

India Digital Payments Report

Q3 2022

July - September



Pioneering PayTech for a
Buland Bharat



Deepak Chandnani

Executive Chairman – India & SAME, Worldline

“ The dynamic Indian payments industry is moving towards the goalposts mentioned in the RBI’s Payments Vision 2025. Some of the developments in recent months like linking credit cards to UPI and expanding the footprint of domestic payment systems like UPI and RuPay to global markets demonstrates that India continues to enhance scalability and resilience of payment systems.

Worldline has joined hands with NPCI International to empower mobile payments for Indian tourists in Europe. The collaboration will see Worldline as the first EU acquirer to offer UPI and later on RuPay on all terminals across Europe.

In India, Worldline will continue to enable our partner banks, retailers, insurance and e-commerce companies, NBFCs, start-ups and SMBs to leverage our leverage our technology driven solutions to drive economic growth not just in the business capital but also in the smaller towns and cities across the country. ”



Ramesh Narasimhan

CEO – India, Worldline

“ Today, both customers and sellers are being more receptive towards digital payments. Digital payments are gradually becoming like a commodity and forming a subtle yet an integral part of our lives. While customers appreciate a simple interface and advanced security systems, sellers or merchants go beyond hygiene features and integrate more inclusive payment solutions.

Worldline India, with its 360 degree payments suite, is powering businesses with a comprehensive range of payment solutions that are aligned to the needs of end customers in the form of In-store, Online, Omnichannel, Issuance and Acquiring Solutions, and Value Added Services among others.

The swift adoption of digital payments can be witnessed with each passing quarter. Popular payment instruments like UPI, cards, PPIs are already clocking over 23 billion transactions in a quarter. With such interesting insights, we are glad to share Digital Payment Report for Q3 2022.

In addition, we also give our perspective on how India's progressive regulation on payments is building a stable financial ecosystem. ”

Perspective



Over the past few months, the cryptocurrency world has seen a sharp decline in values because of sell-offs. In the very recent past, one of the largest crypto exchanges, FTX, saw itself reduced to filing bankruptcy. There are news reports of potential wrongdoing by the operators of the exchange but it points to the fact the world of cryptocurrencies is still the wild-west when compared to other regulated entities like the stock market. As a consequence of this fall, Changpeng Zhao, CEO of the largest cryptocurrency exchange Binance recently said , “We’re in a new industry, we’ve seen in the past week, things go crazy in the industry. We do need some regulations, we do need to do this properly, we do need to do this in a stable way. I think the industry collectively has a role to protect consumers, to protect everybody. So it’s not just regulators. Regulators have a role but it’s not 100% their responsibility.”

There is good reason for Zhao saying this. Currently, while cryptocurrencies have high recognition among the general public, it is still a fairly niche sector which is highly speculative with extremely limited acceptance among the general public and merchants. Worldline Global has a position paper looking at what it would take for higher acceptance of cryptocurrencies. At the end of the day, the under-tone is

that regulating an ecosystem is beneficial for multiple reasons which include safety (less fraud), predictability which all add to the largest benefit which is confidence in the system and subsequent higher acceptance by the general public. Insofar as India is concerned, this lack of regulation and lack of transparency has been one of the primary reasons, among many others, for the regulator and government to demur on cryptocurrencies.

In the same vein, with reference to the Indian payments ecosystem, the Reserve Bank of India (RBI) appears to be following a similar pattern. In their 'Guidelines on Regulation of Payment Aggregators and Payment Gateways' dated March 17, 2020 – licenses are currently being given for companies involved in online transactions – the RBI has been looking at various parameters before granting licenses; capital requirements, governance, security, fraud prevention and risk management framework, KYC/AML regulations, among others. The RBI has also recently spoken about granting licenses to operators of in-store payments systems (POS, QR etc.) which will likely involve scrutinizing similar parameters as online operators. The eventual outcome which the RBI from these regulations is to make consumers confident of the system so that they use the digital payments system often and more importantly, get new consumers into the digital payments ecosystem.

While there may be costs of regulation on companies, the net benefit of these regulations, especially if well thought out, will have a greater advantage for the same companies as well as for the larger ecosystem. Successful regulation prevents market failure, promotes macroeconomic stability, protects consumers, and mitigates the effects of financial failures on the real economy. Similar progressive regulation in the larger financial space has been responsible for much of the stable financial ecosystem in India.

Sunil Rongala

Senior Vice President – Strategy, Innovation and Analytics

Reference:

<https://economictimes.indiatimes.com/markets/cryptocurrency/binance-ceo-says-crypto-industry-needs-clarity-of-regulations/articleshow/95504310.cms>

<https://worldline.com/en/home/knowledgehub/blog/2022/may/what-is-the-tipping-point-for-digital-currency-acceptance-for-in-stores.html>

Q3 2022 in review

We have analysed transactions available in public databases as well as transactions processed by us in the third quarter (July - September) and derived some unique insights.



Key Takeaways

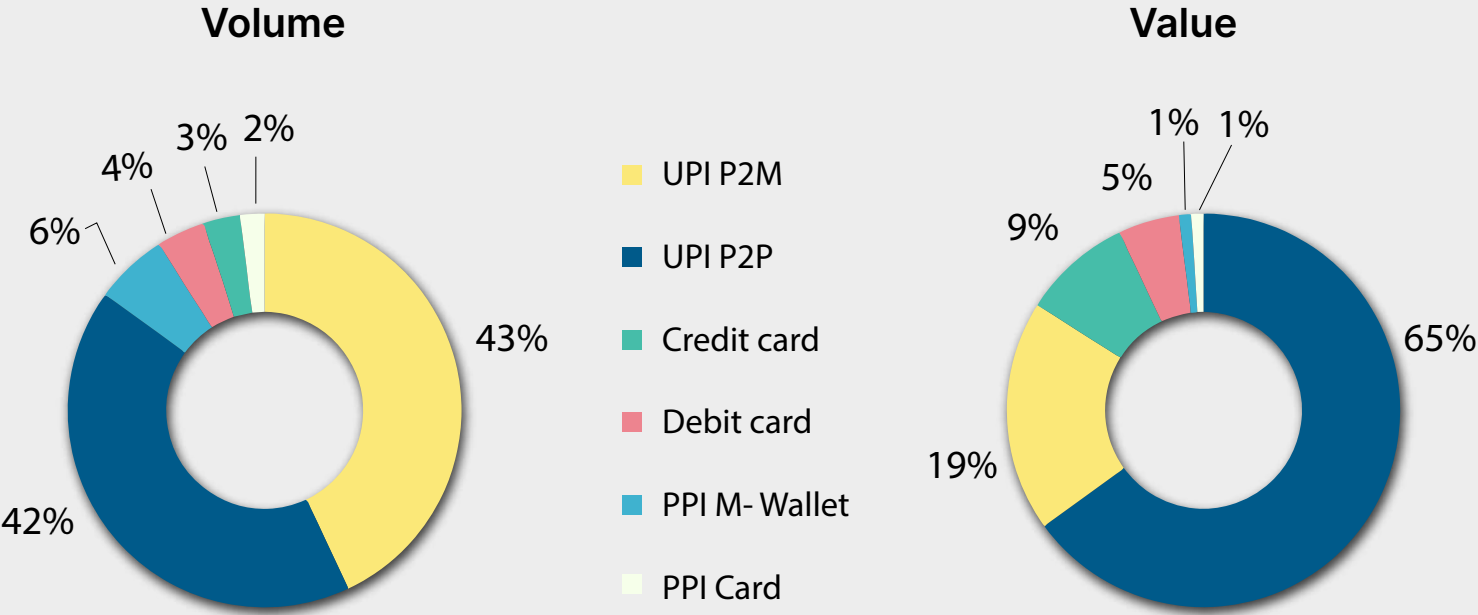
1. The RBI has proposed regulations on POS terminals but no formal communication has been announced.
2. UPI is fast becoming the dominant channel for P2M transactions. The inclusion of credit cards as a channel within UPI will push it further.
3. UPI is fast expanding outside India. UPI will be rolled out on all Worldline terminals across Europe enabling Indian tourists to use this payments channel.
4. The acceptance of UPI through feature phones will bring in an estimated 300+ million buyers into the system.
5. The number of UPI QRs stands at 216 million.
6. The number of POS terminals breached the 7 million mark.
7. The number of cards (credit and debit) went above 1 billion.
8. Credit card transactions (volume and value) have been increasing steadily solidifying its position as the preferred channel for high value transactions. This is being observed on both POS and well as e-commerce transactions.
9. Debit card transactions (volume and value) have been falling steadily indicating that UPI is eating into these transactions.
10. Prepaid instruments took a hit with the RBIs stance on this industry.
11. NETC Fastag is constantly growing with every new vehicle coming with a tag and existing vehicles continuously getting tags. This industry will see a constant growth with new use cases coming into the pipeline.
12. Online bill pay has become a huge hit with customers discovering the benefit of paying online rather than in cash.

