

India Digital Payments Report

Q3 2020



In the past few weeks the Reserve Bank of India has announced several initiatives to enhance the digital payments space in India; the opening of the first cohort under the regulatory sandbox with 'retail payments' as its theme, setting up of a Self-Regulatory Organisation for Payment System Operators, streamlining



QR code infrastructure and setting up of the Reserve Bank Innovation Hub among others. These initiatives are being welcomed by industry players as it is expected to leverage technology, spur innovation, enhance system efficiency and strengthen the acceptance infrastructure.

Today, consumers are embracing digital payments like never before. Contactless, faceless and cashless transactions are becoming the preferred choice among consumers and merchants alike – it is important to note that this trend started pre-covid and is now accelerating. While consumers are ordering groceries, paying education fees, utility bills through e-commerce modes from home, retail and online merchants are deploying multiple frictionless solutions including asset-lite of late. We are happy to share that Worldline was the first to launch SoftPOS in India in collaboration with MasterCard and Axis Bank with an aim to provide a simple and secure acceptance solution to merchants; the mobile phone solution can accept payments through NFC cards (Tap on Phone), QR and Link pay.

I am also pleased to share that Worldline is now the largest merchant acquirer and payment processor in Europe and is number 4 globally. The acquisition of Ingenico by Worldline enables us to offer our customers a broader range of innovative solutions both in the physical and online payment space. With the coming together of the two organizations, both of which have a deep knowledge in the payments space, we will be able to serve our customers' needs more comprehensively and seamlessly as they strive to offer a faster, more secure and frictionless payment experience. This deal has also enhanced our leadership position in India. We remain committed to contributing to the ideal of a less-cash economy and our combined organization will be focused to achieving that goal.

With this encouraging development, we give our insights on Indian digital transactions processed in Q3 2020 i.e. July-September where several payment products witnessed V-shaped recoveries. In addition, this report gives you insights on transactions that we processed in our network and our perspective on the Payment Infrastructure Development Fund announced by the RBI.

Deepak Chandnani
Managing Director, Worldline South Asia & Middle East

Worldline

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HOW PAYMENTS INFRASTRUCTURE

DEVELOPMENT FUND WILL BOOST

DIGITAL PAYMENTS

On June 5, 2020 the Reserve Bank of India (RBI) announced the creation of a Payment Infrastructure Development Fund (PIDF) to “encourage acquirers to deploy Points of Sale (PoS) infrastructure (both physical and digital modes) in tier-3 to tier-6 centres and north eastern states.” The size of the fund is to be INR 5 billion with the RBI putting in half and the other half by the card schemes and card issuers. According to the RBI, the purpose of the PIDF is “to provide further fillip to digitisation of payment systems, it is necessary to give impetus to acceptance infrastructure across the country, more so in underserved areas”. This PIDF has been a long time coming; there was a discussion a few years back to introduce this but nothing came about it.

The reality is that for digital payments to increase in a sustainable way, merchants in smaller towns as well as those in the North Eastern states need to have the infrastructure to accept all payment instruments. The fact is that PoS infrastructure has not been increasing in a meaningful way for some time now – whatever increase is highly concentrated in the larger cities – largely because of cost issues related to both logistics as well as low usage by merchants outside the larger cities. The PIDF could be one way to possibly make this more economically viable.

To understand the potential impact a fund like this can make, we need to look at Malaysia where a Market Development Fund was introduced in 2014 with the primary aim of increasing the number of POS terminals in the country – the goal set was to reach 800K terminals in 2020 from 233K in 2014. By most measures, this seems to be a success; the number of POS terminals in 2017 reached 407K and 669K in 2019 with a full expectation of reaching the target in 2020. The success is also reflected in the number of per capital e-payment transactions made; it is up from 49 in 2011 to 111 in 2017 and 144 in 2019. It is worth noting that Malaysia is 10% when compared to India is size and the population is about 33 million compared to 1.3 billion in India. It is also worth noting that the Malaysian fund was expected to channel RMB 455 million (INR 8.25 billion) which is significantly higher than the fund announced in India.

That said there is optimism that this fund could provide that much needed fillip to the POS infrastructure in the country.

2020: Q3 in Review

We have analysed transactions available in public databases as well as transactions processed by us in Q3 2020 (July – September) and derived some unique insights.



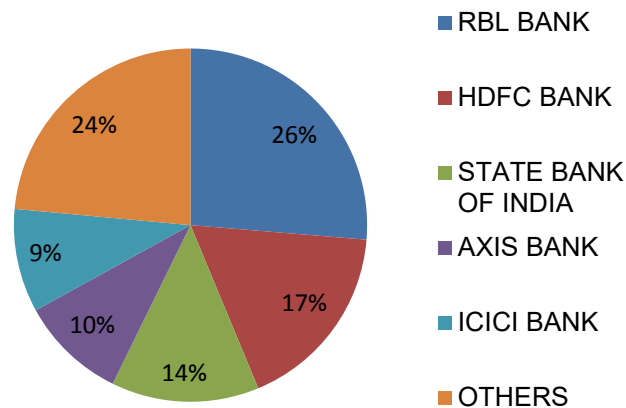
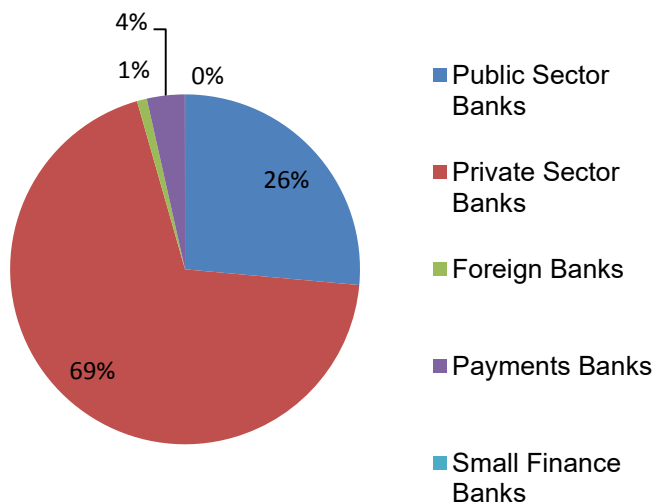
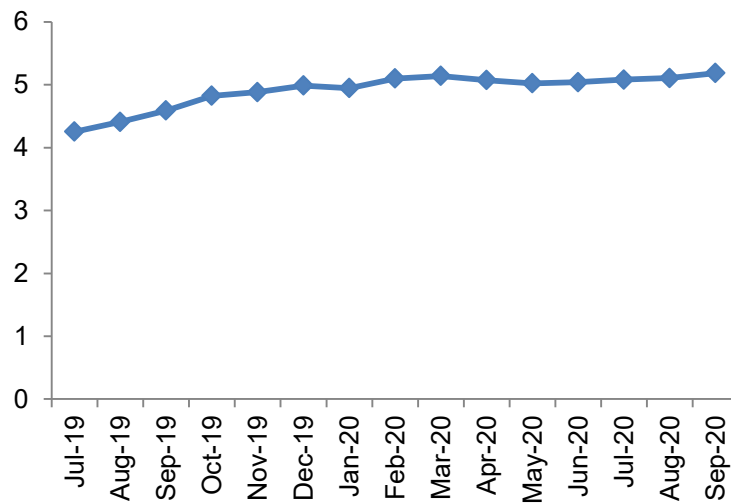
MERCHANT ACQUIRING

