

# PayPal to restrict payments to India merchants

January 29 2011, By RACHEL METZ , AP Technology Writer

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(AP) -- PayPal is making more changes to its online payment service in India, saying it will begin restricting the size of payments to merchants in India because of new rules from the Reserve Bank of India.

In a Friday post on PayPal's blog, spokesman Dickson Seow said the rules imposed by the bank will be effective March 1.

The changes are just the latest to PayPal's service in the country: The company began blocking personal payments to and from [India](#) last January after regulators questioned whether [PayPal](#) payments should be regulated like wire transfers of cash. The ability to withdraw funds from a PayPal account in India, which was also suspended, was reinstated in July.

Under the new rules, India-based merchants who use PayPal won't be able receive payments from outside India for more than \$500 per transaction, Seow said.

"For purchases or payments above this transaction value, you will have to use an alternative payment method," he said.

PayPal spokesman Anuj Nayar said that the "vast majority" of transactions by merchants who use PayPal in India involve less than \$500.

The new rules also stipulate that, as of March 1, PayPal users in India

won't be able to use their existing balance and future payments to buy any items. Instead, they must transfer funds to a bank account in India first.

PayPal users within the country who sell goods to buyers outside India will have to transfer their PayPal funds to a bank account in India within a week of being notified that the buyer has gotten their purchase. However, users in India will still be able to use PayPal to buy items from foreign [merchants](#) over the Internet.

Nayar said that because the rules were put in place by the bank, they will affect all online payment services in India.

The exact size of PayPal's India market is unknown, but it is small. In 2009, PayPal had almost 170,000 active accounts in India and 81 million total active accounts. The company had 94 million total active accounts in 2010, and because of the restrictions put in place last year it is possible that the number of users declined.

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Citation: PayPal to restrict payments to India merchants (2011, January 29) retrieved 24 April 2024 from <https://phys.org/news/2011-01-paypal-restrict-payments-india-merchants.html>

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