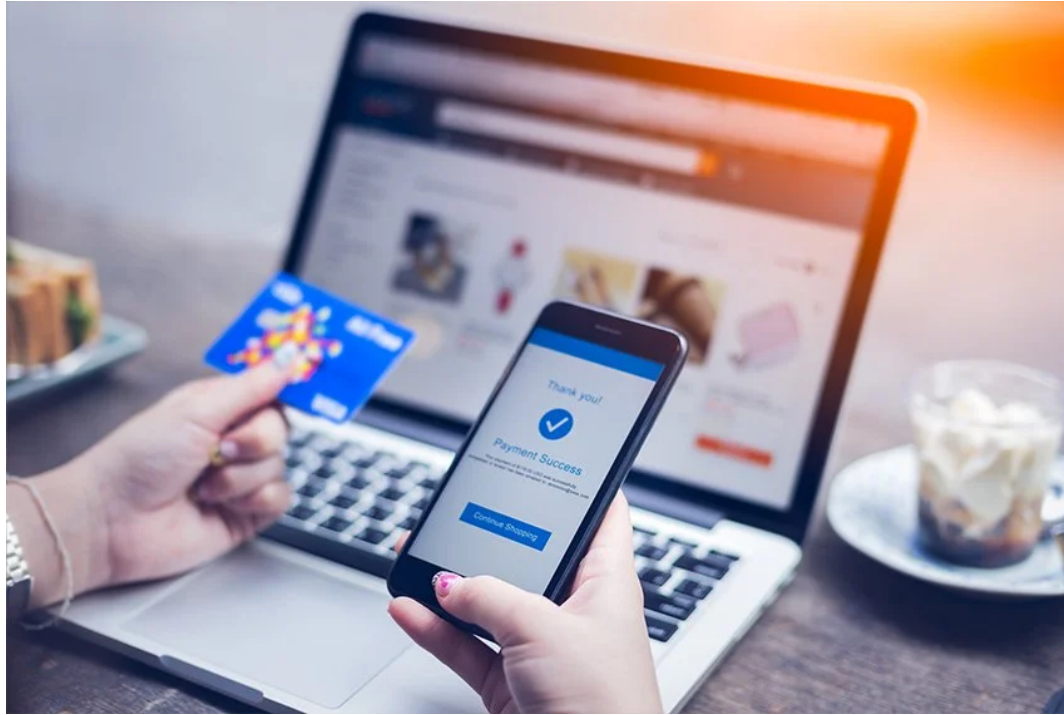# Payment Aggregator

By IASToppers | 2024-02-09 15:40:00

Payment Aggregator

Two fintech startups recently received the final **licence from the Reserve Bank of India (RBI)** to operate as payment aggregators.

About Payment Aggregators:

- A payment aggregator is a **third-party service provider** that enables customers to make and businesses to **accept payments online**.
- They enable their clients to accept various **payment methods** such as debit cards, credit cards, cardless EMIs, UPI, bank transfers, e-wallets, and e-mandates.

Features of Payment Aggregators:

