# Indian Economy · GS - III

**“Regulation of digital payment costs must balance the sustainability of payment infrastructure with financial inclusion and investor protection.” Discuss in the context of proposed UPI charges for stock-market transactions.**

| EXAM YEAR | PAPER | SUBJECT |
|---|---|---|
| DAILY PRACTICE 15/10/2026 | GS - III | Indian Economy |

| MARKS | WORD LIMIT |
|---|---|
| 10 | ~150 words |

## Answer Hint

**UPI, Merchant Discount Rate, SEBI, NPCI, Digital Payments, Stockbrokers, Retail Investors, Financial Inclusion, Payment Infrastructure, Investor Protection.**

## Model Answer

**Introduction:**

UPI has made digital payments convenient and accessible. However, maintaining payment infrastructure also involves costs, creating a debate over merchant charges for stock-market transactions.

1. **Key Issues:**

   The proposed Merchant Discount Rate (MDR) for capital-market transactions raised concerns among stockbrokers about additional operating expenses. Brokers may incur charges when clients transfer funds into trading accounts, even if those funds are not used for a trade. Periodic returns of unused client funds can also lead to repeated transfers and costs.

2. If brokers absorb these expenses, their operating margins may decline. If costs are passed on indirectly, retail investors could face higher trading-related expenses, potentially affecting market participation. At the same time, payment service providers require a sustainable funding model to maintain reliable infrastructure.

**Way Forward:**

SEBI, NPCI, banks and broker associations should clarify how MDR applies to fund transfers, consider a predictable fee structure and ensure transparent consumer protection.

**Conclusion:**

A balanced framework should sustain digital-payment infrastructure without undermining affordability, investor confidence or broad participation in financial markets.

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