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Payments Landscape

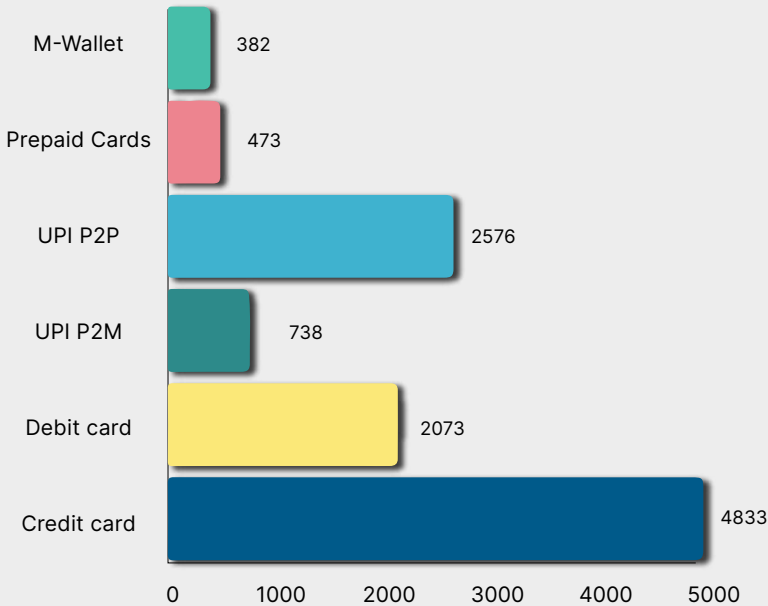
In Q3 2022, payment modes like UPI, Debit and Credit cards, Prepaid Payment Instruments - Mobile Wallets and Prepaid Cards processed 23.06 billion transactions worth INR 38.32 trillion.



UPI Person-to-Merchant (P2M) and Person-to-Person (P2P) emerged as the most preferred payment mode among consumers with a market share of around 42% each in terms of transactions volume (UPI was 85% in total). However, in terms of value, UPI P2M accounted for 19% share whereas UPI P2P accounted for 65% of digital transactions by value (UPI was 84% in total).

This is followed by payment through credit and debit cards which accounted for 7% in volume and 14% in value. The adoption of credit cards is growing at a healthy pace as it has long been a preference of customers when it comes to high ticket size transactions and is evident in the chart that highlights the Average Ticket Size of all payment modes:

Average Ticket Size (INR)

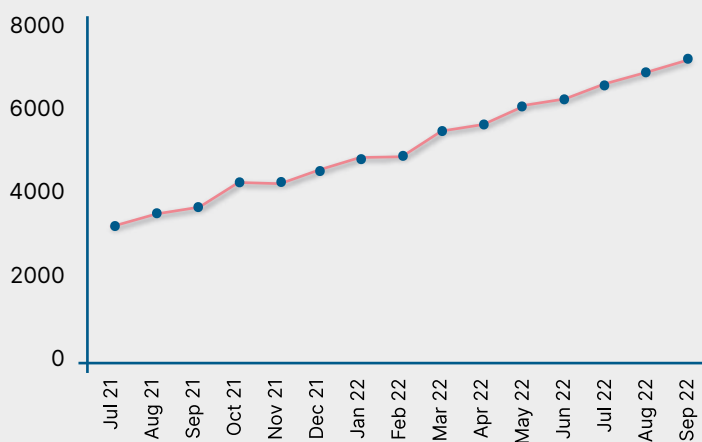


Unified Payments Interface

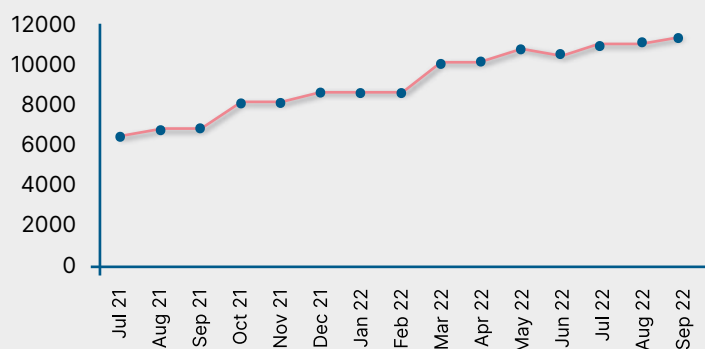
In Q3 2022, UPI clocked over 19.65 billion transactions in volume and INR 32.5 trillion in terms of value.

Its transactions volume and value almost doubled since last year as it recorded about 88% increase in volume and over 71% increase in value in Q3 2022 as compared to Q3 2021.

UPI Volume (Million)



UPI Value (₹ billion)



As of Q3 2022, the top 3 UPI Apps in terms of volume and value were **PhonePe, Google Pay, and Paytm Payments Bank App** while top Remitter and Beneficiary Banks are highlighted below:

