

India Digital Payments Report

Q1 2021





The RBI in its Annual Report 2020-21 stated that the payment systems recorded a robust growth of 26.2% in terms of volume on top of the expansion of 44.2% in the previous year. This clearly indicates the growing confidence among consumers towards digital payments not only in tier I and II cities but also in tier III and beyond.

Although the restrictions on the movement of people and persistent lockdowns may have compelled people to adopt digital payment modes, the convenience, transparency and security of digital payments will ensure customer stickiness in the years to come.

At Worldline, we remain committed to contributing to digital penetration in India by enhancing acceptance infrastructure across the country and introducing innovative payment options to improve user experience and deepen the reach of payment system.

In this edition, we give you an overview of Indian digital transactions processed in Q1 2021 i.e. January-March along with insights based on transactions that we processed in our network. In addition, this report gives you our perspective on Central Bank Digital Currencies.

I am also pleased to share Worldline's third Integrated Report covering the fiscal year from 1 January 2020 to 31 December 2020. <https://worldline.com/content/dam/worldline-new/reports-2020/documents/worldline-integrated-report-2020.pdf> . It consolidates all Worldline Group entities and provides our stakeholders with a comprehensive overview of our financial and non-financial commitments and performance in 2020 and how we have pursued our mission to enable sustainable economic growth and reinforce trust and security in our societies.

Happy reading!

Deepak Chandnani
Managing Director, Worldline South Asia & Middle East

Worldline

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THE CASE OF

CENTRAL BANK DIGITAL CURRENCIES

Cryptocurrencies or digital currencies are the rage around the world but there is still an exotic air to them – there is still limited mainstream acceptance of these currencies and are better known for their volatile price swings. This volatility limits the acceptance by sellers; there is a possibility that the price could crash after acceptance. The technology underlying digital currencies is blockchain; a database where information can be recorded immutably on a distributed digital ledger.

The relatively new kid on the digital currencies block is Central Bank Digital Currencies or CBDCs. As the name suggests, CBDCs are currencies that are issued by a country's central bank albeit in a digital form and legal tender like paper currency and whose value is the same. While reports suggest that most central banks are looking to launch a digital version of their currencies, only 3 of them have either launched or are in a testing phase in the real world; Bahamas, Sweden and China. Of these, predictably, the Chinese trial got the most press. In the trial (still ongoing), the People's Bank of China, in a lottery, gave 200 Yuan (\$31) to a limited set of people in a digital wallet created by one of 7 participating banks. These people could spend this money at selected outlets by scanning a QR placed there; the transaction is the nearest possible equivalent of a cash transaction.

In India, there has been increased reporting on the possibility of the Reserve Bank of India (RBI) launching a Rupee CBDC or e-Rupee. While nothing is concrete as yet, it is worth having a look at the benefits a Rupee CBDC can bring besides the obvious one of reduced costs of less paper money as well as increased control in the face of lack of control of cryptocurrencies like Bitcoin etc. Some of the more immediate benefits of CBDCs are it gives the central bank a stronger role in monetary transmission; it is usually intermediated through banks delaying this transmission. Some other benefits include increased monitoring of how and where money is spent (there are privacy concerns but currently banks issuing cards know exactly what one has spent and where and central banks are more keen to spot criminal activities and not regular transactions). Another important benefit is the potential of increased financial inclusion because of the ease of bringing people into the bank system and potentially boosting economic development. A RBI report also highlights how CBDCs facilitate macroeconomic measures.

It has long been highlighted the potential disintermediation/destabilization of the banking system that could arise as CBDCs gain traction. In theory, customers could move their deposits into CBDCs raising costs for banks and subsequently cost of credit negatively impacting growth. This development is obviously not desirable and the RBI report has stated: "One recently proposed solution to limit disintermediation is the introduction of a 2-tier remuneration system for CBDCs, whereby transaction balances held by an individual remain interest free and is subject to a ceiling; while CBDC balances of the individual over and above the ceiling are subject to a penal negative interest rate". This solution is a win-win for the regulator, banks and customers alike and will provide a significant boost to the payments ecosystem.

Sunil Rongala

Vice President – Strategy, Innovation & Analytics

More information on cryptocurrencies can be found at

¹. <https://en.wikipedia.org/wiki/Cryptocurrency#:~:text=A%20cryptocurrency%2C%20crypto%2Dcurrency%2C,the%20creation%20of%20additional%20coins%2C>

². <https://www.atlanticcouncil.org/blogs/econographics/the-rise-of-central-bank-digital-currencies/>

2021: Q1 in Review

We have analysed transactions available in public databases as well as transactions processed by us in Q1 2021 (January – March) and derived some unique insights.



DIGITAL

PAYMENTS LANDSCAPE

As of March 2021

960.25 million

Total number of cards in circulation

898.20 million debit cards

62.05 million credit cards

2.20 billion

Prepaid Payment Instruments

189.93 million prepaid cards

2.01 billion mobile wallets

4.72 million

POS terminals



Q1, 2021

1.10 billion (volume)

INR 1.91 trillion (value)

Debit card transactions

524.53 million (volume)

INR 1.97 trillion (value)

Credit card transactions

272.57 million (volume)

INR 178.90 billion (value)

Prepaid card transactions

1.13 billion (volume)

INR 411.75 billion (value)

Mobile wallets transactions

8.32 billion (volume)

INR 31.98 trillion (value)

Mobile based payments

937.60 million (volume)

INR 131.34 trillion (value)