In Q3 2020, there were over 5.18 million POS terminals deployed by merchant acquiring banks, up 13% as compared with Q3 of previous year. There was a mild dip in the number from March 2020 but in September 2020, the number crossed the March number of 5.13 million.

Private sector banks represent about 69% of the POS terminal market while public sector banks account for 26%. Payments banks accounted for 4% market share, up by 1% since the previous quarter and foreign banks represented 1%.

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

POS Terminals (million)



WORLDLINE

INSIGHTS

For Worldline India, at physical touch points, groceries, petrol stations, clothing and apparel, specialty retail, pharmacy and medical, restaurants, and departmental stores together accounted for 65% and 55% in terms of volume and value in Q3 2020.

Overall transactions at physical touchpoints in Q3 2020 were up by 40% in volume and 51% in value as compared with Q2 2020.

In the online space, e-commerce (shopping for goods and services) and the education sector contributed to over 65% in terms of volume and value in Q3 2020. An observed trend is that the travel and hospitality sector is witnessing growth with each passing quarter.

Top 10 states with the highest transactions at physical touch points in Q3 2020 for Worldline India:

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

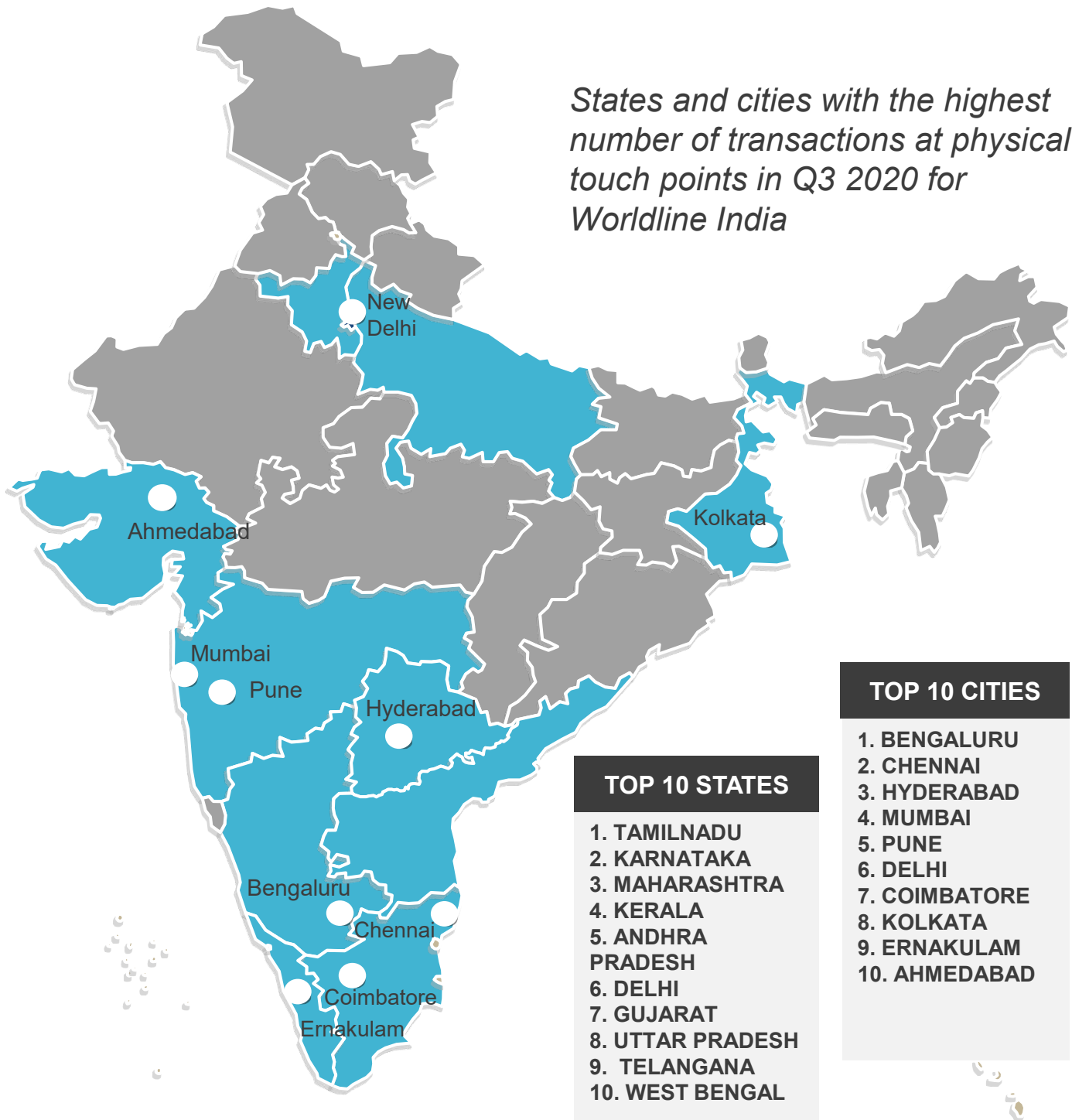
Top 10 cities with the highest number of transactions at physical touch points in Q3 2020 for Worldline India:

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

WORLDLINE

INSIGHTS

States and cities with the highest number of transactions at physical touch points in Q3 2020 for Worldline India



TOP 10 STATES

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

TOP 10 CITIES

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

CARD

ISSUANCE

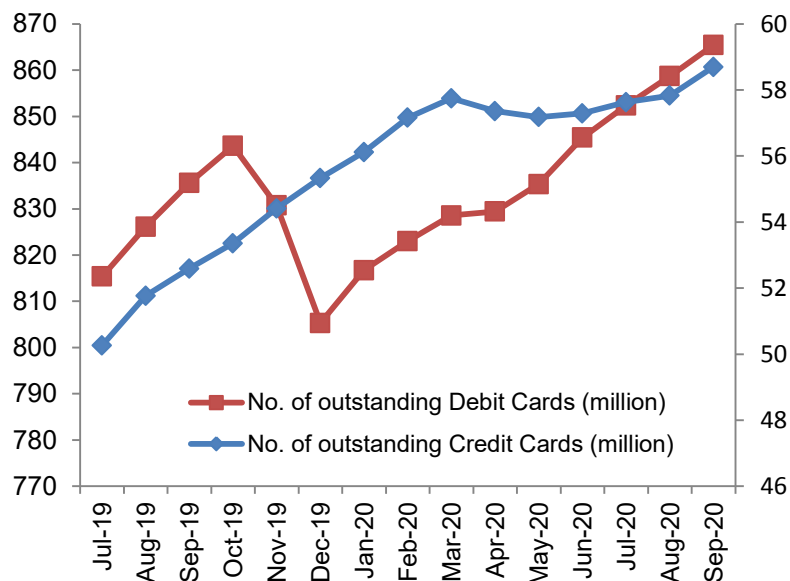
As of September 2020, there were 865.43 million debit cards and 58.69 million credit cards in the country, up by 12% and 4% YOY respectively.

Interestingly, debit card issuance has been on the rise since the beginning of the year. While over 13 million debit cards were added in the system in Q3, number of outstanding credit cards grew by over 1 million in the same quarter.

The increase in debit card issuance can also be attributed to a significant number of new accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. About 5.68 million RuPay cards were issued to PMJDY beneficiaries via banks under the scheme in Q3 2020.

As of September, the total number of RuPay cards issued under PMJDY scheme was 300.14 million against 294.46 million in the beginning of July.

Replacement of magnetic stripe cards with EMV chip cards to existing customers, upgrade to contactless cards, pent-up demand for card issuance post lockdown and business as usual could be other reasons for this rise.



Transaction analysis of Debit Cards

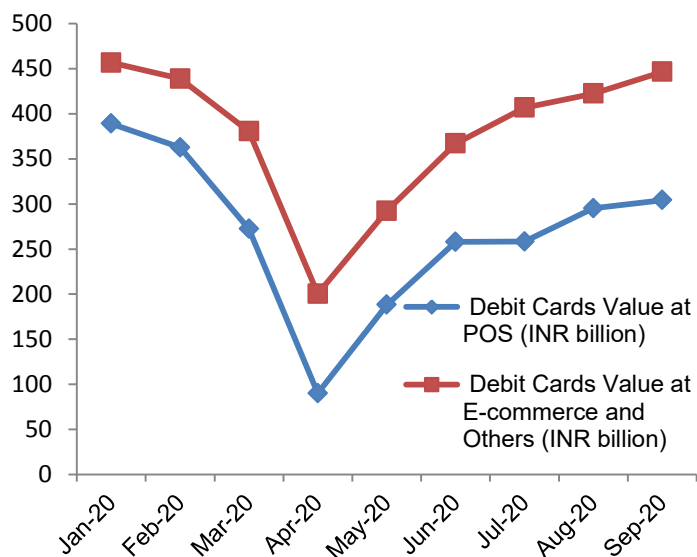
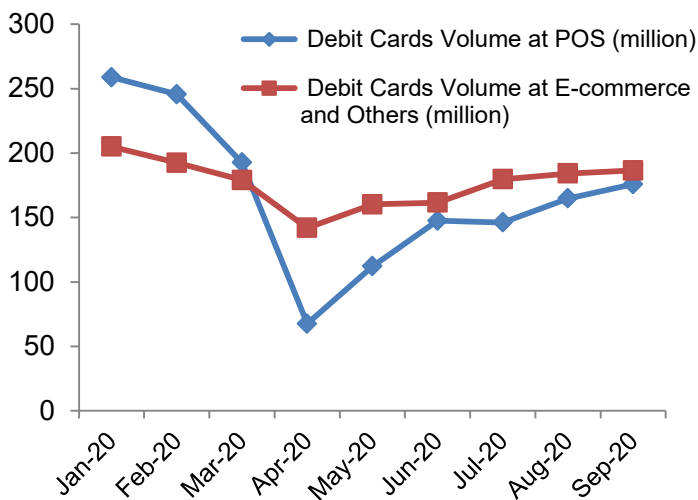
Debit card transactions volume and value in Q3 2020 were 1.03 billion and INR 2.13 trillion respectively. The number of debit card transactions processed at POS terminals was 486.83 million while e-commerce transactions were 550.32 million which also includes card to card transfers and digital bill payments through ATMs, etc. In terms of value, INR 857.68 billion was processed at POS terminals while INR 1.27 trillion was processed at e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.