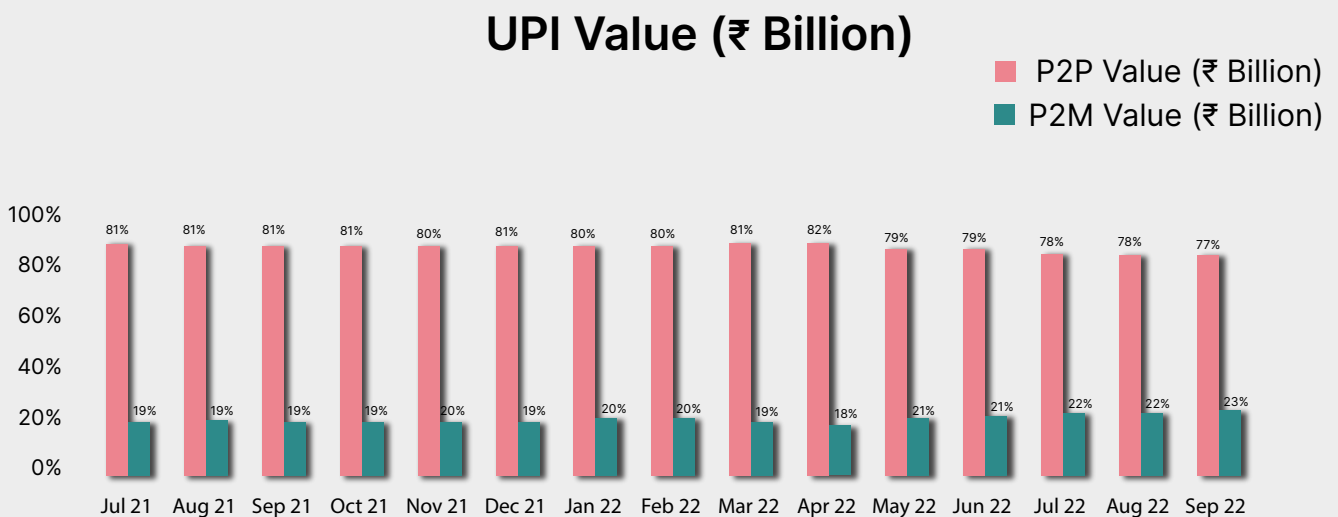
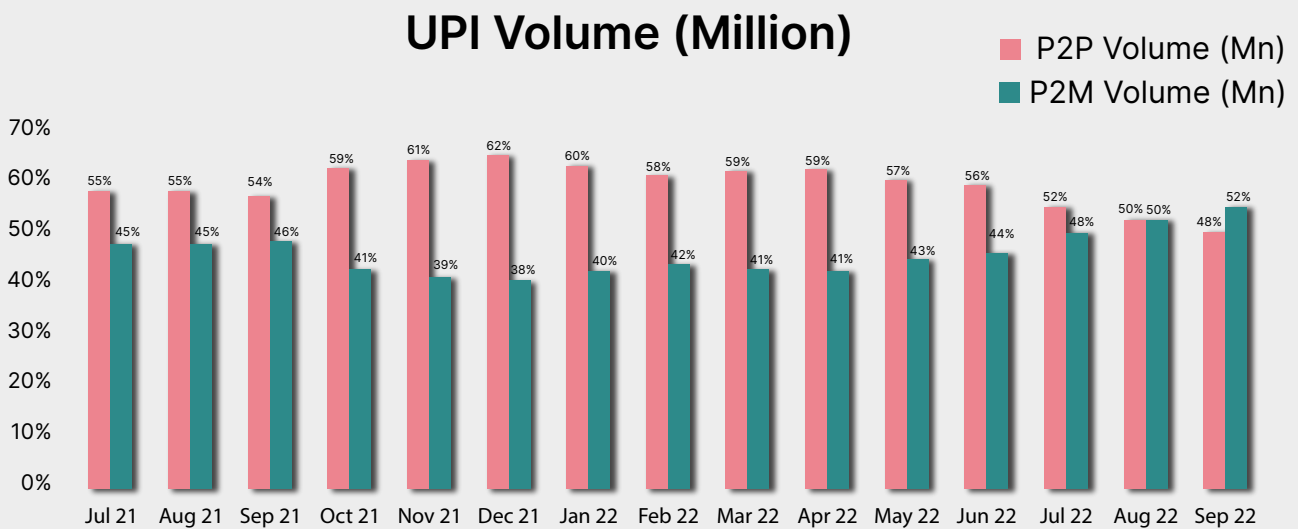
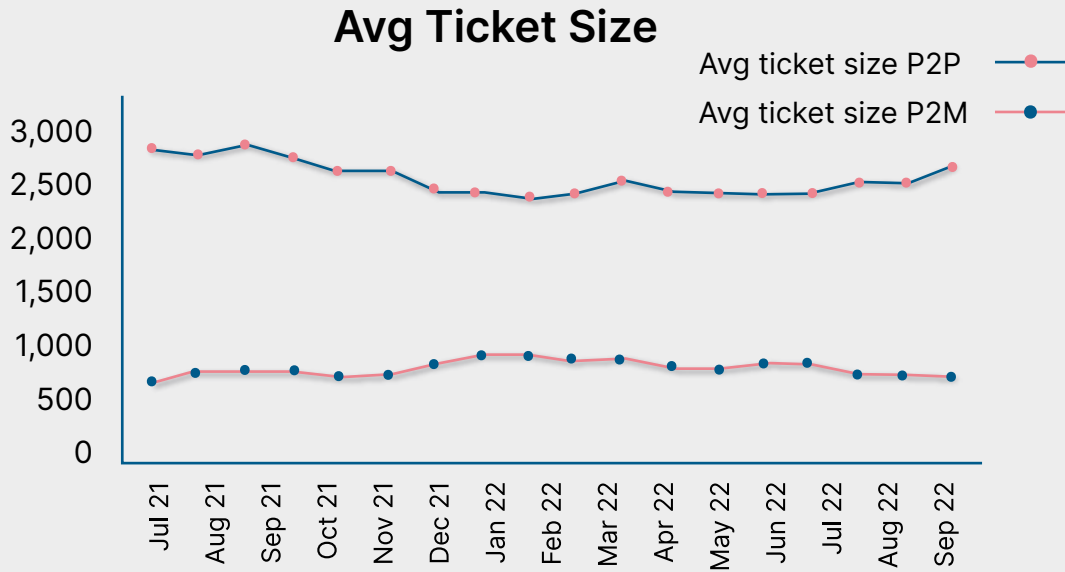
Top 5 Remitter Banks

State Bank of India
HDFC Bank
Bank of Baroda
Union Bank
ICICI Bank

Top 5 Beneficiary Banks

Paytm Payments Bank
YES Bank
State Bank of India
Axis Bank
ICICI Bank

The Average Ticket Size (ATS) for UPI P2P transactions was INR 2576 and ATS for UPI P2M transactions was INR 738 by September 2022. Out of total UPI volumes, 48% transactions were P2P (Person-to Person) while 52% were P2M (Person-to Merchant).



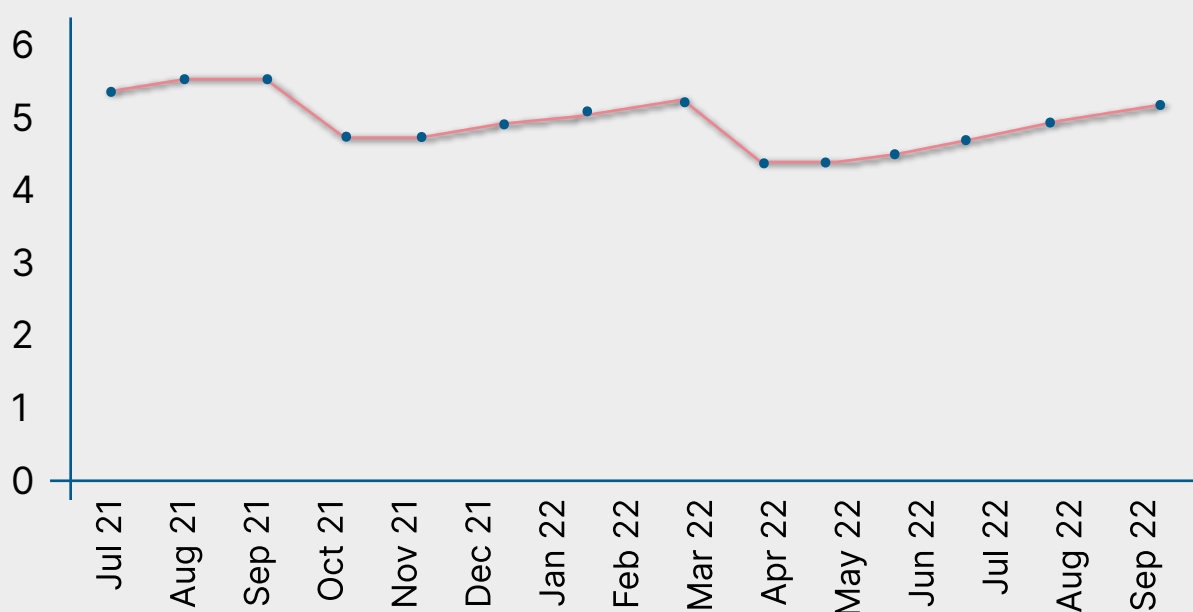
UPI was launched with 21 partner banks and as of September 2022, 358 banks were part of the UPI ecosystem making it one of the most successful payment solutions.