Net Banking / Internet browser based payments

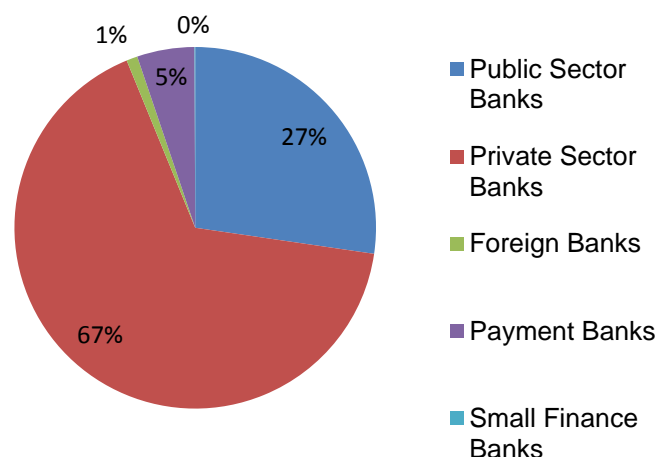
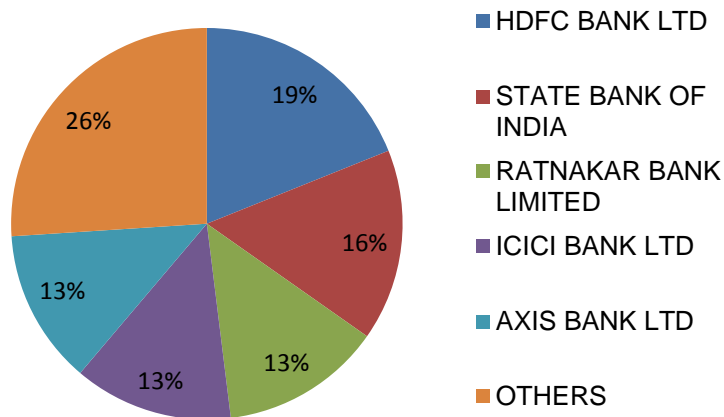
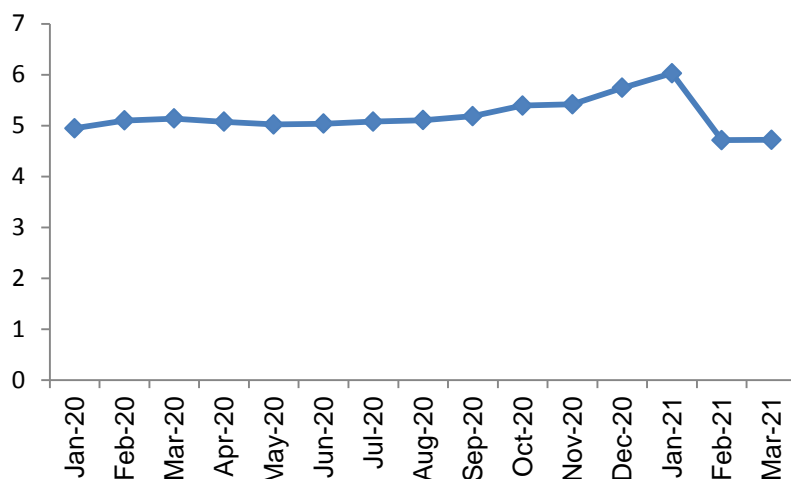
MERCHANT ACQUIRING

By the end of Q1 2021, the POS terminal count came down from all-time high figure of 6.03 million in January 2021 to 4.72 million in March 2021. The new number likely reflects a more realistic number of terminals deployed.

Private sector banks represent about 67% of the POS terminal market while public sector banks account for 27%. Payments banks accounted for 5% market share, and foreign banks represented 1%.

HDFC bank, State Bank of India, RBL bank, ICICI Bank and Axis bank are the top acquiring banks to deploy POS terminals.

POS Terminals (million)



WORLDLINE INDIA

INSIGHTS

At physical merchant touch points, groceries, petrol stations, restaurants, clothing and apparel, specialty retail, pharmacy and medical, hotels, jewelry retail, household appliances and departmental stores together accounted for 85% in terms of volume and 76% in terms of value in Q1 2021.

In the online space, e-commerce (shopping for goods and services), gaming, utility & financial services contributed to over 85% transaction in terms of volume and 41% in value in Q1 2021.



Top 10 states with the highest transactions at physical touch points in Q1 2021 for Worldline India:

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

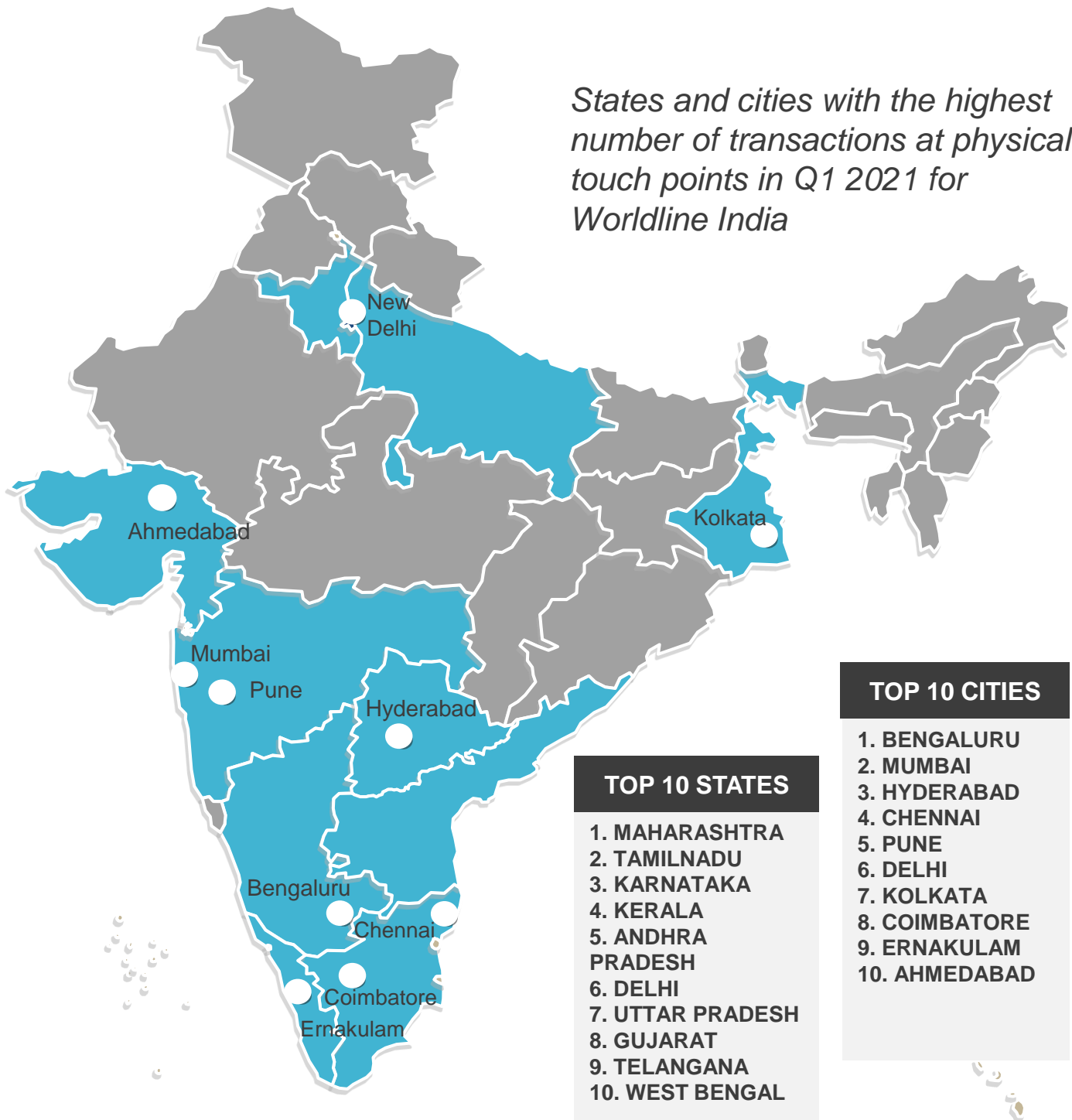
Top 10 cities with the highest number of transactions at physical touch points in Q1 2021 for Worldline India:

