

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2768
ANSWERED ON:29.08.2012
CREDIT CARD SWIPE MACHINES QUESTION
Dhurve Jyoti

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noticed the collusion of private banks and oil marketing companies regarding insisting of the Petrol Pump Dealers to install the particular bank's credit card swipe machines at their petrol pump in order to escape the excess payment of 20% surcharge on petroleum products;
- (b) if so, the details thereof;
- (c) whether the practice adopted by the private banks and oil marketing companies violate The Competition Act, 2002 and encourage restrictive trade practice in the market; and
- (d) if so, the details thereof and the action taken by the Government against banks in this regard?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Government is not aware of any collusion of private banks and oil marketing companies regarding insisting of the Petrol Pump Dealers to install the particular bank's credit card swiping machines at petrol pump. Indian Banks' Association has also informed that they are not aware of any such collusion. Banks which install credit card swiping machines and merchant establishments enter into a contract under which the merchants pay a discount on the amount of cash settlement on account of usage of cards. This concept of merchant discount is an international practice. Usually, the discount varies between 1-2% and is not expected to be levied on the customers. Oil companies generally do not abide by this clause as they operate on thin margin. They pass on the merchant discount to the customer in the form of surcharge (usually upto 2.5%). As marketing efforts, banks and oil marketing companies come together and banks issue co-branded cards and the customers using such cards are not levied surcharge. Customers using other bank cards are levied surcharge.