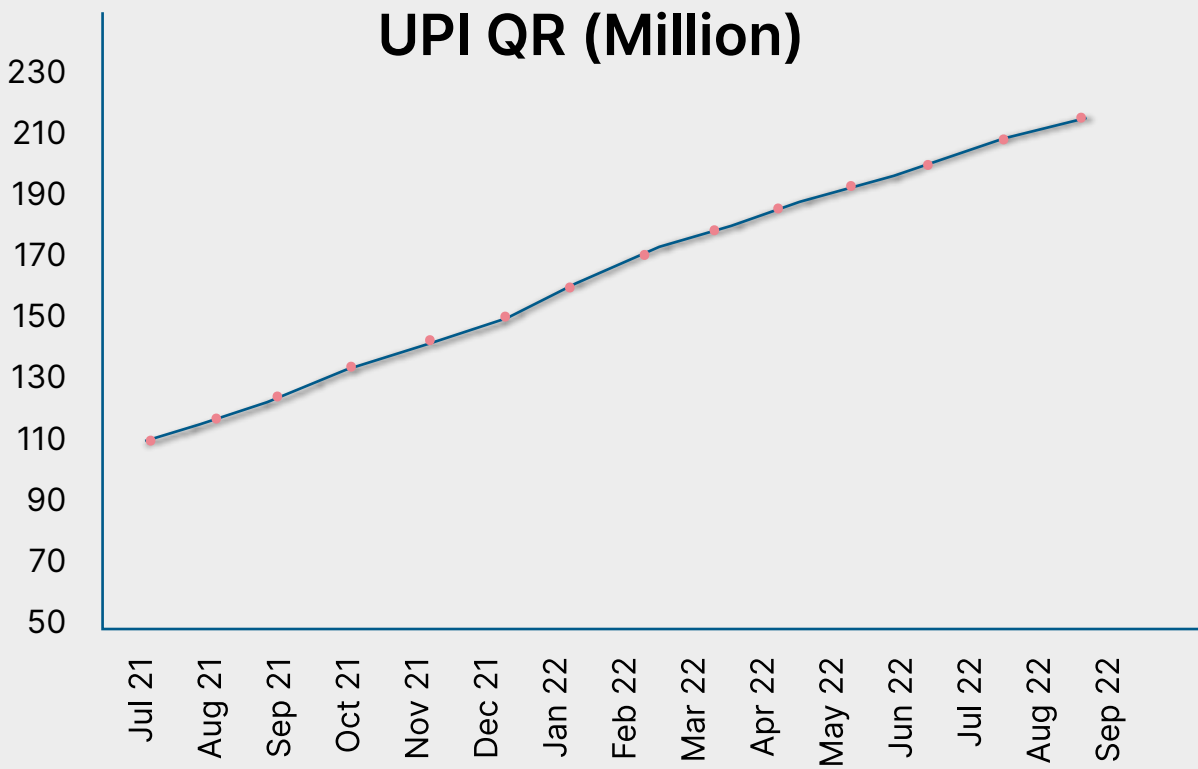
In October 2022, Worldline and NPCI International announced their partnership empower mobile payments for Indian tourists in Europe. Worldline will bring more convenience for Indian customers in the European markets by allowing merchants' point-of-sale (POS) systems to accept payments from UPI and later for RuPay.

In September, The RBI introduced "On-Device wallet" – UPI Lite for Small Value Transactions. The service is live with BHIM app and is built to facilitate digital payments in offline mode; an efficient strategy to reduce the load on core banking system of member banks.

Once UPI Lite gain momentum, it will help in quick customer checkouts, especially while scanning QR codes considering the growing QR base across the country. As of September 2022, total number of Bharat QRs were 4.86 million, while UPI QR stood at 216.43 million, registering an increase of 81% as compared to September 2021.

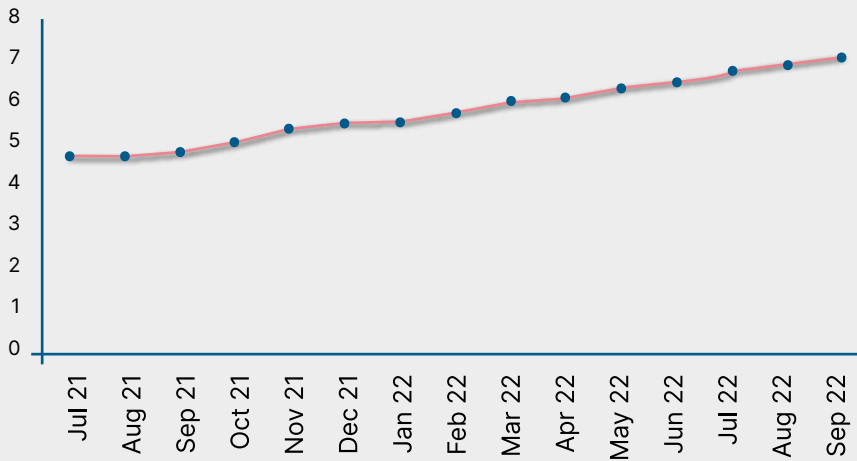
Bharat QR (Million)





Merchant Acquiring

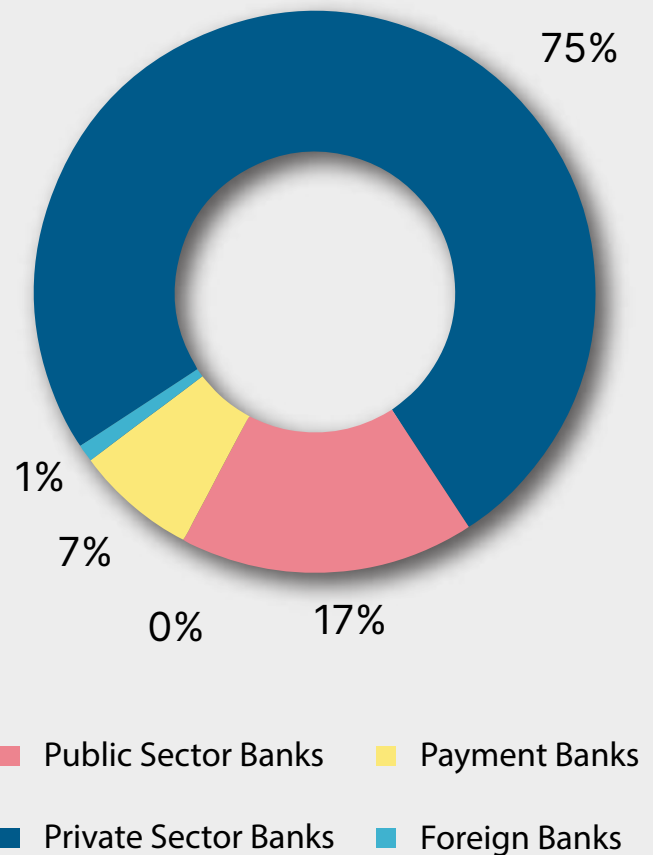
POS Terminals (Million)



As of September 2022, total number of POS terminals deployed by merchant acquiring banks breached the 7 million mark. At 7.03 million, POS deployment has witnessed over 41% growth in Q3 2022 as compared with the same quarter of the previous year.