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

WORLDLINE INDIA

INSIGHTS

States and cities with the highest number of transactions at physical touch points in Q1 2021 for Worldline India



TOP 10 STATES

1. MAHARASHTRA
2. TAMILNADU
3. KARNATAKA
4. KERALA
5. ANDHRA PRADESH
6. DELHI
7. UTTAR PRADESH
8. GUJARAT
9. TELANGANA
10. WEST BENGAL

TOP 10 CITIES

1. BENGALURU
2. MUMBAI
3. HYDERABAD
4. CHENNAI
5. PUNE
6. DELHI
7. KOLKATA
8. COIMBATORE
9. ERNAKULAM
10. AHMEDABAD

CARD

ISSUANCE

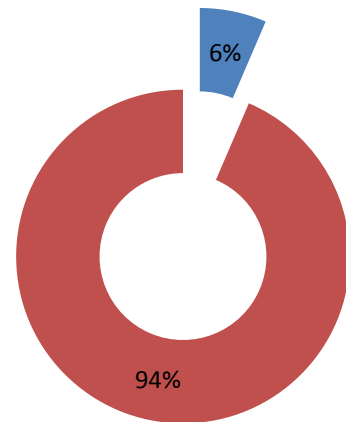


The total number of cards in circulation stood at 960.25 million as of March 2021. Out of which, there were 898.20 million debit cards and 62.05 million credit cards, up by 8% and 7% YOY respectively.

Over 10 million debit cards and about 1 million credit cards were added into the system in Q1 2021.

Out of the total cards in circulation, debit cards accounted for 94% while credit cards represented a 6% market share.

■ Credit Cards ■ Debit Cards

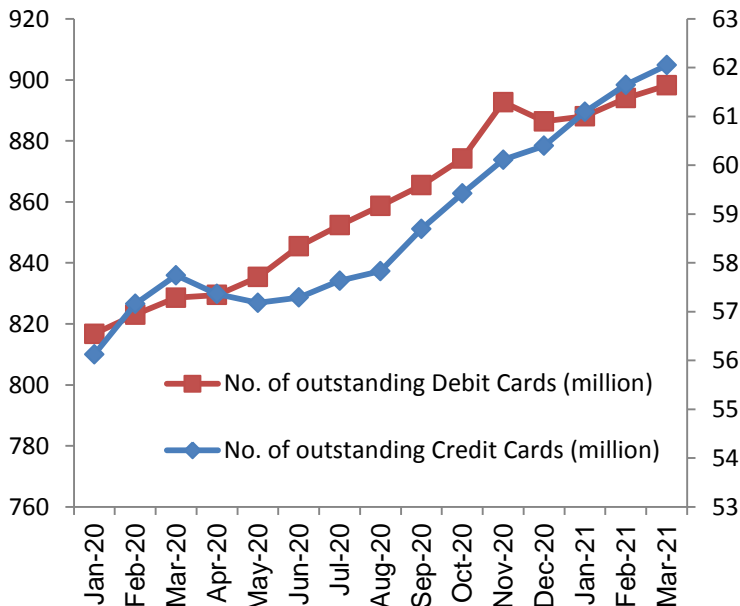


Transaction analysis of Debit Cards

In Q1 2021, 1.10 billion transactions were processed through debit cards while the value stood at INR 1.91 trillion.

The number of debit card transactions processed at POS terminals was 640.21 million while e-commerce transactions were 458.31 million. In terms of value, INR 1.20 trillion was processed at POS terminals while INR 715.44 billion was processed at e-commerce transactions.

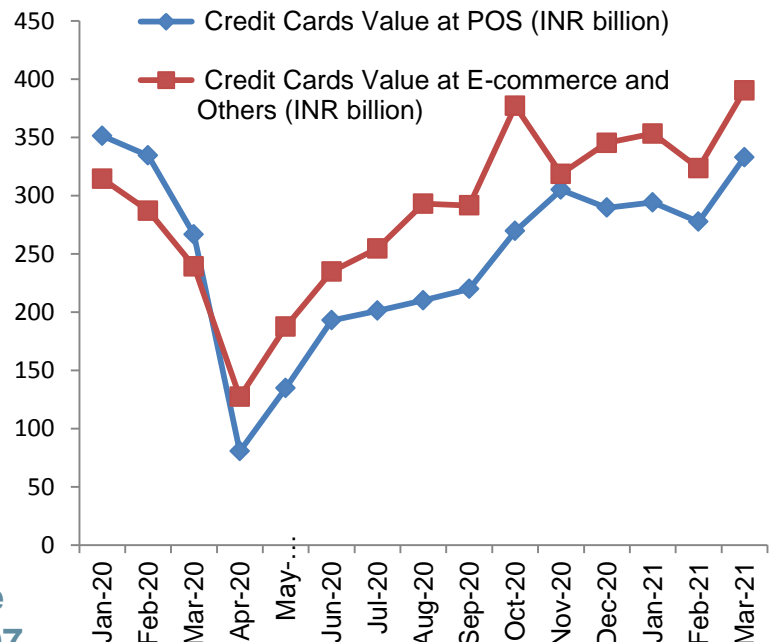
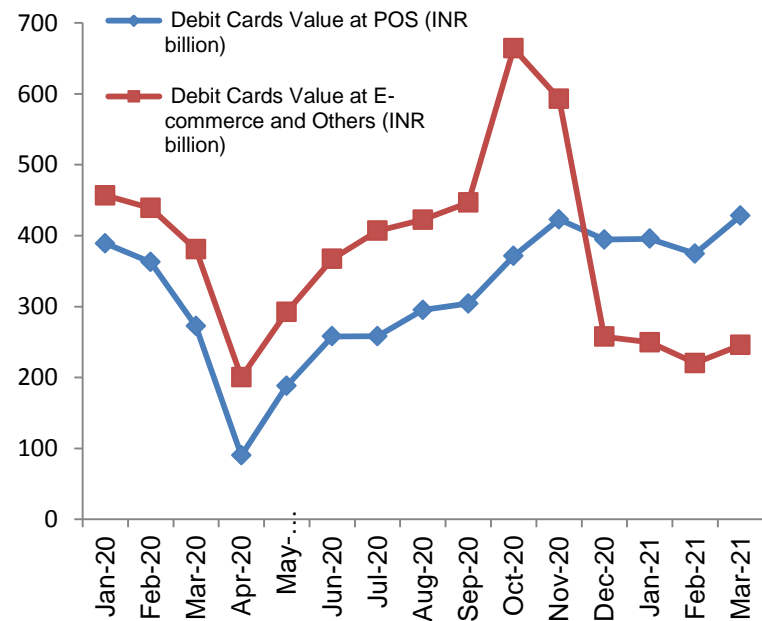
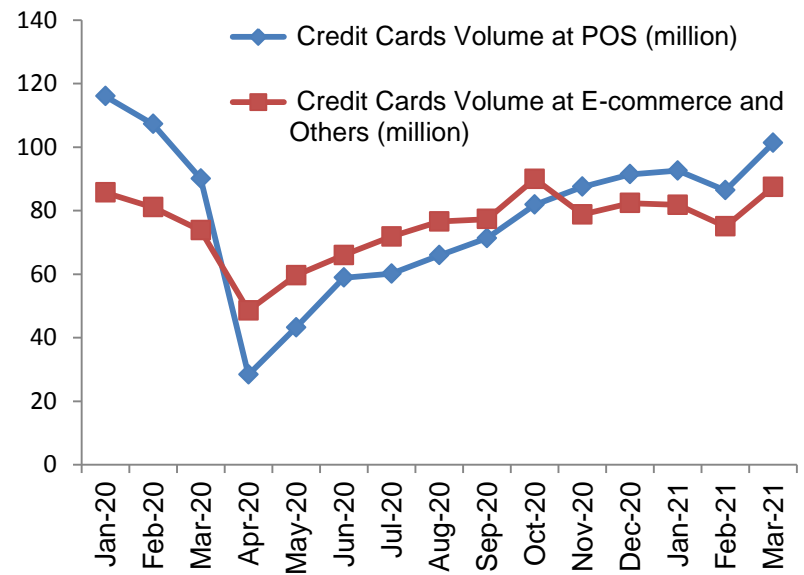
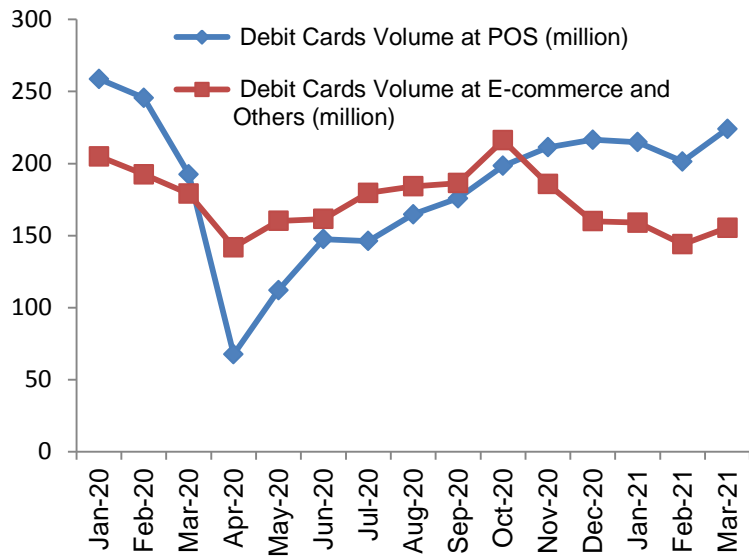
The data clearly indicates debit card transactions at POS terminals to have recovered more than they have on e-commerce transactions.



