

WORLDLINE 

India Digital Payments Report

Q1 2020



2020 has compelled us to face an unprecedented crisis cause by the COVID19 pandemic. It is quite evident that the negative impact on businesses and economies across the globe will be enormous and it will take a while for merchant establishments to recuperate.



We are pleased to share that Worldline responded quickly to challenges and remained fully operational during the lockdown phase. We successfully extended our support to merchants dealing in essential services and adapted ourselves to the new normal working conditions.

As social distancing, work from home, online meetings etc. become part of our daily routine, we will likely see an increase among consumers wanting to spend cashless. With over 886 million cards, 5 million POS terminals and solutions like UPI, FASTags etc. gaining momentum, our country has the potential to empower consumers with contactless solutions. Recently, the Reserve Bank of India notified card schemes to facilitate card present transactions with EMV chip and PIN cards in contactless mode. Although, the transactions with values over ₹2,000 shall be authenticated by PIN, the effort is being made to provide contact-free transaction facility for customer safety.

However, the challenge remains on the acceptance front as there are limited merchant touchpoints. Providing asset-lite, affordable and secure solutions is the need of the hour and Worldline, being one of the largest merchant acquirers is working with different stakeholders to bridge this gap.

This report provides insights on Indian digital transactions processed in Q1 2020 as well as transactions that we processed in our network. In addition to this, we also give our perspective on how digital payments industry will adapt itself in the coming days.

I also urge you to read this brilliant report titled 'The World After Covid-19' that was published by Worldline and is available at:

<https://worldline.com/content/dam/worldline/documents/publications/whitepapers/the-world-after-covid19-white-paper.pdf>

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Worldline

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A NEW NORMAL FOR DIGITAL PAYMENTS

IN THE PHYSICAL SPACE

The Covid19 pandemic has dealt a body blow to the Indian economy and travel, hospitality, entertainment, retail – big and small, online and physical – have borne the brunt of this. It is no surprise that digital payments for goods and services – cards, wallets, UPI, among others – have fallen sharply from before the lockdown. In countries like the United States, it is predicted that many commercial establishments (retail etc.) will probably not survive post the end of the pandemic. The same will likely be the case for India. In addition to that, there has been a massive drop in private consumption; the RBI says it's one of the biggest drops seen. While private consumption will recover partially in the medium-term, it will be a while for it to recover to pre-lockdown levels because there is going to be a dip in discretionary spending caused due to layoffs, the negative wealth effect caused by markets tail-spinning and general uncertainty in the economy.

Once the recovery starts, there is going to a new normal across the board and the digital payments space is going to be no different. The word that has been burnt into our collective minds this year – social distancing – is going to influence, to some extent, how the landscape of digital payments will pan out particularly in the physical space given it is a high contact area. Currently, in stores and other establishments, the normal is for cardholders to punch in their PIN on POS machines other than for NFC transactions below ₹ 2000 for their transactions which are done in a contactless manner. While there is much written about how digital payments in the physical space will become contactless going forward because of the pandemic, the reality is that there has been movement towards 'contactless' well before anyone had heard of Covid-19 and the pandemic has just given it an extra nudge forward.

The fact of the matter is that there are a huge number of POS terminals in the market and they will not disappear because of the fact they can be safely used if disinfected regularly. POS terminals will likely continue to underpin the growth of digital payments at least in the medium term. Besides, a number of POS terminals are NFC enabled and will be able to accept transactions below ₹ 2000 without any physical contact; a high number of transactions will be below ₹ 2000.

That said, the push towards digital payments on the mobile has been on the rise for some time now and its rise will be secular of this pandemic. There are already a number of players through whom merchants accept transactions through QRs on either their phone or on static decals – in either case, the buyers completes the transaction through their phone. In a short period of time, mobiles will allow merchants to accept payments through cards, QRs, Link pay among other options.

Therefore, for all the talk of the digital payments space at physical locations moving to a new-normal, the fact is that this space was already moving towards that new normal.

2020: Q1 in Review

We have analysed transactions available in public databases as well as transactions processed by us in Q1 2020 (January - March) and derived some unique insights.