After witnessing a drop in POS and e-commerce transactions in Q1 2020, debit card transactions volume in Q2 increased by 118% at POS and 14% in e-commerce. In Q3, it further increased by 20% and 4% at POS and e-commerce respectively as compared with previous quarter.

CARD

ISSUANCE

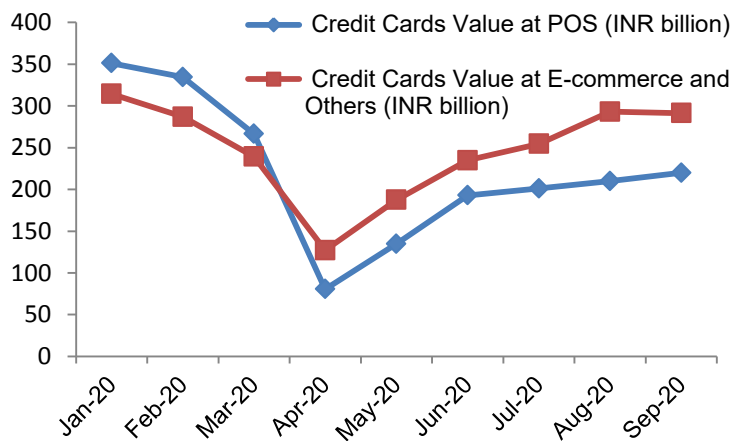
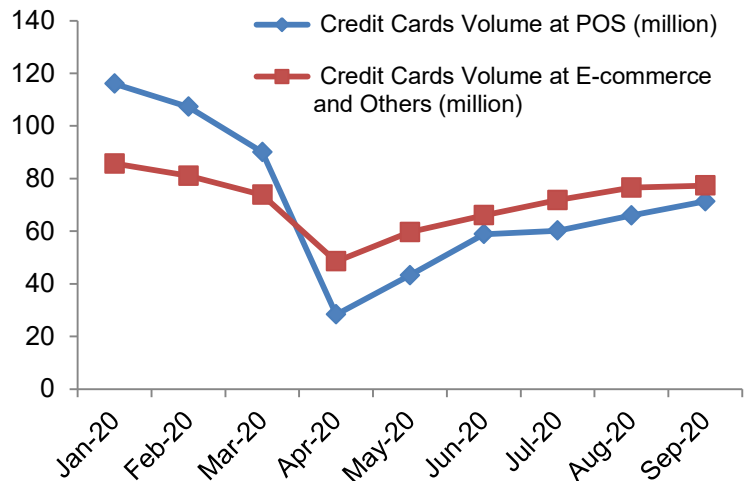
In terms of value, debit cards recorded 186% growth at POS and 83% growth in ecommerce in Q2 and in Q3, it further rose by 18% and 10% at POS and ecommerce respectively.



Transaction analysis of Credit cards

Credit card transactions volume and value in Q3 2020 were 423.15 million and INR 1.47 trillion respectively.

The number of credit card transactions processed at POS terminals was 197.45 million while e-commerce transactions were 225.70 million which also includes card to card transfers and digital bill payments through ATMs, etc. In terms of value, INR 630.94 billion was processed at POS terminals and INR 839.09 billion was processed at e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.



Transactions volume of credit cards in Q2 increased by 108% at POS and 36% in ecommerce as compared with previous quarter. In Q3, it further increased by 19% and 8% at POS and ecommerce respectively. In terms of value, credit cards recorded 140% growth at POS and 85% growth in ecommerce in Q2 and in Q3; it further rose by 9% and 15% at POS and ecommerce respectively.

PREPAID PAYMENT

INSTRUMENTS

As of September 2020, there were 1.9 billion prepaid payment instruments in the country. Out of which, 167.24 million comprised of prepaid cards and 1.82 billion comprised of mobile wallets.

Number of prepaid payment instruments has been growing at a steady pace since the beginning of 2020. Prepaid cards recorded 15% growth in Q3 against previous quarter while number of mobile wallets saw an uptick of 4% in Q3 over Q2.

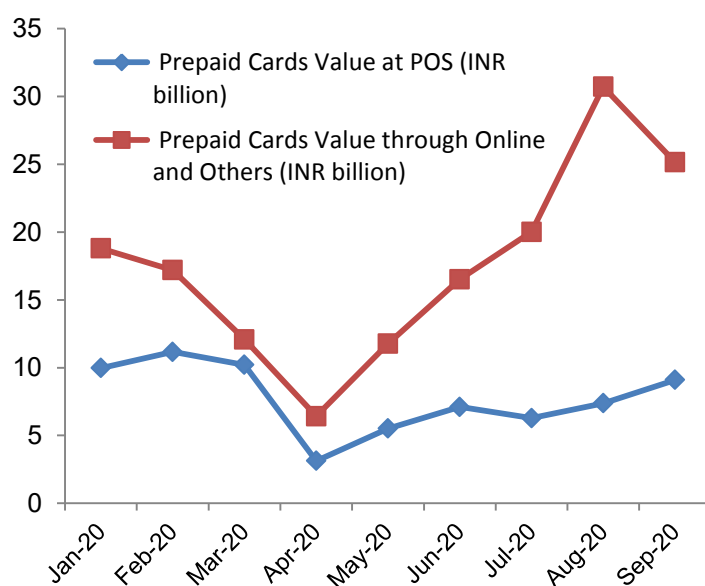
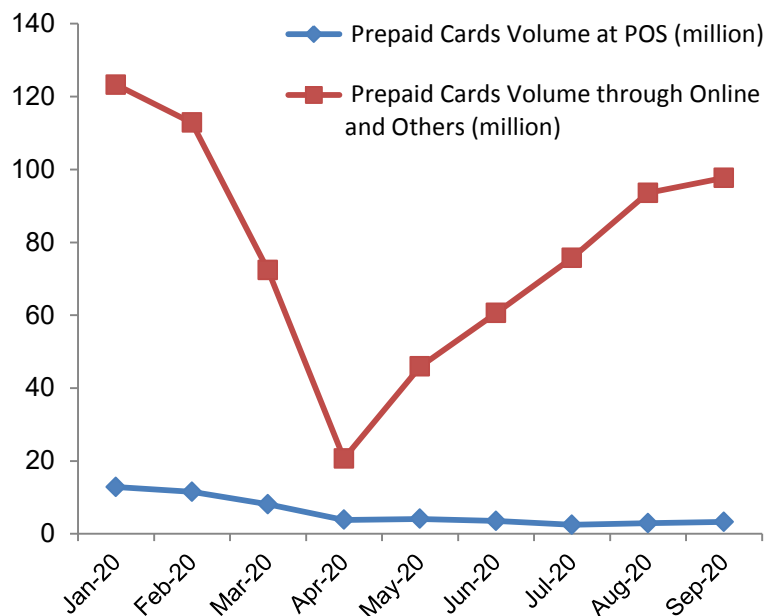
Analysis of Prepaid Cards transactions