CARD

ISSUANCE

The number of credit card transactions processed at POS terminals was 280.29 million while e-commerce transactions were 244.24 million. In terms of value, INR 904.49 billion was processed at POS terminals and INR 1.07 trillion was processed at e-commerce transactions. Here the data indicates that it is likely that consumers appear to have shifted e-commerce transactions preferences to credit from debit cards because there is a clear increase from last year. It would be worth watching how this growth will pan out in the coming quarters.



Transaction analysis of Credit cards

Credit card transactions volume and value in Q1 2021 were 524.53 million and INR 1.97 trillion respectively.

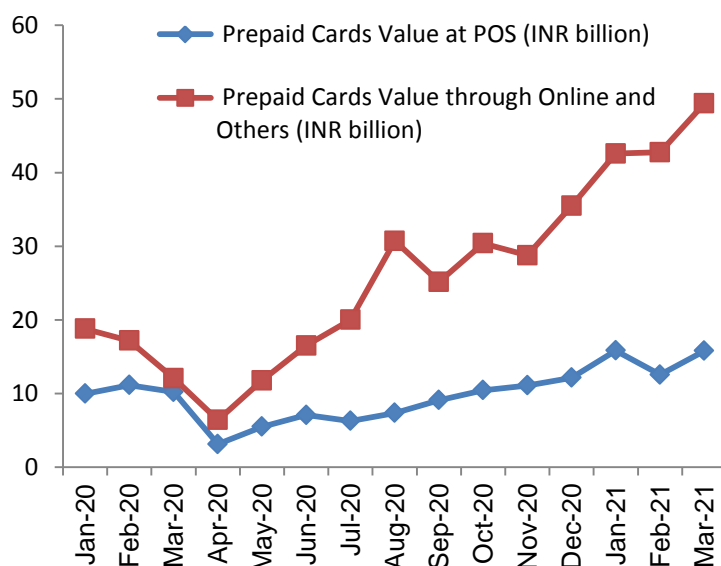
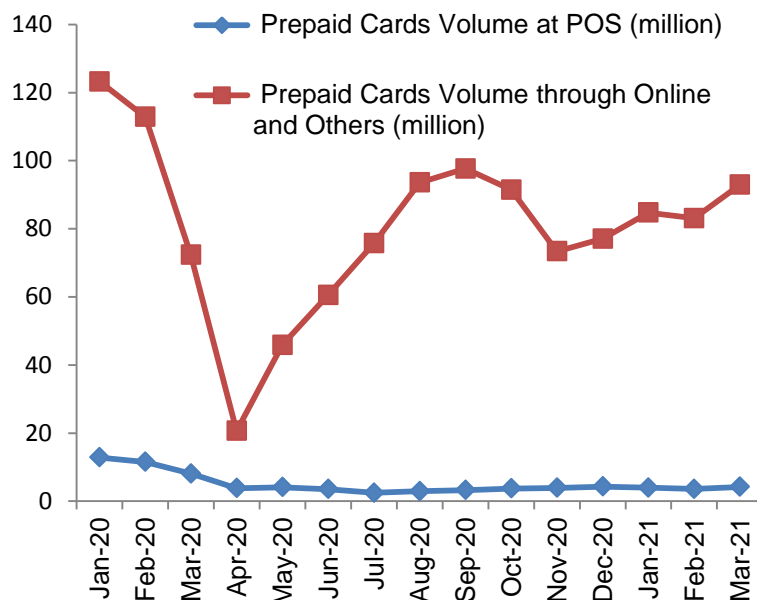
PREPAID PAYMENT INSTRUMENTS

As of March 2021, there were 2.20 billion prepaid payment instruments in the country. Out of which, 189.93 million comprised of prepaid cards and over 2.01 billion comprised of mobile wallets.

Analysis of Prepaid Cards transactions

In Q1 2021, total prepaid card transactions volume and value were 272.57 million and INR 178.90 billion respectively. The number of prepaid card transactions processed at POS terminals was 11.75 million while e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc. were 260.82 million. In terms of value, INR 44.21 billion was processed at POS terminals through PPI cards while INR 134.69 billion was processed for online transactions and other transactions.