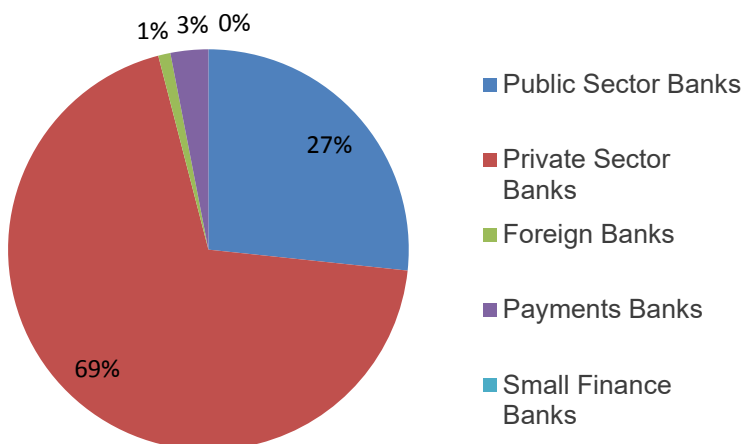
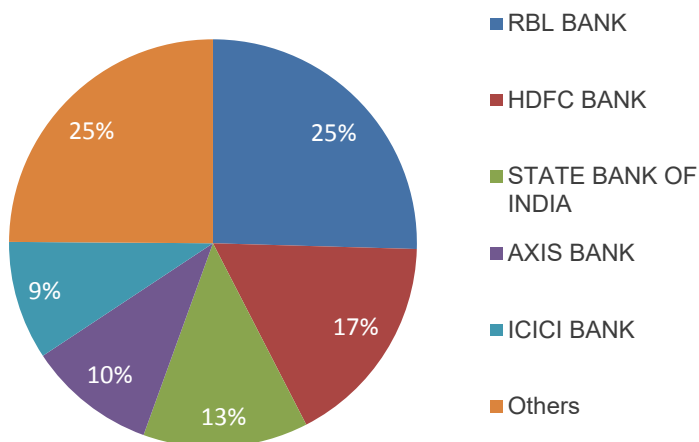
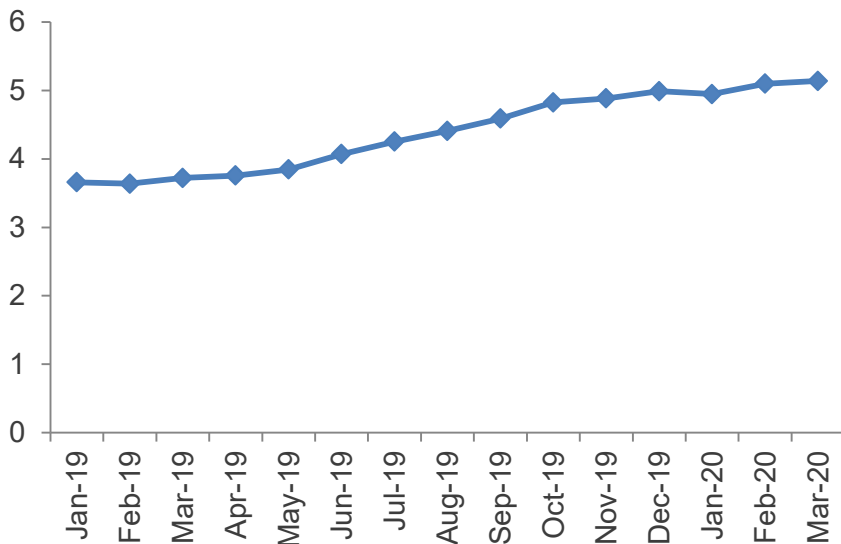
MERCHANT ACQUIRING

The total number of POS terminals deployed by merchant acquiring banks crossed a milestone figure of 5 million in Q1 2020.

As of March 2020, there were 5.13 million POS terminals in the country. RBL bank, HDFC bank, State Bank of India, Axis bank and ICICI bank continue to be the top acquiring banks to deploy POS terminals.

Private sector banks represent about 69% POS terminal market while public sector banks make up for 27%.

POS Terminals (million)



Source: RBI

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INSIGHTS

For Worldline India, January 2020 was the month with highest number of transactions in volume and value but single day online transactions hit its peak on February 9 which was the weekend before Valentine's Day.

Month-on-month transactions dipped in March because of 'janata curfew' followed by nationwide lockdown 1.0. However, with relaxations being introduced, several locations are seeing a good rise in digital transactions.

Top 10 states with the highest transactions in Q1 2020 for Worldline India:

Maharashtra, Karnataka, Tamil Nadu, Delhi, Andhra Pradesh, Kerala, Gujarat, Uttar Pradesh, West Bengal and Haryana

Top 10 cities with the highest number of transactions in Q1 2020 for Worldline India:

Bengaluru, Chennai, Mumbai, Pune, Hyderabad, Delhi and New Delhi, Coimbatore, Kolkata, Ernakulam and Ahmedabad.