Prepaid card transactions volume and value in Q3 2020 were 275.60 million and INR 98.64 billion respectively.

The number of prepaid card transactions processed at POS terminals was 8.62 million while e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc. were 266.98 million.

In terms of value, INR 22.75 billion was processed at POS terminals through PPI cards while INR 75.89 billion was processed for online transactions and other transactions.

It is quite evident that prepaid cards are primarily used for online transactions rather than physical merchant places.



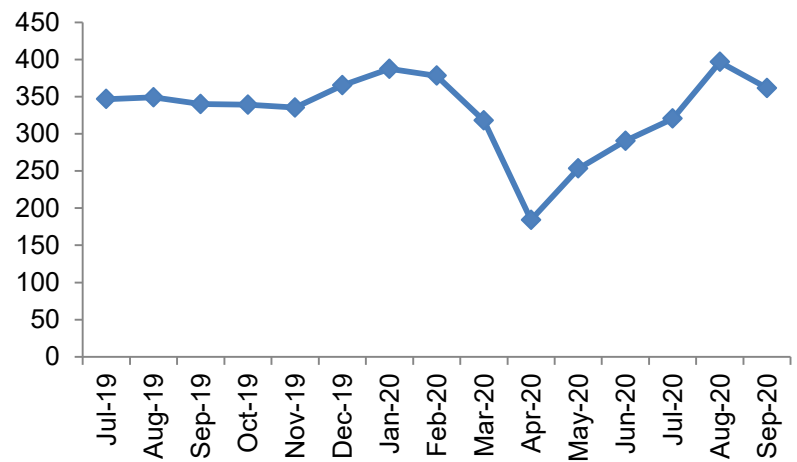
PREPAID PAYMENT INSTRUMENTS

Transaction analysis of Mobile Wallets

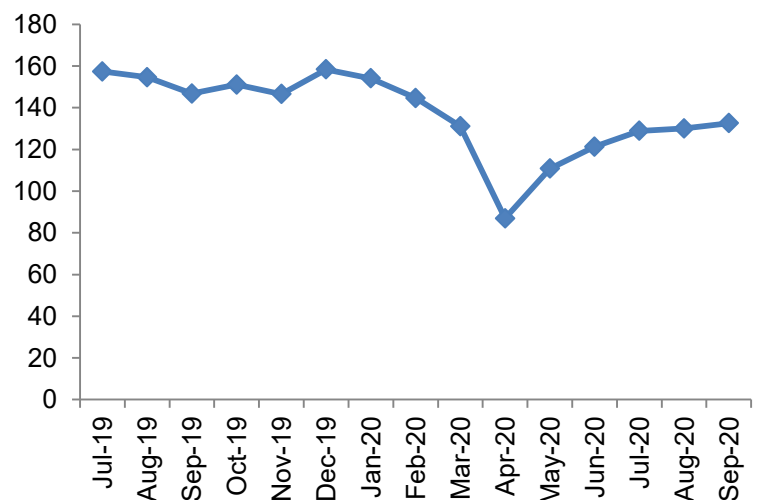
The number of transactions through mobile wallets in Q3 2020 was **727.91 million** and the value was **INR 391.05 billion**. This includes purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily.

In Q3 2020, it recorded a 4% increase in volume over Q3 of 2019. However value of transactions is 33% lower compared with same period of previous year though there is a recovery happening from the low seen in April 2020.

m-Wallet Volume (million)



m-Wallet Value (INR billion)



OTHER PAYMENT

CHANNELS

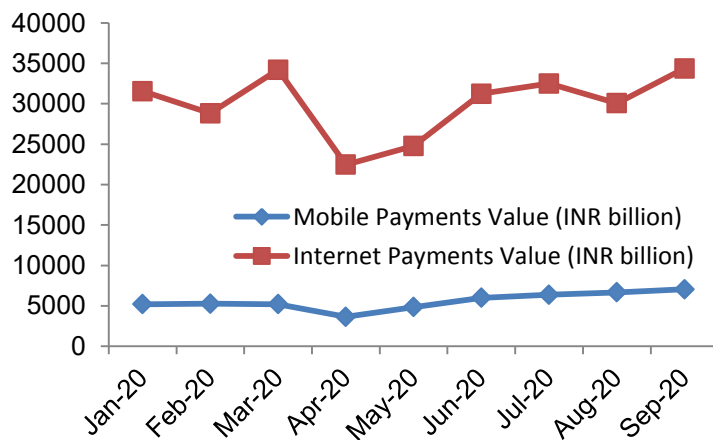
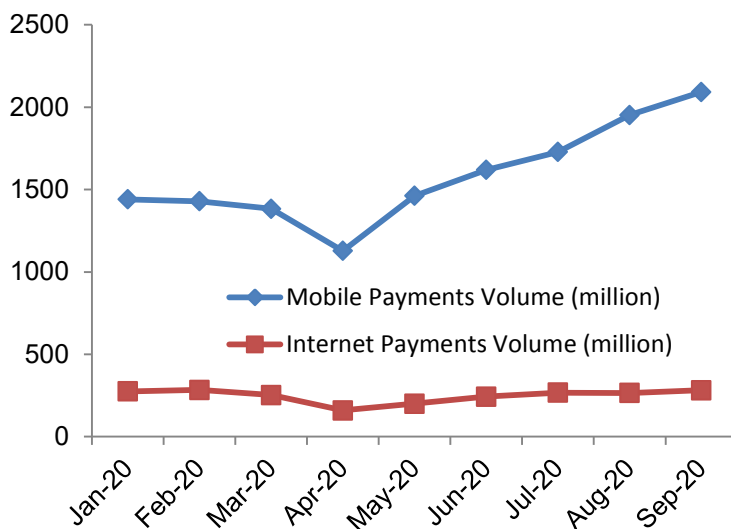
In Q3 2020, 5.77 billion Mobile Apps based transactions were recorded while Net Banking / Internet browser based transactions were over 814.71 million. Mobile app based transactions recorded 37% growth while net banking / internet based transactions witnessed over 35% increase against previous quarter.