Though the usage of prepaid cards at POS has increased, it is quite evident that prepaid cards are primarily used for online transactions rather than physical merchant places. This could also be because prepaid cards that have been issued of late have been digital rather than physical.



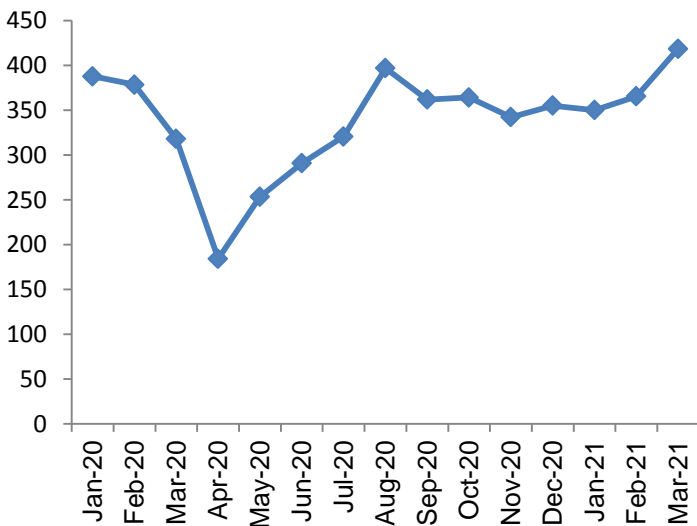
PREPAID PAYMENT INSTRUMENTS

Transaction analysis of Mobile Wallets

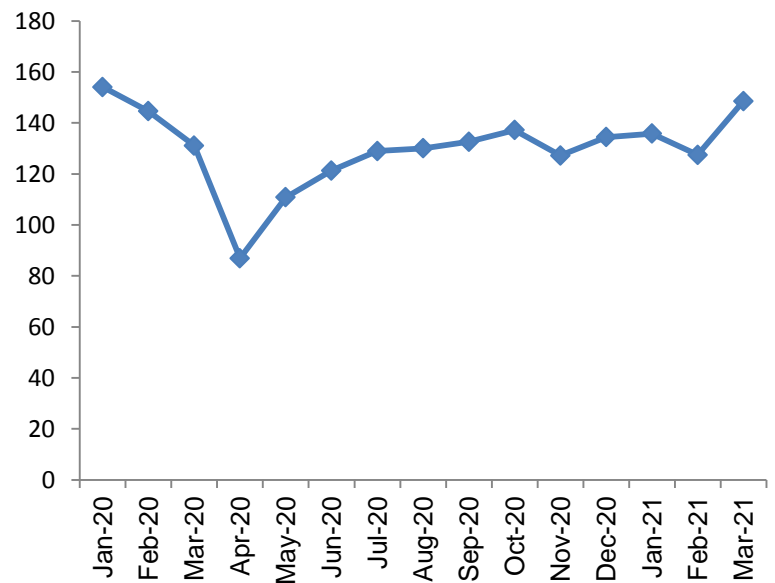
The number of transactions through mobile wallets in Q1 2021 was 1.13 billion and the value was INR 411.75 billion. This includes purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily.

In Q1 2021, it recorded a 5% increase in volume over same quarter of previous year. However, value of transactions recorded a negative growth of 4% against Q1 2020.

m-Wallet Volume (million)



m-Wallet Value (INR billion)



In May 2021, RBI gave big push to Prepaid Payment Instruments (PPIs) by mandating Interoperability, increasing the Limit from INR 1 Lakh to INR 2 lakhs for Full-KYC PPIs and Permitting Cash Withdrawal from Full-KYC PPIs of Non-Bank PPI Issuers with a maximum limit of INR 2,000 per transaction with an overall limit of INR 10,000 per month per PPI. It would be interesting to see how these new mandates will change the map in the coming months especially given the mandated inter-operability.

MOBILE AND INTERNET BASED PAYMENTS

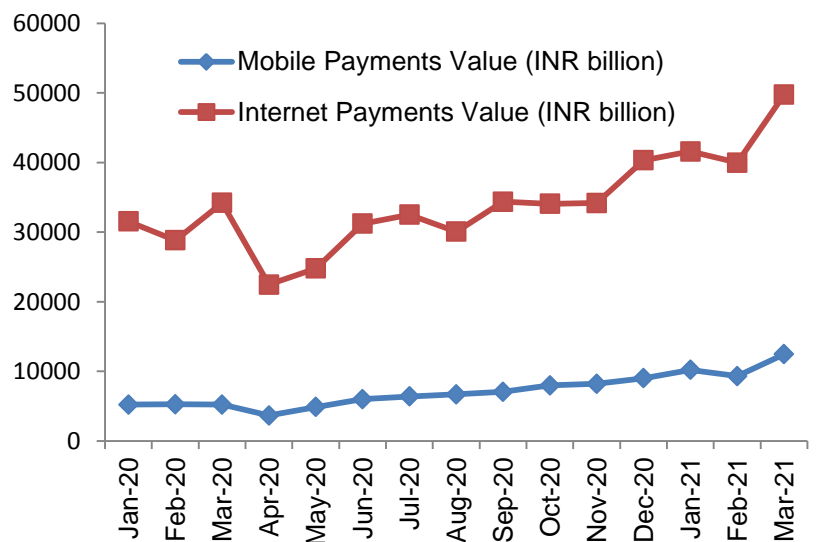
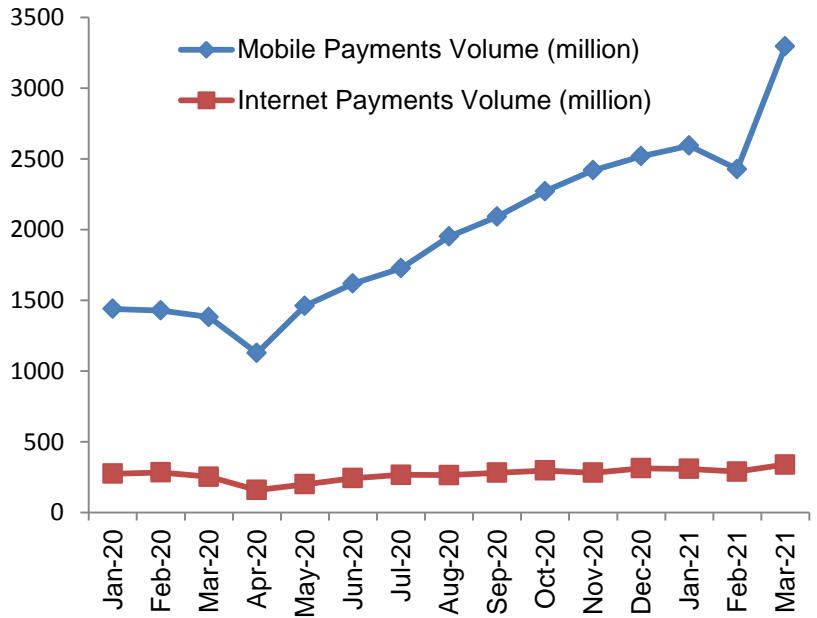
In Q1 2021, consumers made 8.32 billion mobile based payments whereas Net Banking / Internet browser based transactions were over 937.60 million. In terms of value, INR 31.98 trillion was transacted through mobile while INR 131.34 trillion was transacted through the internet.