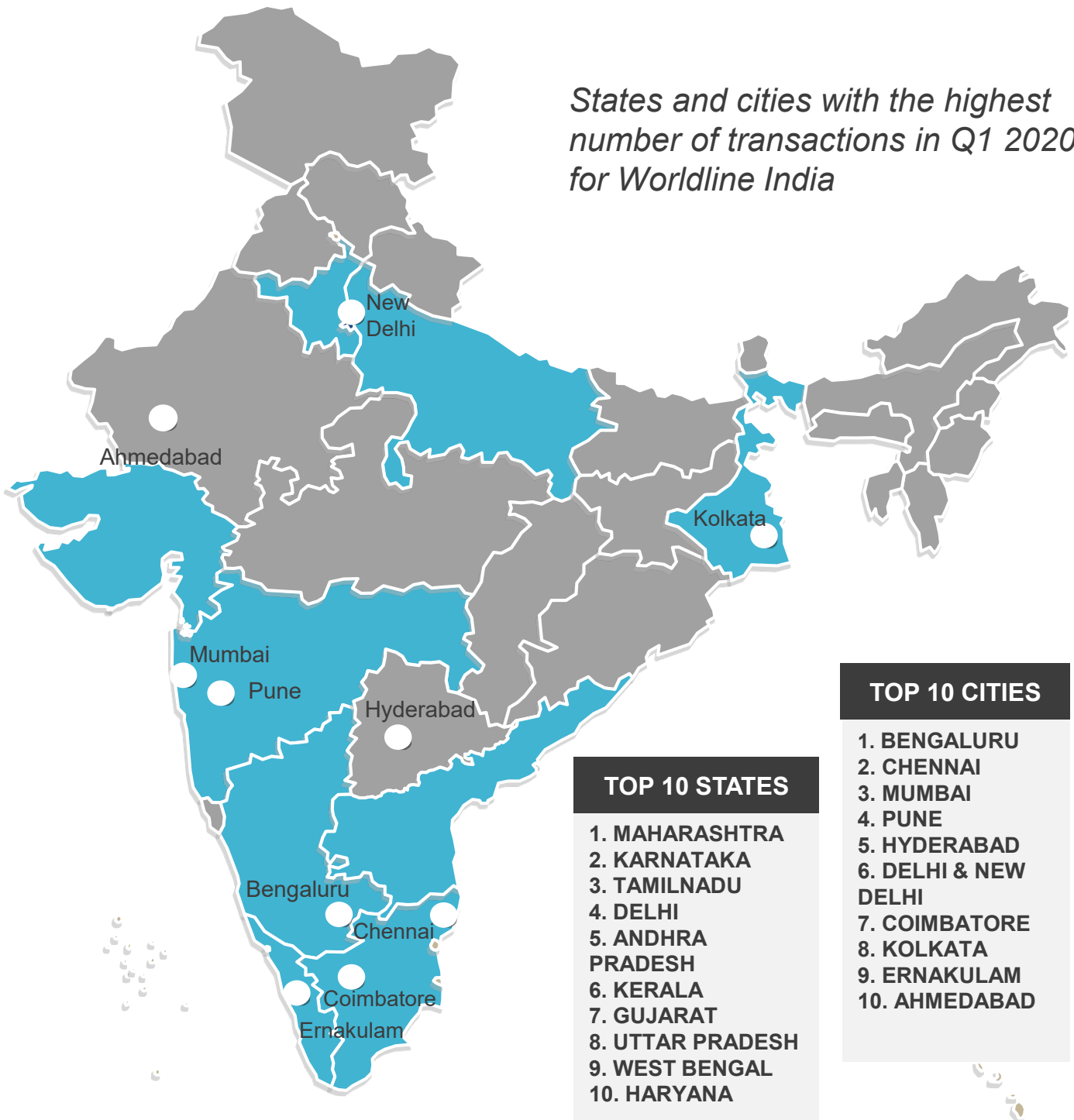
Merchant categories with the highest volume and value of transactions in Q1 2020 for Worldline India:

Grocery, restaurants, petrol stations, apparel stores, specialty retail and pharmacy.

WORLDLINE

INSIGHTS

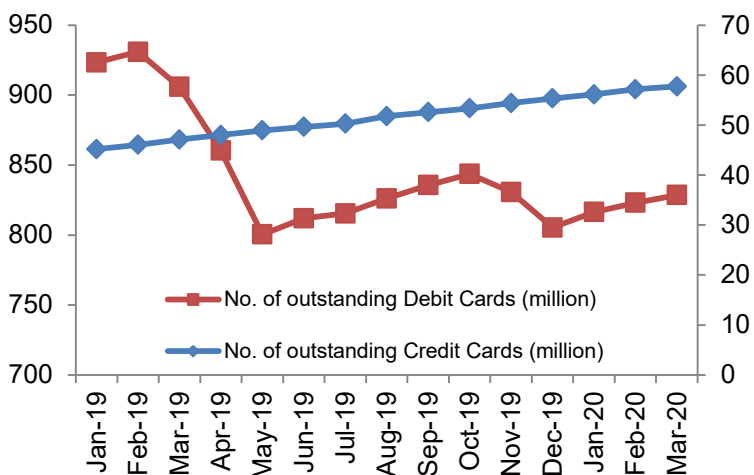
States and cities with the highest number of transactions in Q1 2020 for Worldline India



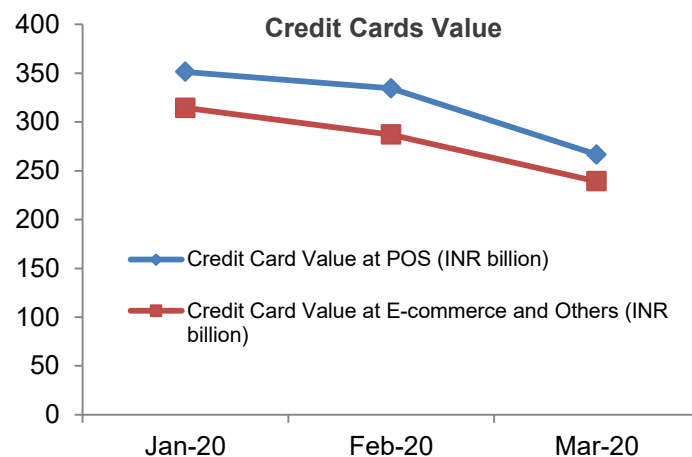
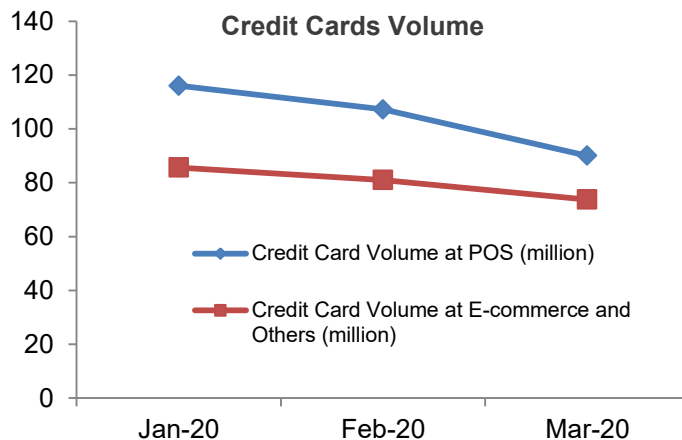
CARD

ISSUANCE

As of March 2020, there were 57.74 million credit cards and 828.56 million debit cards in the country. While the number of credit cards increased by 24%, the total number of debit cards in circulation dipped by 11% as compared with Q1 2019.



