi, Mumbai, Kathmandu, Bhopal.

2) Candid Info:
This Indian E-commerce company is based in New Delhi. It is a renowned Offshore Outsource Web designing development e-commerce Company. It offers off shore web development, designing, and SEO solutions for large corporations and SME’s.

3) Chenab Information Technologies Private Limited:
This E-commerce company in India comprises of web enabled business and web bases services, airline and security systems by using the internet technologies and tools of the state of the art. The company has three Software Development centers in Mumbai and the overseas branch office in New York.

4) Euro link Systems Limited: This leading E-commerce company provides consulting and e-business solutions, FlexTCA Systems, Trillium Protocol services to the global community. The company has its office in England, U.S, Switzerland, and India with about 200 employee strength.

5) HashPro Technologies: It offers e-business and traditional analysis, development, implementation, design and strategic planning. It is a leader in the provider of integrated talent management software organization in India. It is key technology consulting provider. It renders services like the E-commerce Hosting, Internet Marketing and Human Resources. The e-Workforce initiative of the company will enable the company to become a 100 percent e-Corporation.
6) **Compare Info Base**: The company is leading provider of e-commerce portals and IT solutions. The company manages about 1500 websites and portals with 4000 domain names. It has web presence in Maps, Software Development, GISTravel, Education, Media, and Greetings etc. It specializes in Content development services, Website development services; PHP Programming & Development etc. It has its office in Mumbai, Kolkata and Delhi.

7) **Sanver E-solutions**: This Company is based in Mumbai. They believe that Information Technology is a way to the business objectives. It is an IT consulting and Solutions Provider which offers personalized and personal business solutions using Information and Communication Technology.

8) **Planet Asia**: This E-commerce company in India uses track record and deep experience in externalized applications to produce high quality B2SPEC(Business to Partner, Supplier, Customer) solutions to global enterprises.

9) **Candid Web Technology**- This fast growing E-Commerce Company in India is a provider of Com Web Solutions for the design and development of dynamic web sites. The clients of the e-commerce company spans from the small scale companies to corporate organizations.

10) **Trisoft Design**: Trisoft Systems is a software services company that offers solutions exclusively on the Microsoft Platform to customers worldwide. 10 years of experience on the Microsoft Platform puts the company at the forefront of .Net Technology.

**Benefits of E-Commerce to Businesses**

There is a growing awareness among the business community in India about the opportunities offered by ecommerce. Ease of Internet access and navigation are the critical factors that will result in rapid adoption of Net commerce. Safe and secure payment modes are crucial too along with the need to invent and popularize innovations such as Mobile
Commerce. India Reports provides accurate and easy to understand India specific reports that capture trends, map business landscapes and custom-made reports for specific needs. The other reports available on India Reports are on retail, outsourcing, tourism, food and other emerging sectors in India.

- Easy reach to a fast growing online community
- Unlimited shelf place for products and services
- Fuse the global geographical and time zone Boundaries
- Helps reach national and global markets at low operating costs.

Research studies have indicated several factors responsible for the sudden spurt in growth of Ecommerce in India such as:

- Rapidly increasing Internet user base Technology advancements such as VOIP (Voiceover-IP) have bridged the gap between buyers and sellers online
- The emergence of blogs as an avenue for information dissemination and two-way communication for online retailers and eCommerce vendors
- Improved fraud prevention technologies that offer a safe and secure business environment and help prevent credit card frauds, identity thefts and phishing
- Bigger web presence of SME’s and Corporate because of lower marketing and infrastructure costs.
11.4 Future of E-Commerce in India

Today, we are talking about e-commerce progress level of India, the seventh-largest by geographical area, the second-most populous country, and the most populous democracy in the world. Indian ecommerce space percentage is getting higher as more and more online retailers enter the market. Although this level of entry in the e-commerce market is good from a long term perspective, the challenge is that most entrepreneurs don’t have the resources or capital to wait for years before they can get profits. The past 2 years have seen a rise in the number of companies' embracing e-commerce technologies and the Internet in India. Most e-commerce sites have been targeted towards the NRI’s with Gift delivery services, books, Audio and videocassettes etc. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and movie tickets the grocery and computers. This is not to say that the e-commerce scenario has been bad in India as highly successful e-business like baba bazaar and India mart have proved. Indian Banks too have been very successful in adapting EC and EDI Technologies to provide customers with real time account status, transfer of funds between current and checking accounts, stop payment facilities. ICICI Bank, Global TRUST BANK AND UTI-Bank also have put their electronic banking over the internet facilities in place for the upcoming e-commerce market speed post also plan to clone the federal express story with online package status at any moment in time. The future does look very bright for e-commerce in India with even the stock exchanges coming online providing a online stock portfolio and status with a fifteen minute delay in prices. The day cannot be far when with RBI regulations will able to see stock transfer and sale over the Net with specialized services.
11.5 Future of Credit cards in India