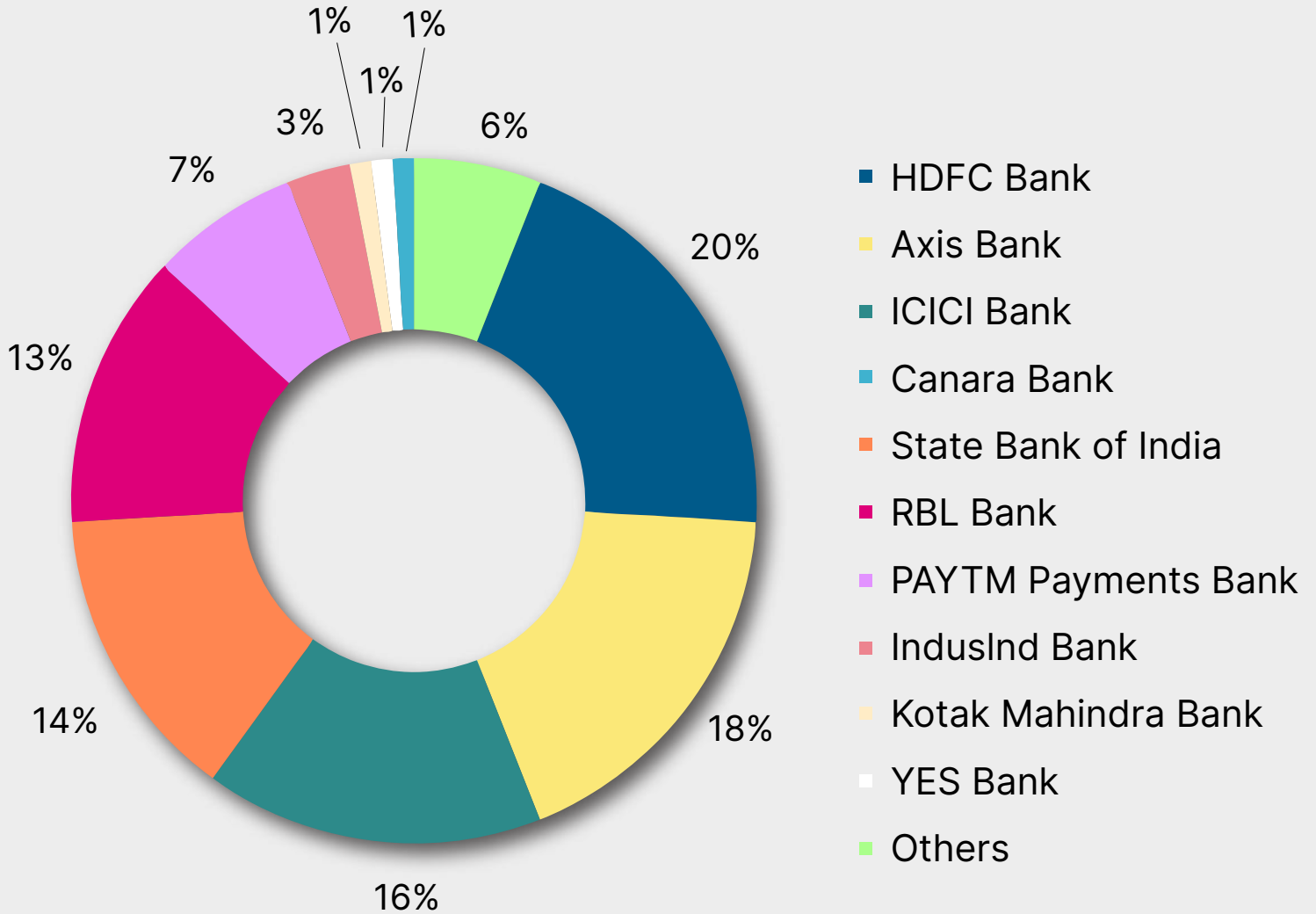
POS Deployers

Private Sector Banks are dominating the space with 75% market share while Public Sector Banks account for 17%. Payments Banks and Foreign Banks continue to have a 7% and 1% market share respectively.



Small Finance Banks

POS Market share:



HDFC Bank, Axis Bank, ICICI Bank, State Bank of India, RBL Bank, Paytm Payments Bank, IndusInd Bank covers 91% market share as of September 2022.

Worldline Insights

Top 10 states with the highest transactions at physical touch points in Q3 2022 for Worldline India:

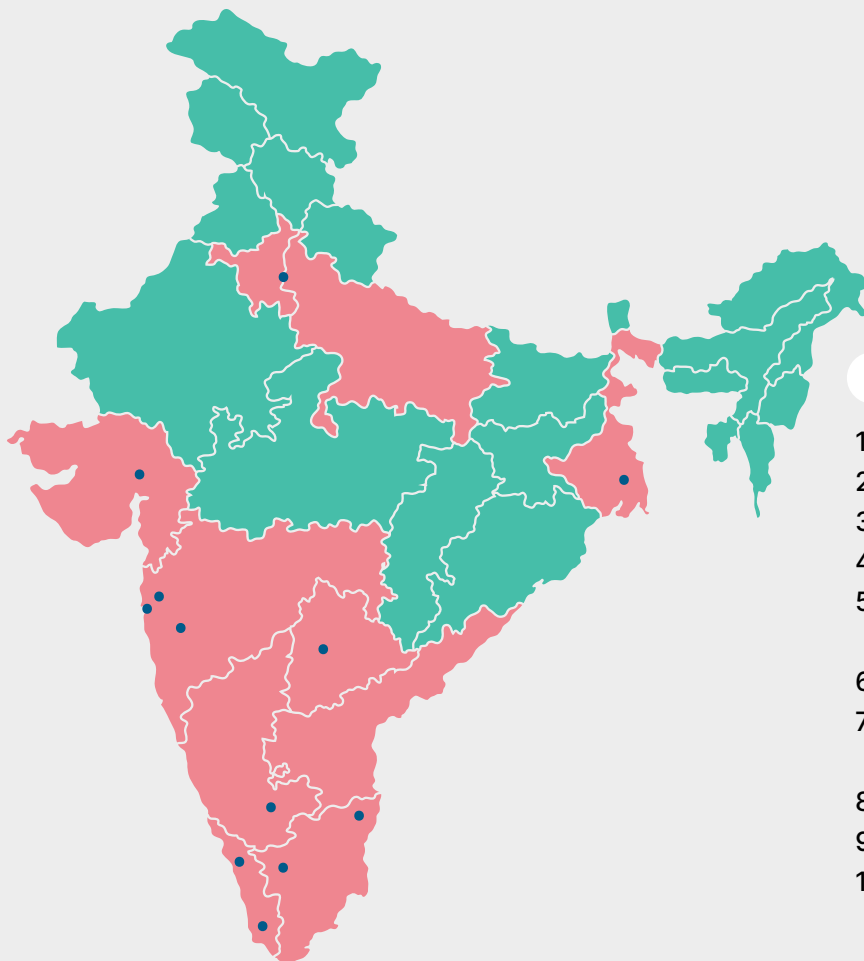
Maharashtra, Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Delhi, Uttar Pradesh, Gujarat, Telangana and West Bengal

Top 12 cities with the highest number of transactions at physical touch points in Q3 2022 for Worldline India:

Bengaluru, Hyderabad, Chennai, Mumbai, Pune, Delhi, Kolkata, Thiruvananthapuram, Coimbatore, Thrissur, Thane and Ahmedabad.

In Q3 2022, frequently visited physical merchant categories like grocery stores, restaurants, clothing and apparel, pharmacy and medical, hotels, jewelry retail, specialty retail, household appliances and departmental stores together accounted for over 61% in terms of volume and about 58% in terms value. August month witnessed highest number of transactions owing to the start of festive season.

In the online space, e-commerce (shopping for goods and services), gaming, utility & financial services contributed to over 86% transaction in terms of volume and 47% in terms of value.



Top 10 States

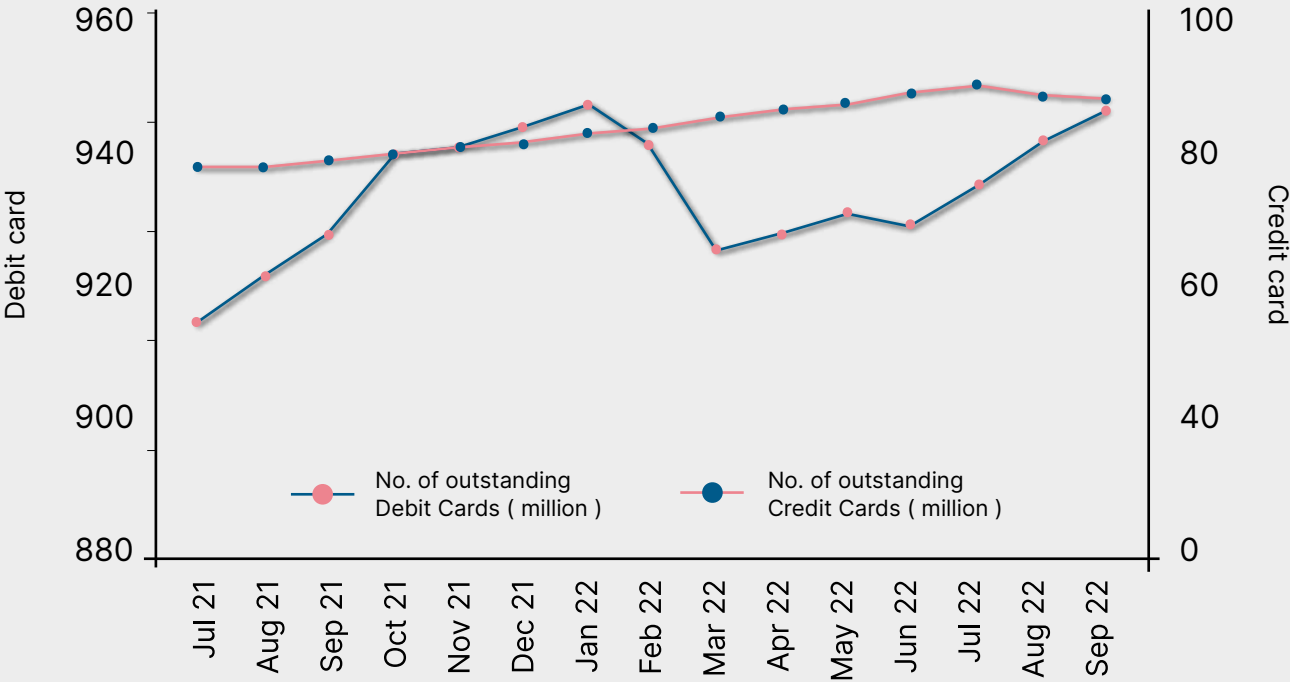
1. MAHARASTRA
2. KARNATAKA
3. KERALA
4. TAMIL NADU
5. ANDHRA PRADESH
6. DELHI
7. UTTAR PRADESH
8. GUJARAT
9. TELANGANA
10. WEST BENGAL

Top 12 Cities

1. BENGALURU
2. HYDERABAD
3. CHENNAI
4. MUMBAI
5. PUNE
6. DELHI
7. KOLKATA
8. THIRUVANANTHAPURAM
9. COIMBATORE
10. THRISSUR
11. THANE
12. AHMEDABAD

Card Issuance

The total number of credit and debit cards in circulation by end of Q3 2022 was 1.01 billion. The number of outstanding credit cards increased by 19% from 65 million in September 2021 to 77.7 million in September 2022 while outstanding debit cards increased by 2% from 920.3 million to 938.53 million during the same period.