There has been a gradual increase in month-on-month credit card issuance whereas fall in outstanding debit cards was witnessed few months ago on account of discontinuation of magnetic stripe cards and the mass closure of accounts with zero balance. However, issuance of debit cards has picked up in 2020; **over 23 million debit cards have been added in the system since December 2019.**



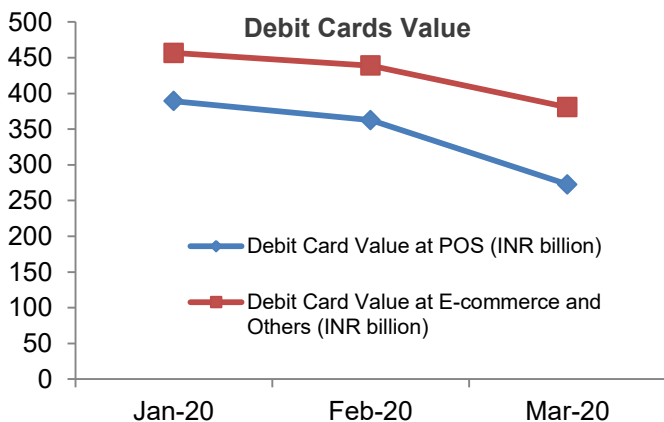
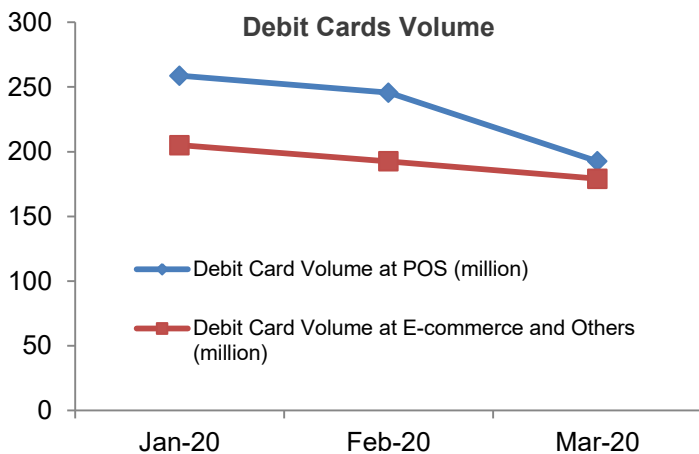
In Q1 2020, the total credit card transactions volume was 553.87 million. Out of which, 313.34 million was done at POS terminals and the remaining 240.52 million was e-commerce transactions and digital bill payments through ATMs, etc. In terms of value, credit cards transactions accounted for INR 952.26 billion at POS terminals and INR 840.68 billion at e-commerce transactions and digital bill payments through ATMs, etc. bringing **the total volume of transactions processed through credit cards was INR 1792.94 billion.**

CARD

ISSUANCE

Debit card transactions volume and value in Q1 2020 was 1273.40 million and INR 2300.23 billion respectively.

The number of debit card transactions processed at POS terminals was 696.85 million while e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc. were 576.55 million. In terms of value, INR 1024.03 billion was processed at POS terminals while INR 1276.2 billion was processed at e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.



It is worth mentioning that while credit card transactions accounted for 30% of total volume of card transactions, in terms of value it covers about 44%. It states that credit cards are still preferred for high value transactions while debit cards are being used for small ticket size purchases.

It is also worth noting that the RBI has been providing since November 2019, the value and volume of transactions done on e-commerce transactions, digital bill payments through ATMs, card-to-card transfers under the 'others' column. Anecdotally, it is likely that e-commerce transactions account for most of the value listed.

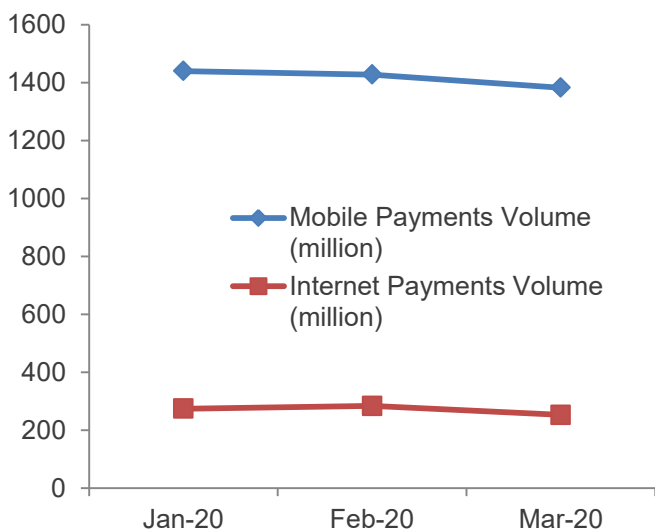
To improve user convenience and increase the security of card transactions, the RBI has decided that issuers, at the time of issue / re-issue, all cards (physical and virtual) shall be enabled for use only at contact based points of usage [viz. ATMs and Point of Sale (PoS) devices] within India. Issuers shall provide cardholders a facility for enabling card not present (domestic and international) transactions, card present (international) transactions and contactless transactions. For existing cards, issuers may take a decision, based on their risk perception, whether to disable the card not present (domestic and international) transactions, card present (international) transactions and contactless transaction rights. Existing cards which have never been used for online (card not present) / international / contactless transactions shall be mandatorily disabled for this purpose.