Interestingly, 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 79% and 21% respectively.

In terms of value, mobile apps based payment channels processed transactions worth INR 20.08 trillion and Net banking / Internet browser based transactions facilitated transactions worth INR 96.93 trillion.

The value of mobile app based transactions grew by 38% while net banking / internet based transactions grew by 23.52% as compared with the previous quarter.

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 51% and 49% respectively.



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. Moreover, it is important to highlight that mobile based transactions volume and value have surpassed Jan 2020 figures.

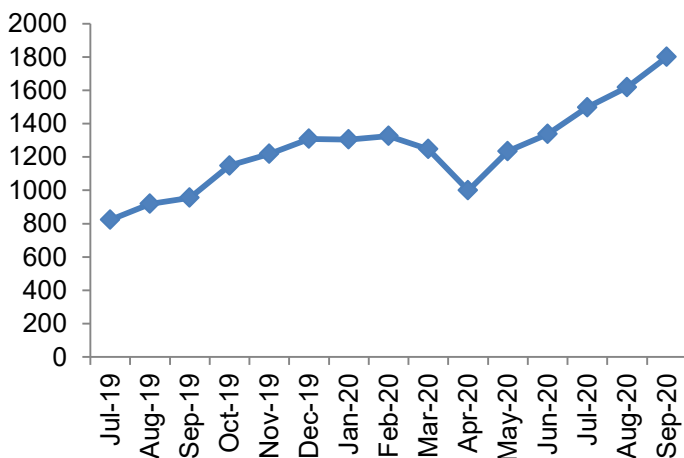
UNIFIED PAYMENTS

INTERFACE

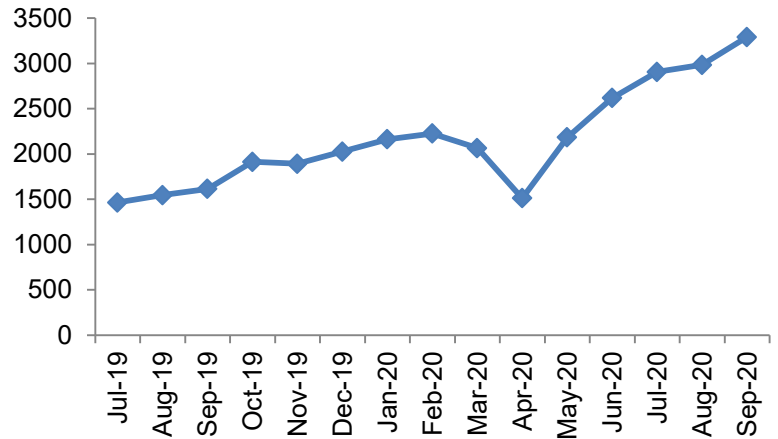
In September 2020, UPI clocked over 1.8 billion transactions in volume and breached INR 3 trillion in terms of value. In Q3, 2020, it recorded 82% increase in volume and 99% increase in value as compared with Q3 of 2019.

19 banks joined the UPI ecosystem in Q3 2020 bringing the total number of banks providing UPI services to 174 as of September 2020 while NPCI's BHIM App was available for customers of 146 banks. The number of BHIM app downloads stood over 158 million as of October 13, 2020.

UPI Volume (million)



UPI Value (INR billion)



NPCI has taken some initiatives like creation of secondary / back up UPI ID to improve customer experience, guideline on usage of UPI API's, merchant system enhancements and introduction of B2B as a separate category among others in the recent past.

The organization has recently given approval to WhatsApp to go live with UPI in a graded manner, starting with a maximum registered user base of 20 million. It has issued a cap of 30% of total volume of transactions processed in UPI, applicable on all Third Party App Providers (TPAPs) which will be effective from January 1, 2021. In other development, UPI AutoPay functionality was introduced for recurring payments. NPCI also launched NPCI International Payments Limited (NIPL), its wholly owned subsidiary firm with a primary focus to internationalize UPI and RuPay.

In Q3 2020, transactions via Immediate Payment Service (IMPS) grew by 26% in terms of volume and 5% in terms of value as compared with Q3 2019. It recorded 747.83 million transactions volume and INR 7.09 billion during Q3.