Top Credit & Debit card issuing banks as of September 2022:

Top Credit Card Issuing Banks	Top Debit Card Issuing Banks
HDFC Bank State Bank of India ICICI Bank Axis Bank Kotak Bank	State Bank of India Bank Of Baroda Union Bank Canara Bank HDFC Bank

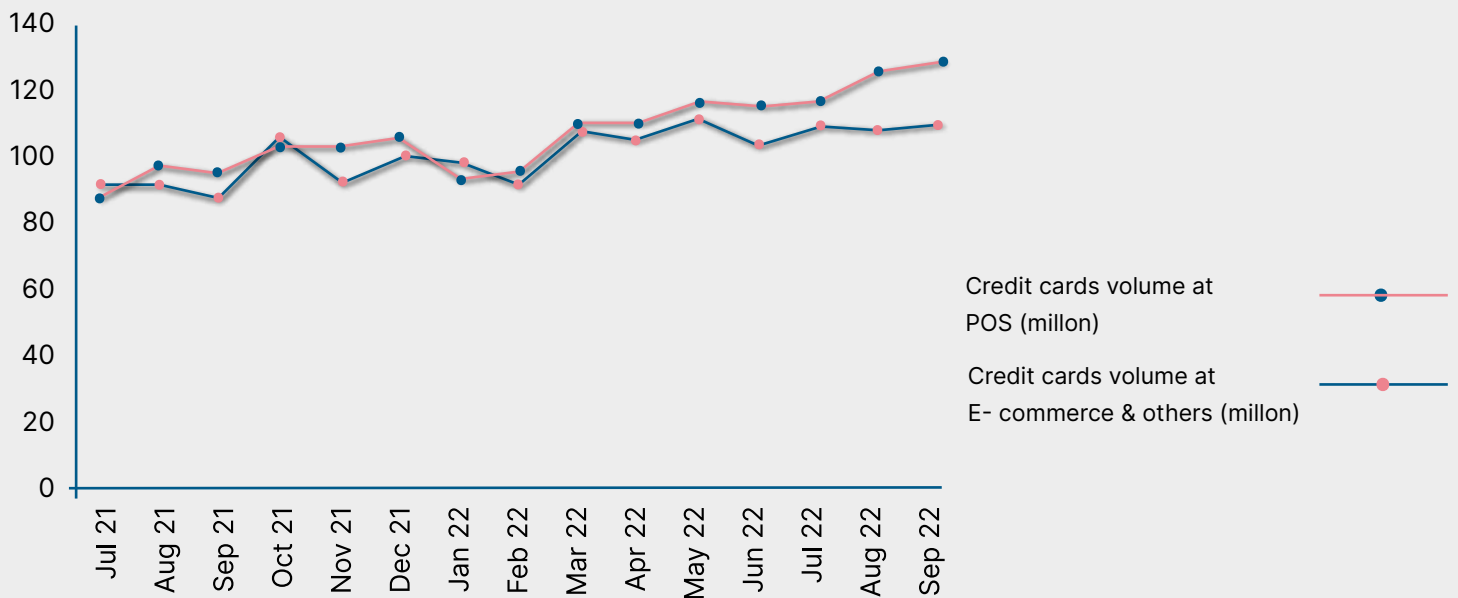
Transaction Analysis of Credit Cards

In Q3 2022, Credit cards volume and value stood at 725 million and INR 3.5 trillion respectively.

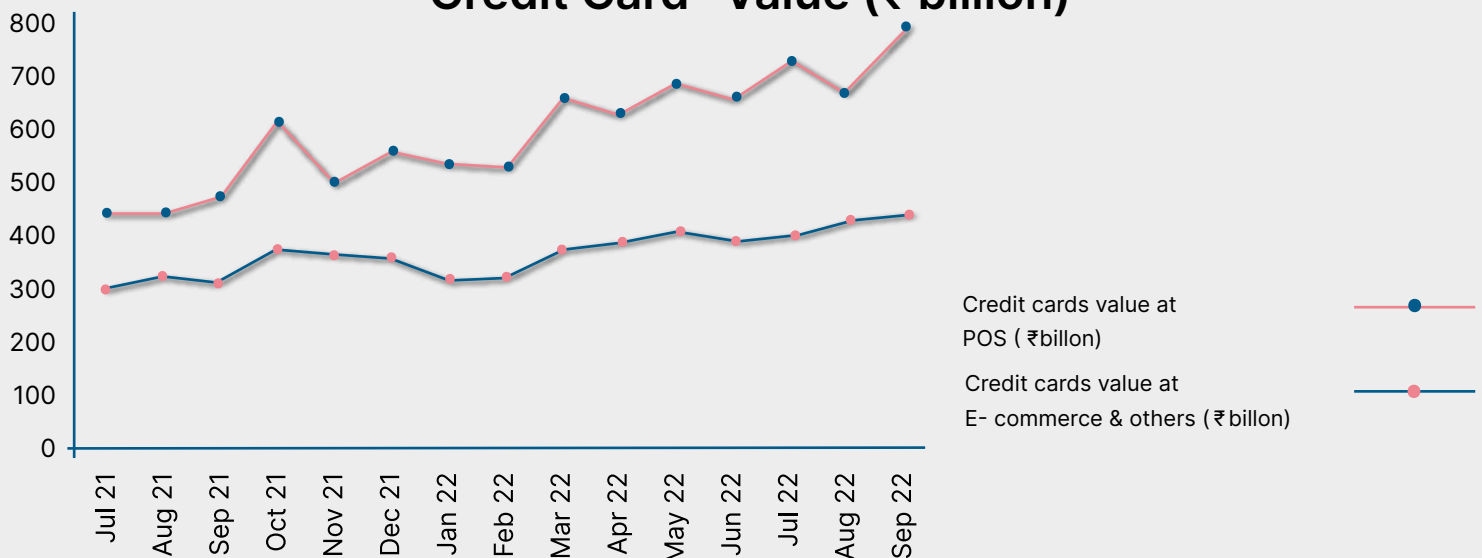
The number of credit card transactions at POS accounted for 386.83 million while e-commerce was 338.80 million. In terms of value, consumers transacted INR 1.31 trillion at POS and INR 2.18 trillion on e-commerce transactions via credit cards in Q3 2022.

It is interesting to note that despite the general trend of transactions moving from the physical to the digital space, credit cards volume at POS and ecommerce remains nearly equal in Q3 2022.