OTHER PAYMENT

CHANNELS

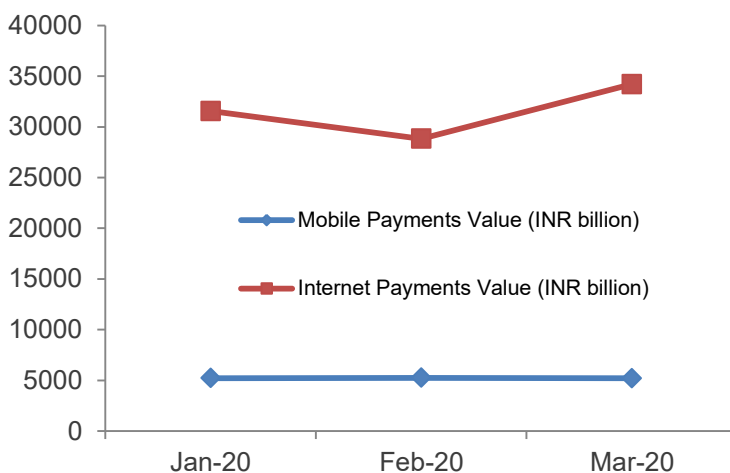
In Q1 2020, there were 4251.73 million Mobile Apps based transactions and 811.61 million Net Banking / Internet browser based transactions.

Interestingly, about 91% of mobile transactions comprised of inter-bank transactions while 9% accounted for intra-bank transactions. Inter-bank and intra bank transactions of Internet Payments channels were 77% and 23% respectively.



In terms of value, mobile apps based payment channels processed transactions worth INR 15,674.12 billion and Net banking / Internet browser based transactions facilitated transactions worth INR 94,580.39 billion.

Inter-bank transaction value of mobile apps contributed to 79% of total value of transactions while intra-bank accounted for 21%. However, value of inter-bank and intra-bank transactions of Internet payments remained nearly equal at 52% and 48% respectively.



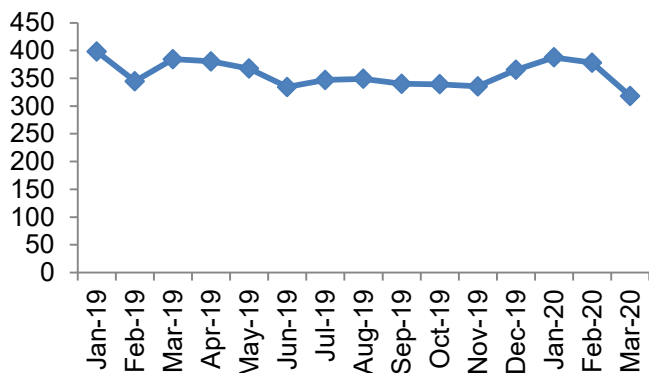
It is evident that consumers prefer mobile apps frequently for small ticket size transactions and net banking / browser based channels for high ticket size transactions.

MOBILE WALLETS

The number of transactions done on mobile wallets in Q1 2020 was 1.08 billion and the value of transactions was INR 429 billion. It recorded about 4% drop in volume and about 6% drop in value over Q1 2019.

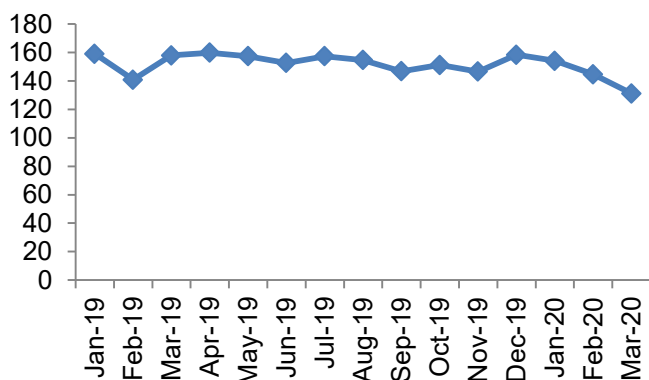
Prominent banks, telco providers and other large companies have launched their own payment wallets in order to achieve customer stickiness. They continue to incentivize customers with discounts or cashback rewards for making a purchase of goods and services, financial services, remittances or funds transfers through their platforms.

m-Wallet Volume (million)



Increasing innovation and technology in payments space have also encouraged wallet providers to offer credit and personal finance services to their users. In addition to this, artificial intelligence technology based personalized offerings are enhancing customer experience.

m-Wallet Value (INR billion)



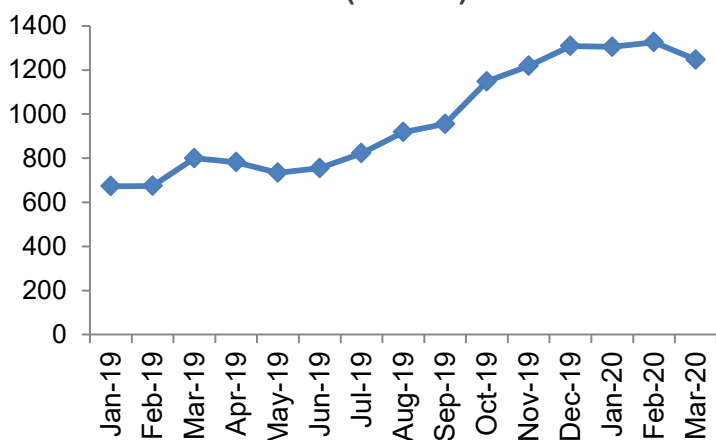
Thanks to affordable smart phones, internet, easy to use interface clubbed with attractive offerings, mobile wallets have gained loyal customers over the years. With the increasing focus on digital payments, mobile wallets will continue to remain integral part of creating a 'cash-lite' society.