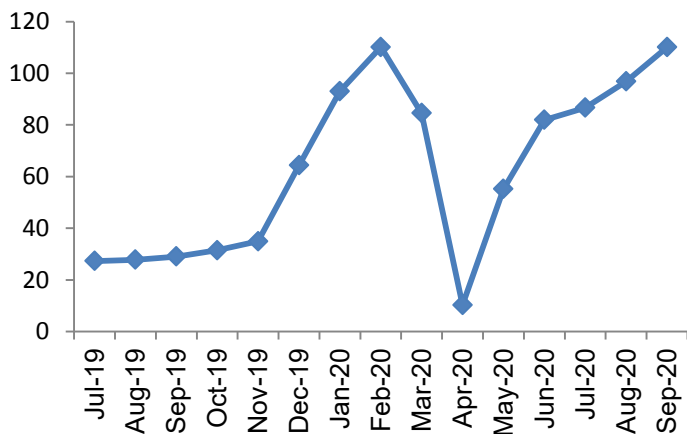
NATIONAL ELECTRONIC

TOLL COLLECTION

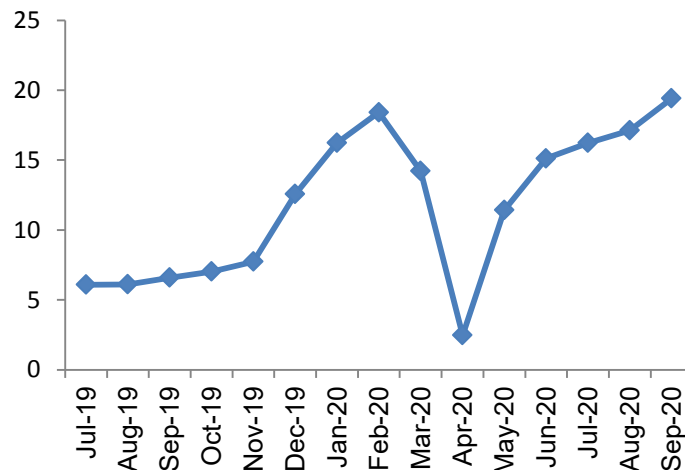
NETC transactions in Q3 2020 stood at 293.53 million, an increase of 84% over Q3 2019 and its value of transactions was INR 29.01 billion, an increase of 181% during the same period of previous year.

As of September 2020, 19.40 million FASTags have been issued since the inception of NETC program and about 2 million tags were issued in Q3 2020.

NETC Volume (million)



NETC Value (INR billion)



The Union Ministry of Road Transport and Highways have taken several measures to make FASTags mandatory. FASTag has been made mandatory for four-wheelers from January 1, 2021. Moreover, FASTag has been made mandatory for new third party insurance with effect from April 2021 and even the renewal of fitness certificate will be done only after the fitment of FASTag for transport vehicles.

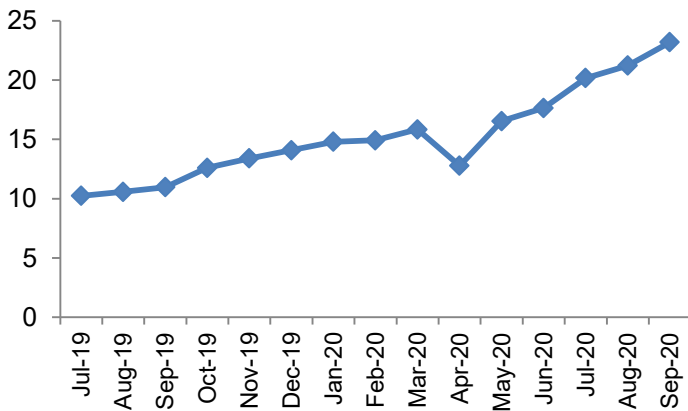
NPCI is enhancing NETC enabled use cases like contactless and interoperable parking solution in major cities like Delhi, Mumbai, Chennai and Bengaluru. GMR Hyderabad International Airport has launched contactless car parking facility with NETC FASTag.

BHARAT

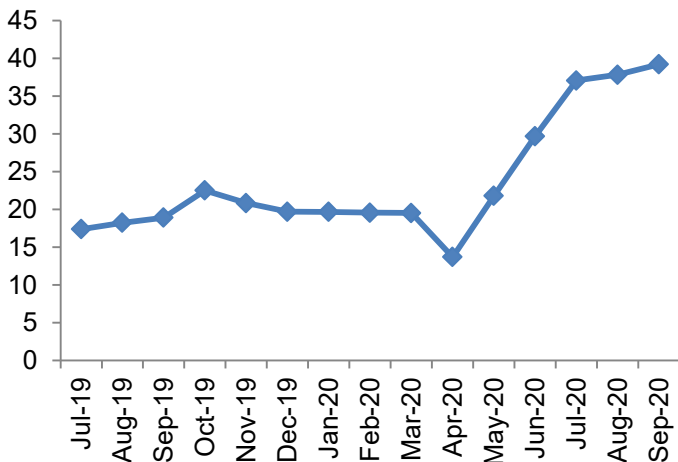
BILLPAY

The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q3 2020 stood at 64.56 million while the transactions value was INR 114.10 billion. It registered a growth rate of 103% and 109% in volume and value respectively against Q3 2019.

Bharat BillPay Volume (million)



Bharat BillPay Value (INR billion)



Transaction volume and value of Bharat BillPay reached all time high figures in September. **Bharat Bill Payment System added about 927 billers in Q3 bringing the total number of billers to 1172 as of September 2020.**

There are around 15 biller categories live which includes major recurring payment categories like loan repayments, insurance, education, Housing societies, FASTag recharge, TV cable subscription, Hospitals among others.

Bharat BillPay allows customers to pay their bills anywhere and anytime through multiple channels such as Internet Banking, Mobile Banking/app, Website, Agent, BCs (Business Correspondents) and Branches using multiple modes such as Cards (Credit, Debit and Prepaid), NEFT, Net Banking, UPI, Account transfer & e-wallets etc.