Credit Card- Volume (Million)



Credit Card- Value (₹ billion)

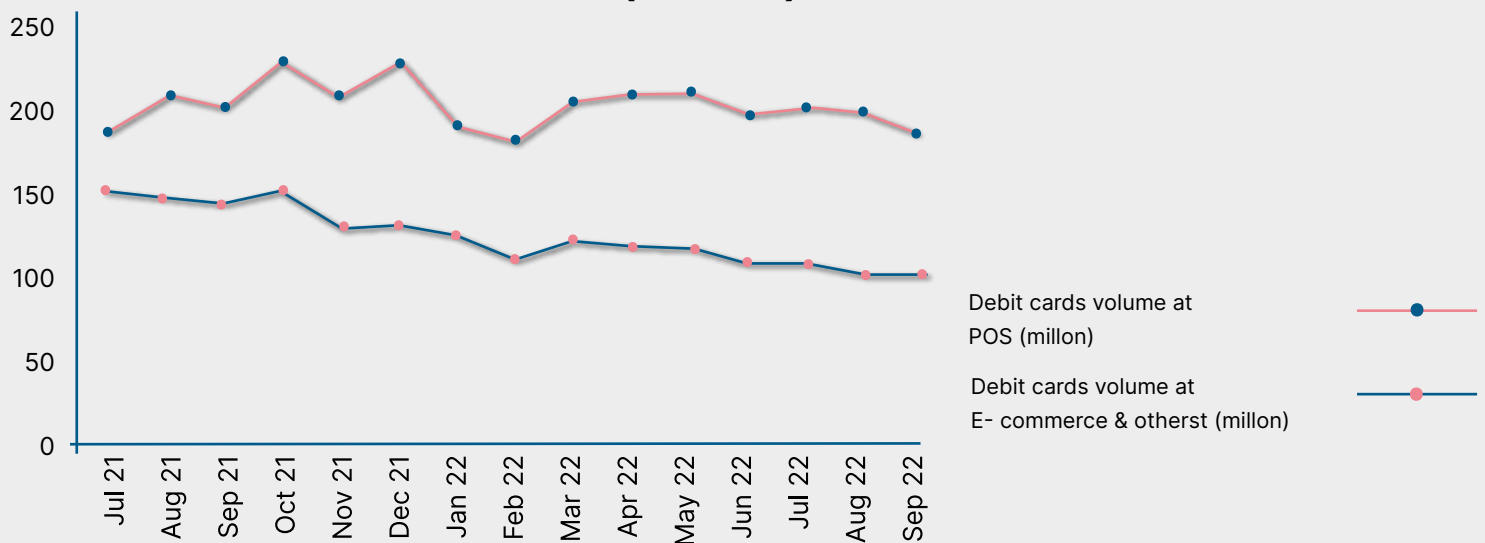


Transaction Analysis of Debit Cards

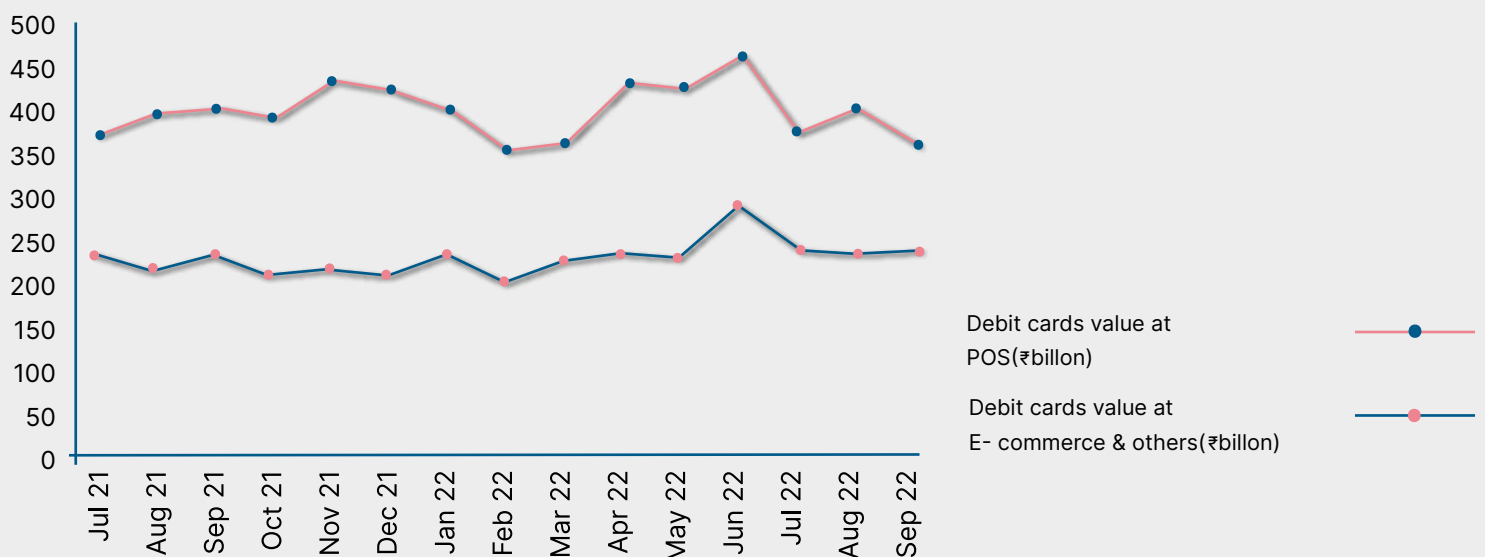
In Q3 2022, debit card transactions volume and value stood at 907 million and INR 1.88 trillion respectively.

Out of the total debit card volume, transactions at POS was 595.4 million while ecommerce was 311.60 million. In terms of value, INR 1.19 trillion was processed at POS terminals while INR 681.7billion was processed at e-commerce via debit cards.

Debit Card- Volume (Million)



Debit Card- Value (₹ Billion)

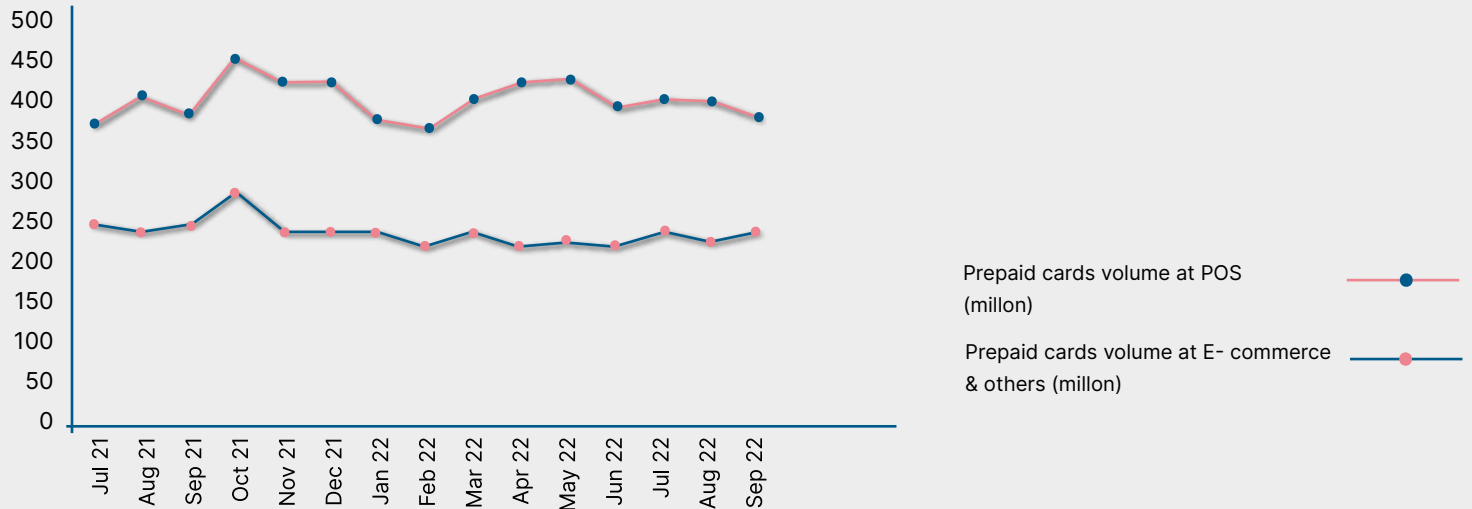


Debit cards holders frequently use their card for small ticket size purchases at physical touchpoints while Value Added Services like EMI, BNPL are now enabling them to opt for high value products and services using their cards. Festive season sales and hyperlocal deliveries of services are also aiding to the growth of ecommerce transactions via debit cards.