UNIFIED PAYMENTS

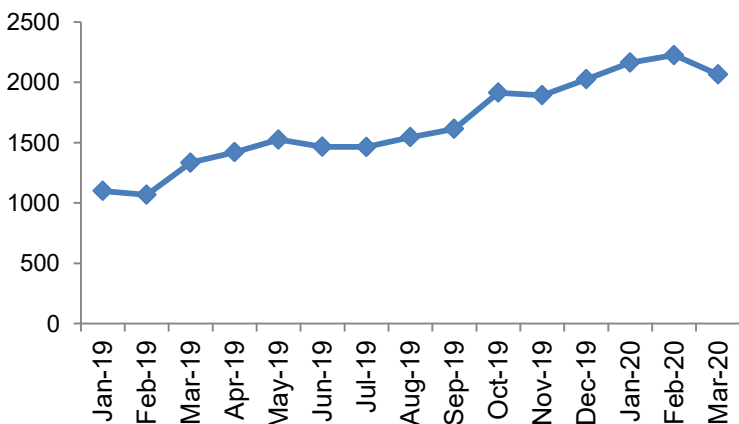
INTERFACE

UPI recorded a substantial transaction volume of 3.87 billion in Q1 2020, an increase of 81% from Q1 2019. In terms of value, it facilitated transactions worth INR 6.45 trillion, up 84% from the previous year. Five banks joined the UPI ecosystem in Q1 bringing the total number of banks providing UPI services to 148 as of March 2020.

UPI Volume (million)



UPI Value (INR billion)



Nevertheless, in Q1 2020, overall transactions of UPI dipped by over 5% and month-on-month transaction plummeted over 6% in March as compared with previous month due to nationwide lockdown.

In March 2020, National Payments Corporation of India raised transaction limit from INR 1 lakh to INR 2 lakh for business categories like capital markets, collections, insurance, Foreign Inward Remittance and preapproved disbursement. While this was implemented in order to meet the increase in demand for extension of transaction limit for such specific use-cases, it may not have gained immediate traction due to prolonged nationwide lockdown.

Immediate Payment Service (IMPS) recorded 37% growth in terms of volume and 33% in terms of value as compared with Q1 2019.

NATIONAL ELECTRONIC

TOLL COLLECTION

NETC transactions in Q1 2020 stood at 287.7 million, a jump of 283% over Q1 2019 and the value of transactions was INR 48.84 billion, an increase of 194%.

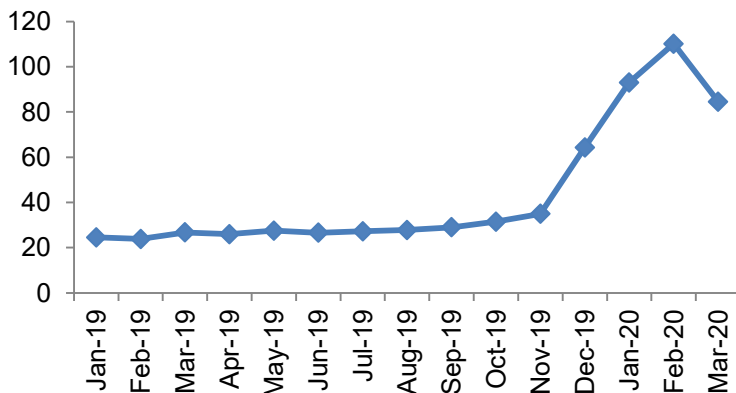
As of March 2020, 16.82 million FASTags have been issued since the inception of NETC program.

In March 2020, NETC witnessed about 23% drop in month-on-month transactions as compared with February 2020 as a result of nationwide lockdown which restricted movements for majority of vehicles across the country and also froze new vehicle sales.

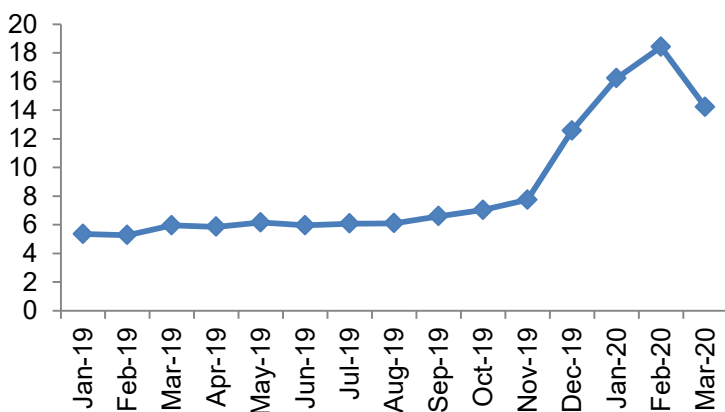
However, the complete rollout of NETC acceptance infrastructure and the compulsory use of FASTags across national highways in the recent past may significantly help to improve this as lockdown relaxations gather pace. Going forward, it could be one of preferred way of contactless transactions not only across national highways but also across state toll plazas.