Mobile payments

In Q1 2021, Mobile app based transactions recorded 96% growth in volume while its value witnessed over 104% increase against the same quarter of previous year i.e. Q1 2020. Interestingly, 88% of mobile transactions comprised of inter-bank transactions while 12% accounted for intra-bank transactions. In terms of value, 79% of mobile transactions comprised of inter-bank transactions while 21% accounted for intra-bank transactions.

Internet payments

In Q1 2021, Net banking / internet based transactions witnessed over 16% increase in volume and 39% in value against the same quarter of previous year i.e. Q1 2020. Inter-bank and intra-bank transactions volume of Internet Payments channels were 80% and 20% respectively. In value terms, Inter-bank and intra-bank transactions were around 50%.



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

UNIFIED PAYMENTS

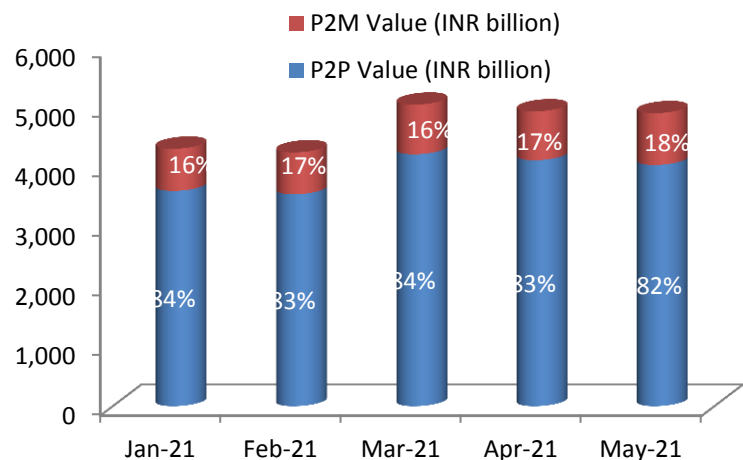
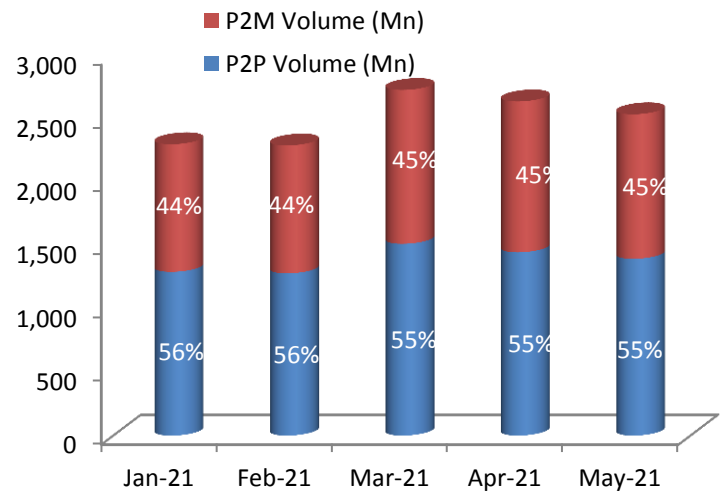
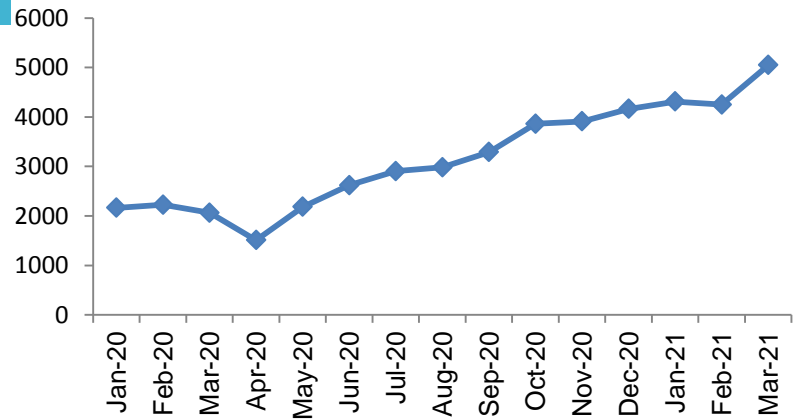
INTERFACE

In March 2021, Out of total UPI volume, 55% transactions were P2P (Person-to-Person) while 45% were P2M (Person-to-Merchant). **It clocked over 2.73 billion transactions in volume and breached INR 5 trillion in terms of value.** In Q1 2021, it recorded 89% increase in volume and 111% increase in value as compared with Q1 2020.

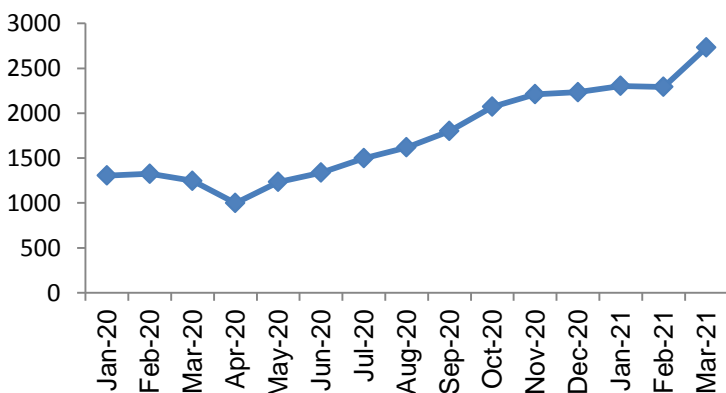
Though the transactions declined a bit in subsequent months, in May 2021, it achieved over 106% growth in volume and over 125% increase in value as compared with same period of previous year.

9 banks joined the UPI ecosystem in Q1 2021 bringing the total number of banks providing UPI services to 216 as of March 2021 while NPCI's BHIM App was available for customers of 180 banks. The number of BHIM app downloads stood over 169 million as of March 16, 2021.

UPI Value (INR billion)



UPI Volume (million)



Immediate Payment Service (IMPS)

In Q1 2021, IMPS recorded transactions volume of 1.03 billion and value of INR 8.91 trillion.