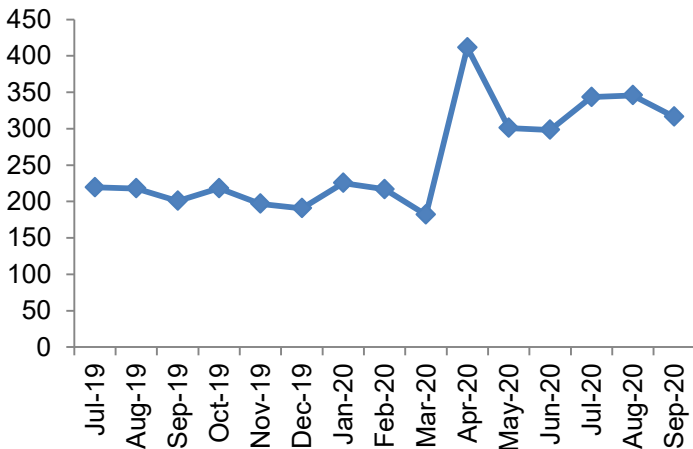
AADHAAR ENABLED

PAYMENT SERVICE

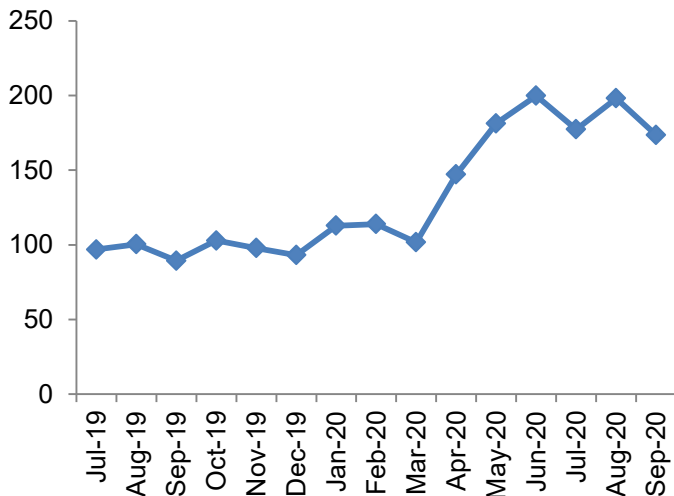
AePS transactions (ONUS, OFFUS, DEMO AUTH & eKYC) in Q3 2020 recorded a substantial volume of over 1 billion transactions, registering about 58% growth over Q3 2019. It processed transactions worth INR 548.93 billion, an increase of 92% over Q3 2019.

AePS transactions volume and value has grown by 74% and 71% respectively as compared with previous March 2020. It facilitated 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.

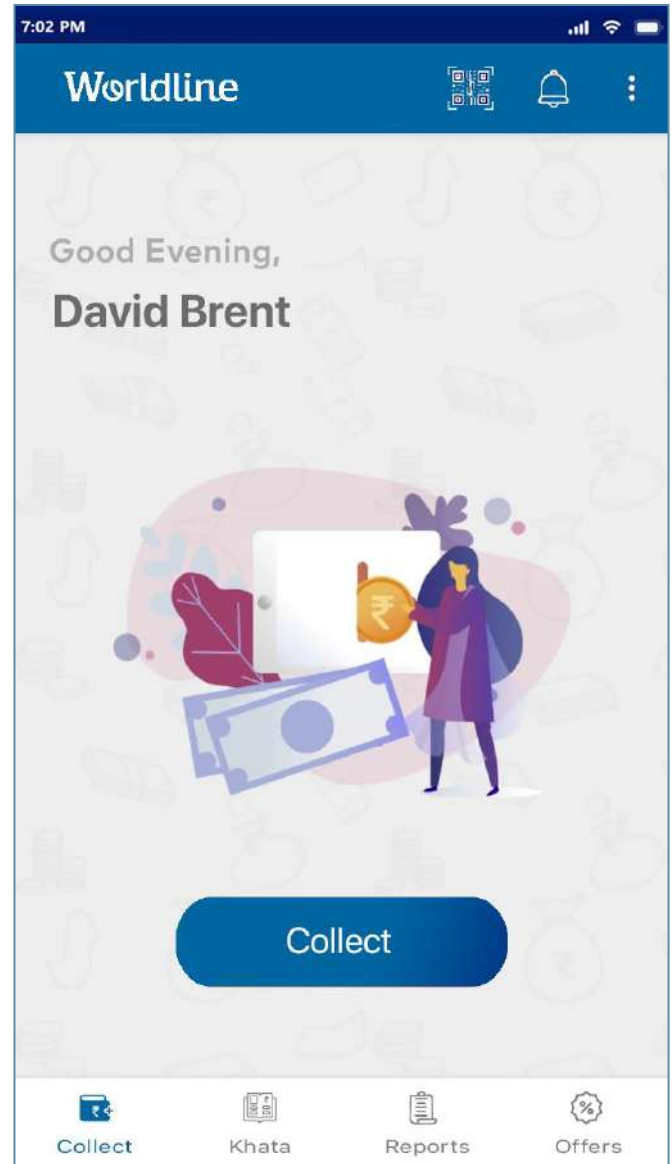
Worldline presents an asset-less acceptance solution with a 360 degree coverage of payment modes for in-person and remote payments acceptance. It is a low cost solution with a specific focus on merchants in Tier II and below cities.

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.



ABOUT WORLDLINE

WORLDLINE & INGENICO

CREATING TOGETHER A GLOBAL PAYMENT SERVICE PROVIDER

#1
MERCHANT ACQUIRER
IN CONTINENTAL
EUROPE

#1
EUROPEAN
PAYMENT
PROCESSOR

#1
POS MARKET
LEADER

DIGITAL PAYMENTS
FOR A TRUSTED WORLD

c.1,200
FINANCIAL INSTITUTIONS
CLIENTS

20,000+
WORLDLINERS

#1 EUROPEAN PSP
(in revenues)

**LEADERSHIP
& SCALE**

c.1 M.
MERCHANTS

c.35 M.
POS TERMINALS DEPLOYED

50+
COUNTRIES/TERRITORIES

#4 GLOBAL PLAYER
(in revenues)

#3
EUROPEAN PROVIDER
OF E- & M- PAYMENT
SOLUTIONS

c.2.5bn
NUMBER OF ONLINE
TRANSACTIONS
PROCESSED

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.

Worldline India (WI) is wholly owned by Worldline SA, 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.

While WI's business is primarily in India, it is expanding its footprint in the Middle East, Sri Lanka and Bhutan. The main areas of business in the digital payments ecosystem it is involved in are merchant acquiring, card issuance, IPG, Fastag issuance and acquiring, Risk Mitigation among others. In 2019 Worldline generated a proforma revenue of 5.3 billion euros. worldline.com



@WorldlineIndia



Worldline India

Worldline

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