NETC can gain significant momentum with the addition of use cases like parking, e-challan, and payment for fuel charges etc. in future.

NETC Volume (million)



NETC Value (INR billion)



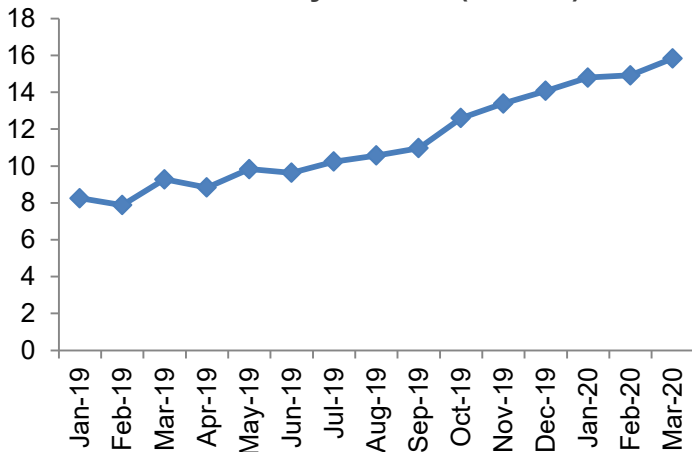
BHARAT

BILLPAY

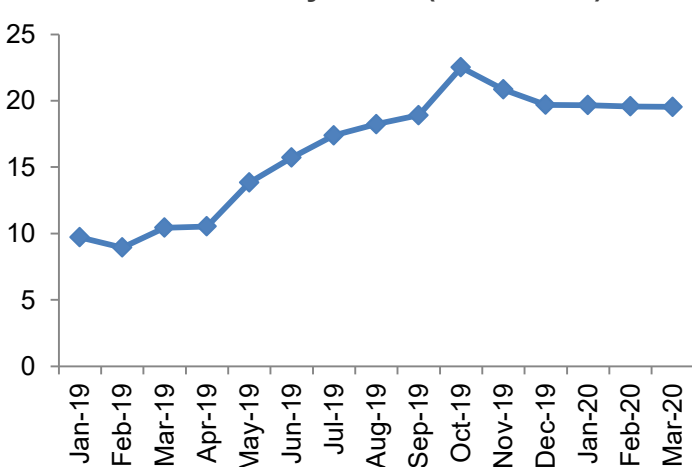
Number of transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q1 stood at 45.56 million while its transactions value was INR 58.58 billion. It registered a growth rate of 79% and 102% in volume and value respectively over Q1 2019. As of March 2020, 182 billers were part of Bharat Bill Payment System.

Bharat BillPay has expanded its ecosystem by integrating recurring payments apart from five utility payments that are mandated by RBI. These recurring payments include loan repayments, insurance, FASTag recharge, TV cable subscription, LPG gas booking etc. Gradually, Bharat BillPay is becoming one stop solution for all types of bill payments.

Bharat BillPay Volume (million)



Bharat BillPay Value (INR billion)



This year, it is set to on-board other additional categories of billers to enable education fees (schools, colleges etc.), subscription fees, credit card payments, housing society maintenance, municipality taxes etc.

Recently, RBI had decided to offer on-tap authorization to BBPCUs in order to encourage innovation and competition, and also benefit from diversification of risk in recent past. The Bharat Bill Payment System (BBPS) is an interoperable ecosystem for repetitive bill payments, primarily covering bill segments like direct-to-home (DTH), electricity, gas, telecom and water.

AADHAAR ENABLED

PAYMENT SERVICE

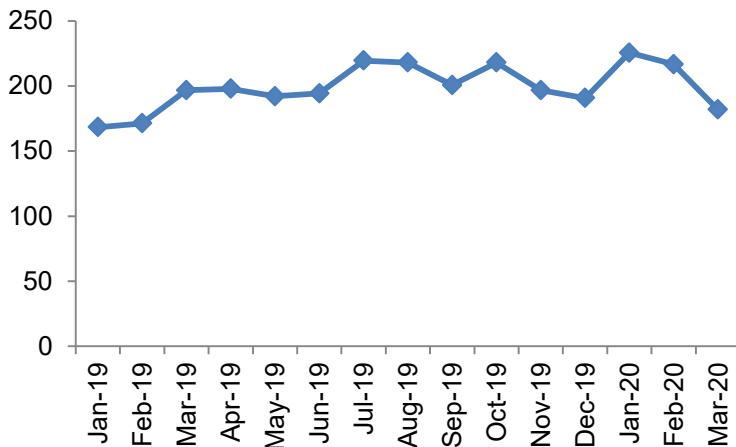
AePS transactions volume in Q1 2020 stood at 624 million, registering about 16% growth over Q1 2019. It processed transactions worth INR 328.46 billion, increase of 55% over Q1 2019.

AePS transactions, driven by Micro ATM transactions, grew considerably during the lockdown phase and it continued to grow in Q2 2020 as well.

