

WRAP Exams · wrapexams.com

Prelims PYQ, Mains model answers, and copy evaluation. Write to the desk for this paper, a doubt, or the AI waitlist.

ask@wrapexams.com · +91 85951 84903 · wrapexams.com

Q6

Which one of the following best describes the term "Merchant Discount Rate" sometimes seen in news? (a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank. (b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services. (c) The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards. (d) The incentive given by the Government to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards. Official key: C.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Current Affairs and GK

Current events, government schemes, miscellaneous GK - Prelims GS Paper I.

Explanation

(a)

(a) This describes a bank incentive to the merchant. **MDR** is a charge the merchant pays, not a reward the bank pays the merchant, so this letter is not the key.

(b)

(b) This is a cashback or reward to the cardholder. Merchant Discount Rate is levied on the merchant, not paid back to customers, so it is not the key.

(c) Official key

(c) **(c) Official key:** Merchant Discount Rate is the fee a bank or card network deducts when a merchant accepts a debit (or credit) card payment. It is a merchant-side acceptance cost, which matches the stored key.

(d)

(d) This is a government incentive for digital payments and **PoS**, not the definition of **MDR**. Policy subsidies are distinct from the bank's merchant charge, so this is not the key.

Summary

Official key is (c). **MDR** is the charge a merchant pays the **acquiring bank** for accepting card payments. It is not a bank incentive to the shop, not a customer cashback, and not a government **PoS** subsidy. Honour the stored letter (c).

Related possible facts

These can be asked in a future Prelims paper.

MDR

Merchant Discount Rate on card acceptance

Acquiring bank

Bank that onboards the merchant

Interchange

Fee component flowing toward the issuing bank

RuPay / UPI policy

Government has capped or waived MDR on some low-value digital payments

PoS

Point of Sale terminal

WRAP Exams · Write. Read. Analyse. Practice. · <https://wrapexams.com/upsc/prelims/gs/2018/which-one-of-the-following-best-describes-the-term-merchant-discount-rate-sometimes-seen-in-news/> · ask@wrapexams.com · wrapexams.com