NATIONAL ELECTRONIC TOLL COLLECTION

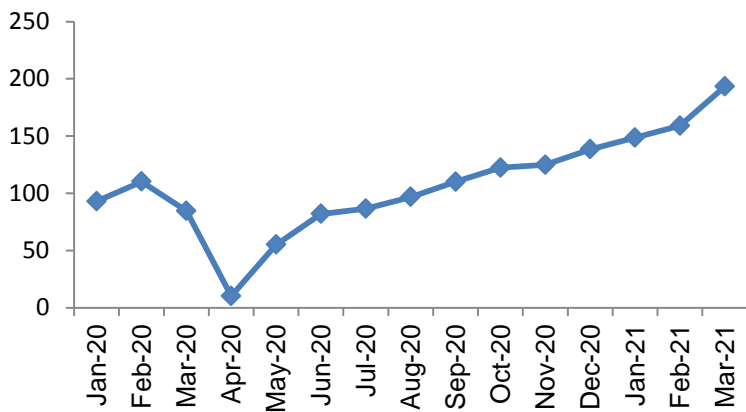
NETC processed about 500 million transactions worth INR 80.41 billion.

Its transactions volume jumped 74% while value increased by 65% as compared with Q1 2020. As of March 2021, 31.20 million FASTags have been issued since the inception of NETC program and over 8 million tags were issued in Q1 2021.

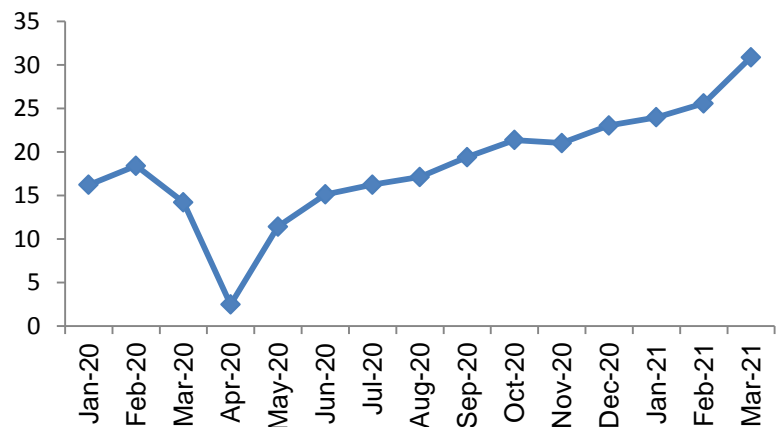
Currently the program is live on 720+ toll plazas across the country.



NETC Volume (million)



NETC Value (INR billion)

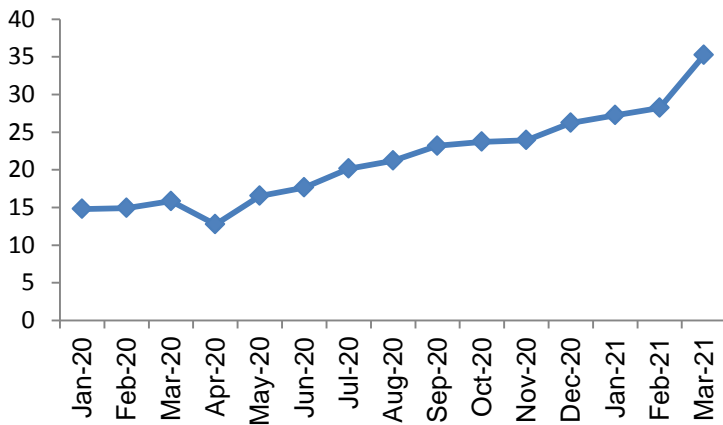


BHARAT

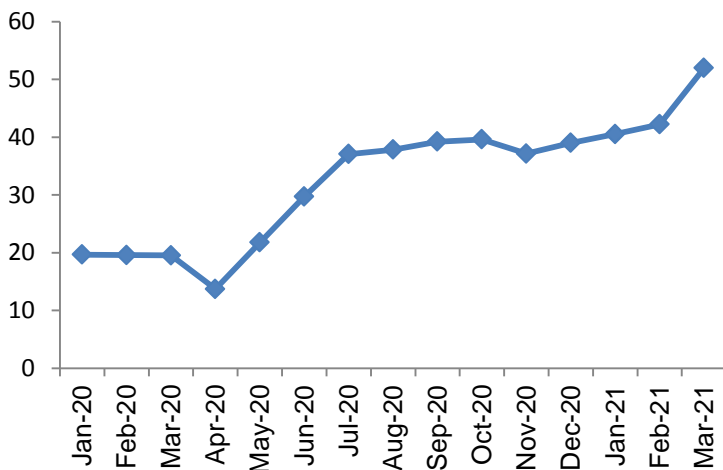
BILL PAY

The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q1 2021 stood at 90.71 million while the transactions value was INR 134.70 billion. It registered a growth rate of 99% and 129% in volume and value respectively against Q1 2020.

Bharat BillPay Volume (million)



Bharat BillPay Value (INR billion)



Bharat Bill Payment System added 19663 billers in its ecosystem as of March 2021.

On April 1, 2021, NPCI announced the formation of its wholly-owned subsidiary firm - NPCI Bharat BillPay Ltd. (NBBL). The brand under the new entity - Bharat BillPay - offers various recurring payment services to customers, including bill payments for electricity, telecom, DTH, Gas, Education fees, water and municipal taxes, NETC FASTag recharge, Loan repayments, Insurance, Cable, Housing Society, Subscription Fees, Hospital, Credit card, Clubs and association, etc.



AADHAAR ENABLED

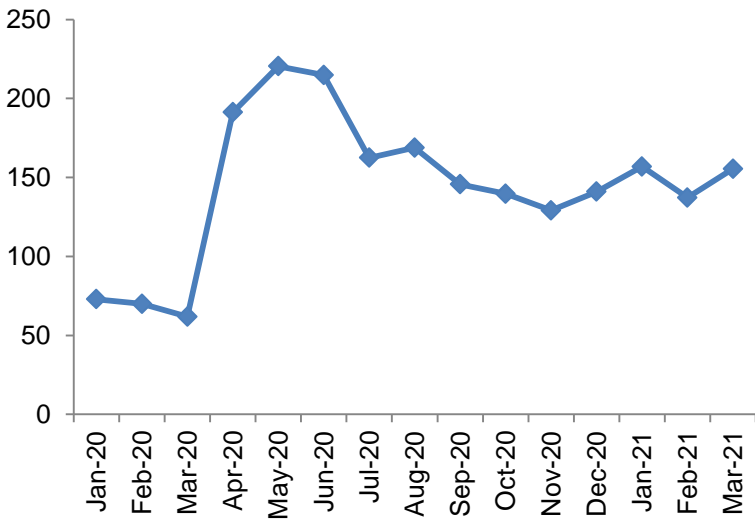
PAYMENT SERVICE

AePS transactions (Offus, BHIM Aadhaar Pay) in Q1 2021 recorded a substantial volume of over 449.45 million transactions, registering about 120% growth over Q1 2020. It processed transactions worth INR 633.38 billion, an increase of 93% over Q1 2010.