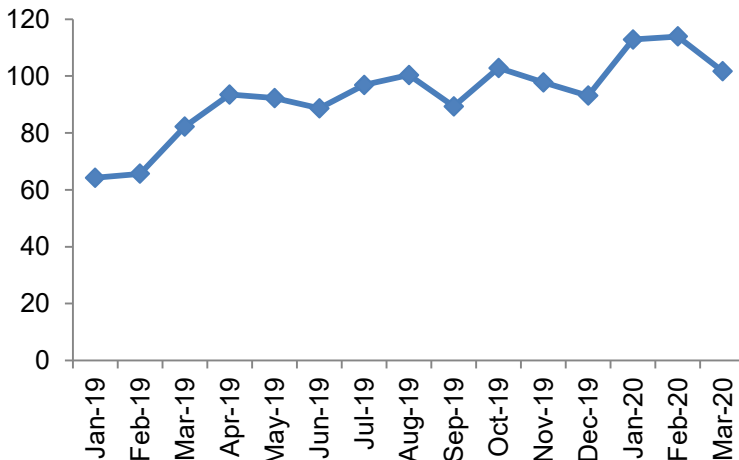
A primary reason for this is that since Debit + PIN can be used for Micro ATM transactions, cardholders are using this facility to withdraw cash from POS terminals where there is a paucity of transactions.

Given that merchants are also incentivized to disburse cash, this program will continue to grow. Apart from that, this is much economical than having to set up an ATM infrastructure.

AePS Volume (million)



AePS Value (INR billion)



ANTERA

Smart POS Terminal

High Performance | Android POS

*Worldline presents high performance, full touch screen
Android POS terminals*



AL9220

- ❖ Industry's first single-chip, secure Android payment terminal
- ❖ Intelligent interactive experience, easy to manage payments
- ❖ Equipped with multiple tamper protection and self-destruction mechanism
- ❖ Supports 4G/3G/2G, Wi-Fi, Bluetooth
- ❖ Supports remote download via TMS
- ❖ Supports remote diagnostics for quicker resolution

- ❖ Accepts any method of electronic payment – contactless cards and devices, chip cards and mag-stripe cards, Samsung Pay, virtual cards, Bharat QR, UPI, Aadhaar Pay etc.
- ❖ A smart OS based on Android 5.X QUAD Core CPU design with high performance 5.0/5.5 inch HD touch screen, ensuring superior user experience.
- ❖ Ergonomic design and compact appearance, consistent with the habit of operation
- ❖ All standard terminal management services are available.
- ❖ Also supports new features such as advertising.



A9210

Worldline

Worldline presents high performance Linux OS POS terminals



LINURA

LP7210 and L6210



- ❑ Highly secure device - complying with PCI 5.x standards.
- ❑ Bigger Capacitive Touch screen of 320x240 resolution with stylus
- ❑ Longer battery life with 2600 mAh capacity
- ❑ Supports 3G and WiFi connectivity as an optional connectivity mechanism
- ❑ Drop test certified
- ❑ Equipped with multiple tamper protection and self-destruction mechanism
- ❑ Mini USB port in 7210, Micro USB port in 6210 for charging and data transfer
- ❑ Supports all digital payment instruments like NFC, Chip, Swipe/ Tap, Samsung Pay, BQR, UPI, wallets and Host Card Emulation (HCE)
- ❑ Supports all card schemes like RuPay, Visa, Mastercard, Maestro, Amex, DFS, JCB, CUPI and Diners.
- ❑ Supports remote terminal management and diagnostics for quick resolution
- ❑ Value Added Services like EMI, DCC, PC POS, Loyalty Programs
- ❑ Supports e-charge slips as a part of go-green initiative

ABOUT WORLDLINE

Worldline India (WI) is wholly owned by Worldline SA, a leading payments company in Europe that is listed on Euronext Paris. Worldline entered India in 2010 with the acquisition of Venture Infotek followed by the acquisition of MRL Posnet in 2017.

While WI's business is primarily in India, it is expanding its footprint in the Middle East, Sri Lanka and Bhutan. Headquartered in Mumbai, it has offices in 10 cities and a reach in over 5000 cities and towns across the geographic spread of India.

Worldline India is a transactions facilitator in all spectrums of the digital payments ecosystem and provides the highest available level of products, services and solutions that are fully compliant with PCI and Reserve Bank of India guidelines, along the full length and breadth of the payments value chain. The main areas of business in the digital payments ecosystem it is involved in are Merchant Acquiring, Card Issuance, Loyalty solutions for petroleum companies, Internet Payment Gateway, National Electronic Toll Collection, Risk Mitigation and Value-added services.

Worldline India is constantly investing in the latest technologies to increase efficiencies, drive innovation and deliver customer delight. It is the payment partner of choice for merchants, banks, government agencies and industrial companies, delivering best-in-class digital transaction services.

1.1 million + Merchant accepting points	1.2 billion + Annual acquiring transactions	5000 + Cities supported by Field Support Division
50 million + Debit, Credit & Prepaid cards managed	75 million + Monthly transactions monitored for fraud	NETC FASTag management for over 6 Issuing banks and one Acquiring bank

- Leading third-party processor with services across the payments value chain
- Partner to majority of public, private and foreign sector acquiring banks
- Issuance processor for all major banks in India including Private, Public, Co-operative and Small Finance Banks
- Issuance and loyalty management partner to 3 of 4 major fuel retailers in India
- International customers managed in UAE, Sri Lanka, Bhutan and Nepal



@WorldlineIndia



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Worldline

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Worldline

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