With high and industry-favourable figures as above, there is no doubt that the rise in number of credit card providers and users have come of age. With these positively-influencing trends expected to continue in the near and far-future, the writing is on the wall. The credit card industry is likely to soar more than any industry segment. To add to that, easy and continuous payments' structures with each passing day and with every Bank poised to expand its network, the Indian credit card user community is the biggest beneficiary. The intensifying competition prevalent in the present day Indian credit card market has further fuelled the usage of **credit cards** in the country like never-before. In an aim to overpower the peers and to sustain and prosper themselves, the Banks and financial institutions have started cutting down the interest rates and offering lucrative deals.

Payment card systems such as MasterCard and Visa involve four main parties, i.e.,

- the cardholder;
- the institution that provides the card to the cardholder – the issuer;
- the merchant that provides the goods or services to the cardholder; and
- the institution that provides services to the merchant- the acquirer

Thus, the system consists of a customer who holds a credit / debit card from his issuing bank (issuer), a merchant who has been given the facility of accepting credit cards by his acquiring bank (acquirer) and the payment network MasterCard / Visa, etc. In this system, first a merchant who decides to accept credit or debit cards in exchange for goods or services establishes a merchant account by forming a relationship with an acquiring bank. This relationship enables the merchant to receive sale proceeds from credit / debit card purchases through credits in his account. However, the acquirer, while paying such credits to the merchant, applies a Merchant Discount Rate (MDR), which is a proportion of the sale proceed that is paid by the merchant to the acquirer in consideration for card acceptance.
services. Thus, the MDR is a percentage of sales that a merchant pays to the acquiring bank to process credit / debit card transactions. In India on MasterCard and Visa card transactions this rate generally varies from 1% to 2%. The MDR is generally greater for premium cards than for standard cards.

Thus, considering the average MDR\(^8\) to be 1.5%, the revenue generated in the card business, through MDR only, is of the order of ₹ 1,340 crore. A component of MDR on every card transaction, called interchange, flows from the merchant acquiring bank to the card issuing bank. The settlement and credit transactions between the issuer and the acquirer are done using the network of MasterCard / Visa, who also gets a share of the fee in exchange. Figure 2 illustrates a typical transaction in a four-party card system.\(^9\)

\(^8\) Merchant Discount Rate – a proportion of the transaction amount borne by the merchant
\(^9\) Cashless Payment System in India– A Roadmap– Ashish Das, and Rakhi Agarwal
In practical terms, when a cardholder uses his or her card to make a purchase from a merchant, the acquiring institution makes a payment to the merchant equal to the retail price less the MDR. The acquiring institution receives a payment from the card-issuing institution equal to the retail price less an interchange fee. The average interchange fee on MasterCard and Visa card transactions is approximately two-thirds of MDR. The interchange fee being a cost from the perspective of the acquiring institution affects the level of MDR. The interchange fee, however, is a source of revenue from the perspective of issuing institutions. Issuers incur a variety of costs like costs for, marketing to new cardholders, providing service to existing cardholders (including call centre services), extending credit, bearing risk, absorbing default, preventing fraud, etc. Revenues from interchange fees help issuers recover costs and help issuers hold down cardholder fees and maintain card benefits such as interest-free periods and reward programs.

It may be noted that in India a gas station (petrol pump) merchant does not charge extra, but it is the issuing bank who may charge some extra money from the cardholder for using card at gas station. Also, for purchases of train tickets over counters / net it is the bank who charges an additional amount and not the railways. Currently, such charges are 2.5% of the actual transaction amount (the exception being for train tickets bought over the net for which a rate of 1.8% applies). This raises a vital question on the reasonability of banks’ charging 2.5% from cardholders for purchases of petrol / diesel / CNG at gas stations or charging 2.5% from cardholders for train ticket purchases at railway ticket counters. Based on general interaction with banks, it transpires that over the years, the average MDR has been decreasing. However, MasterCard / Visa found it justified to retain the 2.5% charge at gas stations and on train ticket purchases. Furthermore, one needs to take into consideration that non-payment of any merchant service charges by gas station owners or railways amounts to acceptance by MasterCard / Visa that there is no value addition in terms of convenience gained by these merchants for accepting card payment as a mode of

11 Cashless Payment System in India- A Roadmap -- Ashish Das, and Rakhi Agarwal
receiving sale proceeds. This may be in contradiction to the general view floated by MasterCard / Visa that MDR includes a charge that merchants pay for the convenience gained in non-handling of cash.