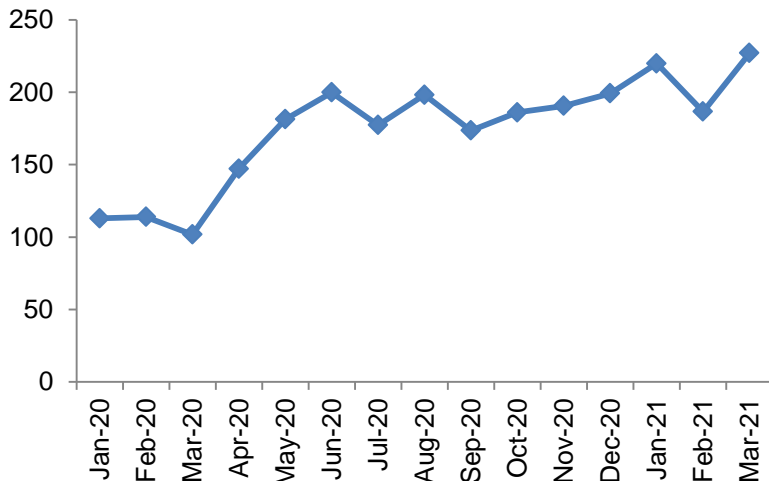
In March 2021, NPCI mandated Member Banks to implement standard limits for Cash withdrawal. It further decided to implement issuer side limit on Mini Statements and hence, AePS member banks were requested to implement limit for Off-us Mini Statement transactions by 30th April 2021.

AePS continued to facilitate government Direct Benefit Transfers to beneficiaries during the quarter and several banks provided banking services at customer's door step through Banking Correspondents.

AePS Volume (million)



AePS Value (INR billion)



A mobile first, mobile only acceptance solution that transforms a merchant's smartphone into a POS terminal.

Worldline presents an asset-less acceptance solution with a 360 degree coverage of payment modes for in-person and remote payments acceptance. It is a low cost solution with a specific focus on merchants in Tier II and below cities.

SOFT POS



TAP ON PHONE

- ❖ An industry first capability of allowing contactless payments acceptance on an NFC enabled Android mobile device.
- ❖ Fully compliant with existing regulatory restrictions of accepting contactless payments without AFA up to INR 2,000
- ❖ Currently certified with individual schemes under the scheme specific pilot program guidelines.
- ❖ Upgrade to a PCI CPoC certified solution is in the roadmap.

FEATURES

- ❖ **DIY on-boarding experience:** Integrated with real time KYC validation and seamless digital on-boarding
- ❖ **E-Khata:** Record customer level credit ledgers and send reminders for collections with built in payment links for a seamless collection experience.
- ❖ **Cash Register:** It can record cash transactions making it convenient for the merchant to keep a record of all collections.
- ❖ **Online Dukaan:** Create a virtual store front and catalogue your inventory for customers to make online purchases.
- ❖ **Acceptance Coverage:** Accept payments using contactless cards, Bharat QR, UPI and payment links sent over SMS/E-mail.

PAYMENT ORCHESTRATION PLATFORM BY INGENICO

Payment Orchestration Platform is an innovative interface to manage multiple integrations on a single platform.



Why You Need This Innovative Payment Solution?

<p>Faster Access</p> <p>Allows effortless addition of new payment features on the platform as and when they are launched.</p>	<p>Acquiring Control</p> <p>Provide complete control to choose from wide array of payment methods, just pick and choose as per your requirement.</p>	<p>Growth And Innovation</p> <p>It allows you to focus on growth instead of managing complex payment infrastructures.</p>
<p>Cost Efficiency</p> <p>Optimises resources and cuts down cost involved in managing multiple payment methods.</p>	<p>Elevating Customer Experience</p> <p>Seamless checkout experience for your customers with highest success rates.</p>	

What Can You Expect

<p>Maximise Digital ROI</p> <p>It helps you optimise payments by increasing payment acceptance rates, manage transaction flows, analyse payment performance, and mitigate risks.</p>	<p>Minimised transaction failure</p> <p>Ensures minimal link failures, transaction drops, and errors even if the customer's internet connectivity drops.</p>	<p>Handles all forms of payments</p> <p>Supports multiple payment methods like debit and credit cards, net banking, wallets, and UPI.</p>
<p>Smooth migration</p> <p>Uninterrupted and hassle-free transition from existing payment integration to Payment Orchestration Platform.</p>	<p>Secure transactions</p> <p>Transactions are safeguarded using card tokenisation and payment tokenisation to prevent any data breach.</p>	<p>Easy accessibility across platforms</p> <p>Can be integrated with Android, iOS, and other hybrid applications for enabling direct payments from banks, acquirers, and processors.</p>
<p>Operational support</p> <p>Helping you manage multiple payment formats with business ready dashboard with real time payment reports, and analytics.</p>		

For whom?

Payment Orchestration Platform is important for businesses with multiple customer touchpoints.



ABOUT

WORLDLINE

Worldline [Euronext: WLN] is the European leader in the payments and transactional services industry and #4 player worldwide. With its global reach and its commitment to innovation, Worldline is the technology partner of choice for merchants, banks and third-party acquirers as well as public transport operators, government agencies and industrial companies in all sectors. Powered by over 20,000 employees in more than 50 countries, Worldline provides its clients with sustainable, trusted and secure solutions across the payment value chain, fostering their business growth wherever they are. Services offered by Worldline in the areas of Merchant Services; Terminals, Solutions & Services; Financial Services and Mobility & e-Transactional Services include domestic and cross-border commercial acquiring, both in-store and online, highly-secure payment transaction processing, a broad portfolio of payment terminals as well as e-ticketing and digital services in the industrial environment. In 2020 Worldline generated a proforma revenue of 4.8 billion euros. worldline.com

Worldline India is a transactions facilitator across the spectrum of the digital payments ecosystem and provides both products and services along the full length and breadth of the payments value chain. We are involved in Merchant Acquiring, Card Issuance, Loyalty solutions for petroleum companies, Internet Payment Gateway, National Electronic Toll Collection, Risk Mitigation, Reconciliation and Value-added services. Worldline is the partner of choice for merchants, banks, government agencies and industrial companies, delivering best-in-class digital transaction services.

Worldline's corporate purpose is to design and operate digital payment and transactional solutions that enable sustainable economic growth and reinforce trust and security. Worldline India is constantly investing in the latest technologies to increase efficiencies, drive innovation and deliver customer delight. We have a presence in over 50 countries and can leverage our access to global innovations to offer significant tech stack strength in our offerings. We have a dedicated workforce and service capabilities to ensure complete control on every aspect of the acquiring business – from the terminal to the switch – through ownership of all IP and source codes. We bring value to our customers by offering end-to-end solutions covering every aspect of the merchant acquiring value chain; terminals, platforms, processing, risk management, reconciliation, and helpdesk among others.



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