- **Sub-Merchant Account:** PAs assist in setting up sub-merchant accounts, allowing businesses to accept payments. Without such accounts, transactions cannot be processed.
- **Documentation:** To create a sub-merchant account, businesses need to provide documents like proof of business address, bank account statements, and PAN card details.
    - There may be **KYC procedures** involved in the onboarding process.
- **Efficient Onboarding:** A reliable payment aggregator can expedite the merchant onboarding process, often completing it within a few days.
- Payment aggregators **prioritize security to prevent fraud** and safeguard customer data.
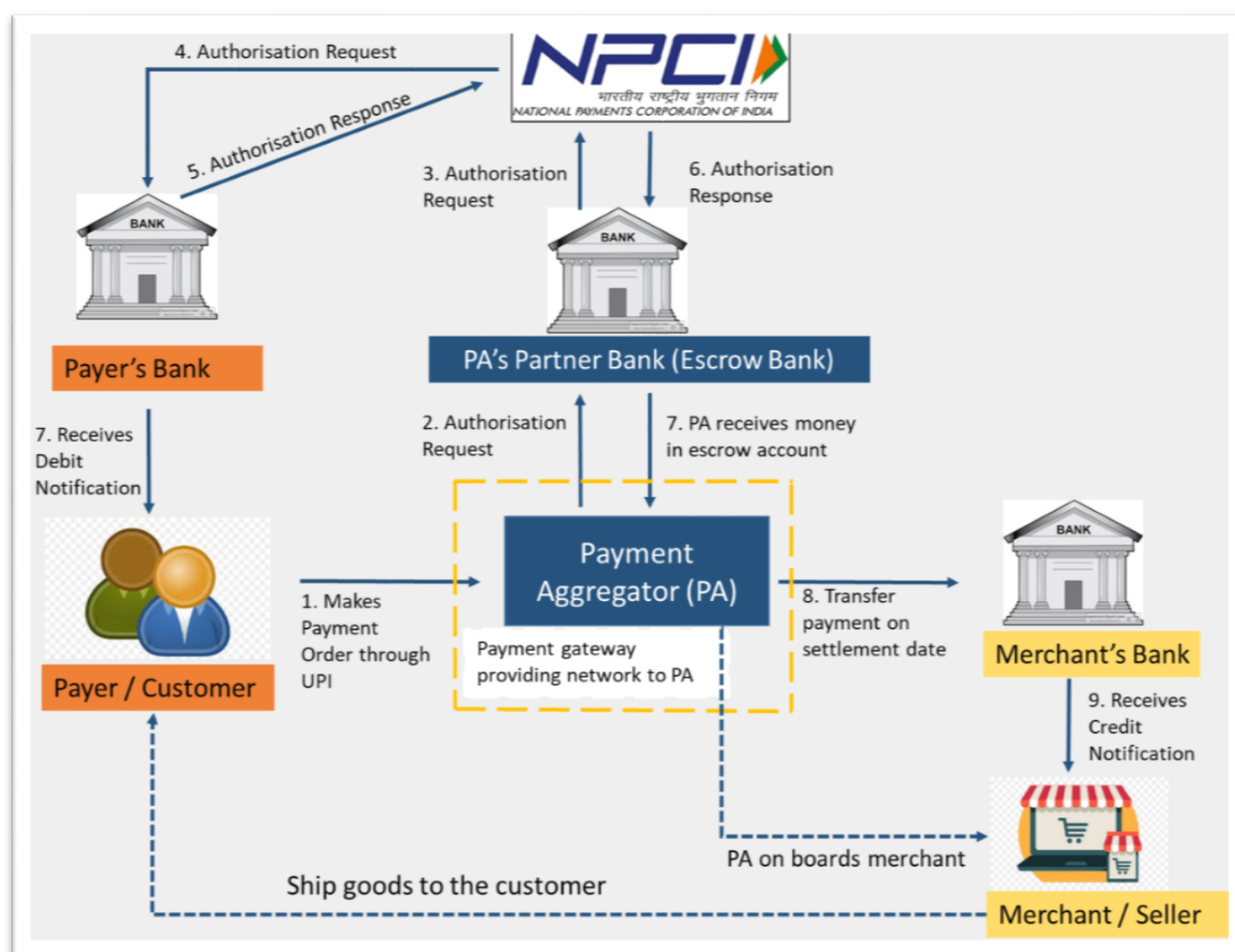
Working of Payment Aggregator:

- Payment aggregators provide **businesses with a simplified way** to accept payment from multiple sources.
- First, the business **creates an account** with the payment aggregator, which provides them with **merchant accounts** to accept payments.
- When they are **ready to purchase**, they head to the checkout page and select their preferred payment method.
- The **acquiring bank receives** the transaction information from the merchant.
- The **card company** then runs a **fraud check** to ensure the transaction is legitimate.
- Issuer **accepts or declines the transaction** and sends funds to the acquiring bank.

- The acquiring bank **requests the funds from the card issuer**, which are then transferred to the merchant`s account.

Types of Payment Aggregators in India:

- **Third-party payment aggregator:** These independent companies provide payment aggregation services to businesses.
- They partner with multiple payment providers to offer their customers a range of payment options.
- **Bank payment aggregators**: these are payment aggregators that are owned and operated by banks.
- They offer a **more limited range of payment options** but may be preferred by businesses prioritizing security and reliability.

Fig 1: End to end non-bank payment aggregator transactional flow
The blue dotted lines in the fig. do not form part of payment system, but forms an important part of legal basis in merchant on-boarding process and shipment of goods to the customers in a PA business model.
Source: Author