11.6 Credit cards and interchange fees

Credit cards and Debit cards: In case of Credit Cards and Debit Cards there is no visible charge on the customer for use of cards at merchant establishments. Charges are levied directly on customers only at few locations like petrol stations etc. and for cash withdrawal at ATMs. In all other cases, charges levied by banks have been for the credit availed (beyond the due date). In credit cards and debit cards the interchange fees - the charges paid by the merchant are an integral part of the pricing structure of credit and debit card transactions. As this fee is levied on the merchant establishment, there is differential cost for the merchant for payment received by cards or cash. This serves as a disincentive for merchants to encourage payments by cards. This was observed as the reason why the use of cards for purchase of valuable items and goods continue to be discouraged by the merchants; if payments are made by cards the interchange fee is recovered from the customer. This is because, in case of larger value purchases, the merchants find it unremunerative to absorb this interchange fee.

It is obvious that for increasing business in the area of credit / debit cards, apart from issuing more credit / debit cards, the banks try to acquire and thus bring more and more merchants under the umbrella. Any card transaction leads to sharing the revenue earned from use of credit / debit cards. The share holders are primarily the (1) MasterCard / Visa, (2) card issuing bank and (3) merchant acquiring bank. Every merchant acquiring bank is
required to incorporate a clause in their agreement binding the merchant not to pass on any component of the MDR to a customer using a payment card. 12

In India, though competition guides acquirer-merchant pricing policies, it is generally understood that interchange fees is one component of the MDR established by acquirers and issuers under guidelines provided by the card companies. The implementation of proper interchange rates is necessary and also very crucial for maintaining a strong and vibrant card payments network. The banks and MasterCard / Visa generate revenue and make profits in the card system by charging fees in form of MDR.

In 2008, a study had been carried out on —Acceptability Standards in Credit Card Industry. It observed the behaviour of the players in the credit card industry on the issue of surcharge. Surcharge is a charge to cardholders for use of credit / debit card at merchant establishments. It may be worthy to note that when a merchant decides to pass some component of the MDR to the customer, he may well be justified in doing so in case the MDR set by the acquirer bank is disproportionate to his profit margins or gains he has on account of increase in sales by accepting credit / debit cards. The outcome of the study indicated slipshod attitude on the part of banks to address the issue in the correct perspective. Some banks were reluctant to comment either way while some appeared to favour different treatment by merchants on receipts of cash and card. In fact MasterCard and Visa also do not discourage different treatment to cash and credit card payments through their policy of cash discounts.

Priceless is how MasterCard has touted the benefits of its cards in a successful decade-long ad campaign. But this is hardly the case. Credit cards and debit cards create significant costs for merchants and, most strikingly, for consumers who do not use cards. In some countries, including India, merchants are not allowed to add a surcharge for payment card transactions because of legal or contractual restrictions, but they are allowed to give cash discounts. Even if differential pricing based on the payment instrument used is not common, the

12 Priceless? The Economic Costs of Credit Card Merchant Restraints by Levitin, Adam J.
possibility to do so may enhance the merchants' bargaining power in negotiating their fees. If merchants charged different prices for cash and card then cash-paying consumers would be paying less vis-à-vis card-paying customers.

Schwartz and Vincent (2006) studied the distributional effects among cash and card users with and without no-surcharge rules. They find that in the absence of differential pricing based on the payment instrument used, the network profit increases while it harms cash users and merchants. The payment network prefers to limit the merchant's ability to separate card and cash users by forcing merchants to charge a uniform price to all of its customers. When feasible, the payment network prefers rebates given to card users. Granting such rebates to card users boosts their demand, while simultaneously forcing merchants to absorb part of the corresponding rise in the merchant fee, because any resulting uniform increase in the good's price would apply equally to cash users. In this way, the network uses rebates to indirectly extract surplus from cash-paying customers in the form of partial hike in prices.
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