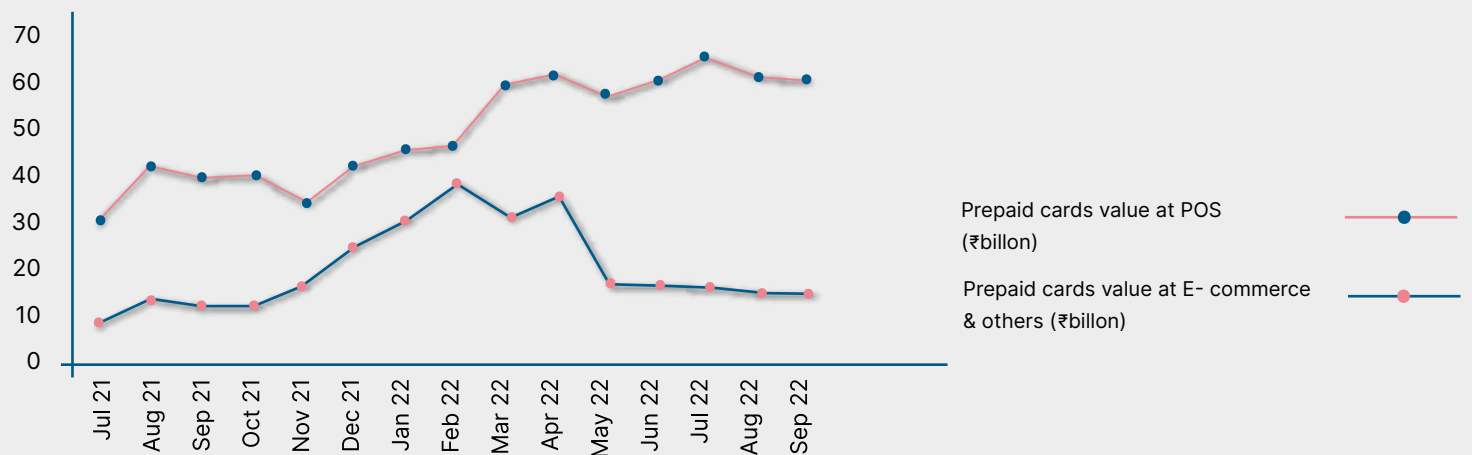
Prepaid Payment Instruments

In Q3 2022, total prepaid cards transactions volume and value was 398.12 million and INR 188.41 billion respectively. Its transactions at POS accounted for 24.87 million while transactions through ecommerce were 373.25 million. In terms of value, prepaid cards at POS processed transactions were worth INR 36.34 billion while INR 152.07 billion was processed through ecommerce.

Pre Paid Card- Volume (Million)



Pre Paid Card- Value (₹ Billion)

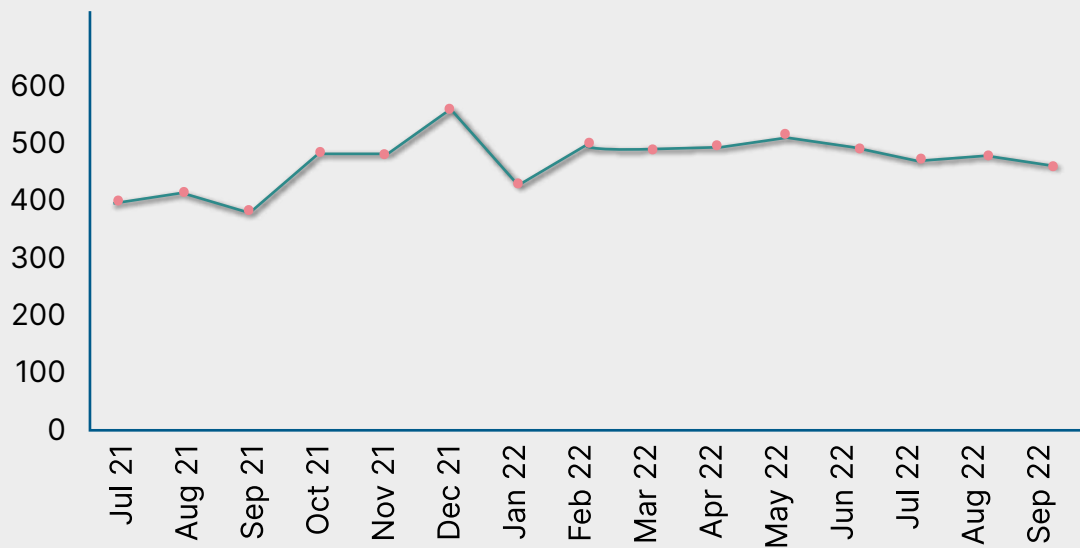


In June 2022, RBI notified all authorized non-bank PPI issuers to bar loading of prepaid wallets and cards via credit lines. As a result, multiple fintechs stopped issuing cards or reduced issuance to a trickle.

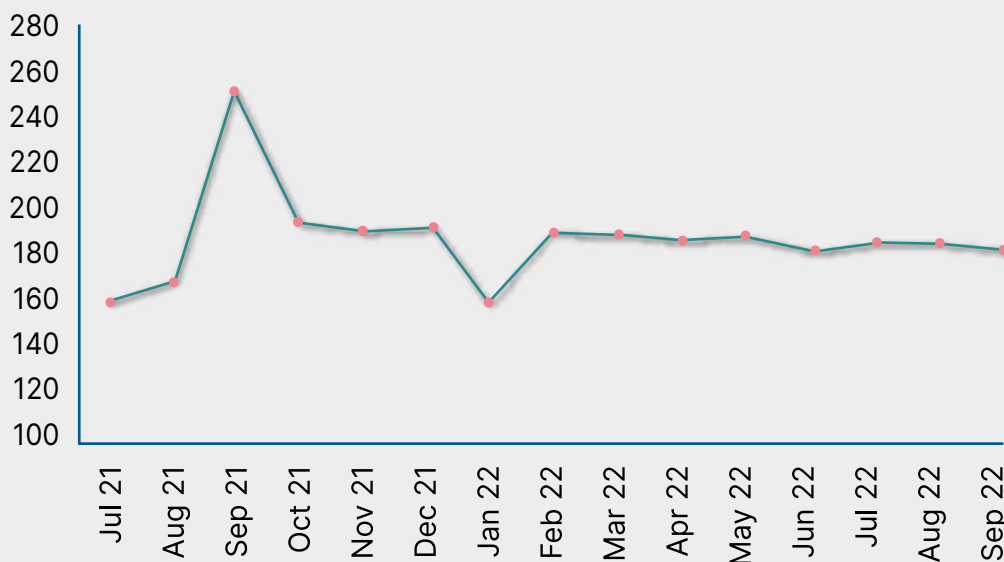
Transaction analysis of Mobile Wallets

In Q3 2022, the number of transactions through mobile wallets was 1.44 billion and its value was INR 551.8 billion. This includes purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily. It recorded a 19% increase in volume while its value of transactions decreased by 9 % as compared with Q3 2021.

m-Wallet Volume (Million)



m-Wallet Value (₹ Billion)



National Electronic Toll Collection

In Q3 2022, NETC processed about 796 million transactions worth INR 126 billion.

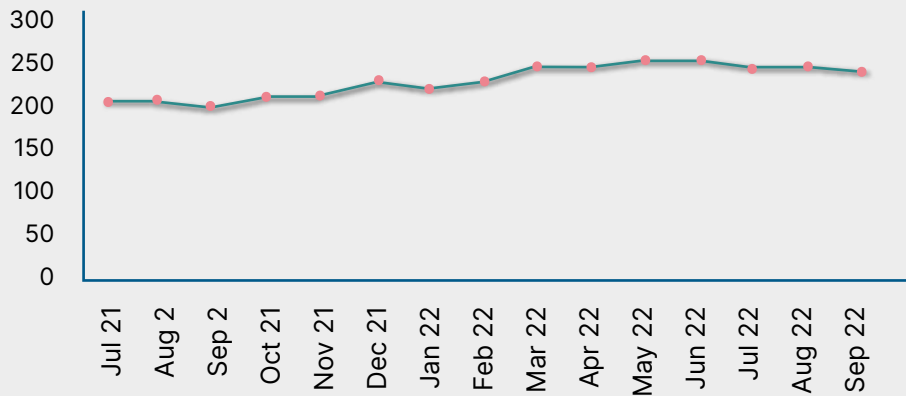
The transactions volume increased by 36% while value increased by 40% as compared to the Q3 2021.

As of September 2022, total number of banks live with NETC Fastag were 36 while about 58.78 million NETC Fastags have been issued since the inception of NETC program.

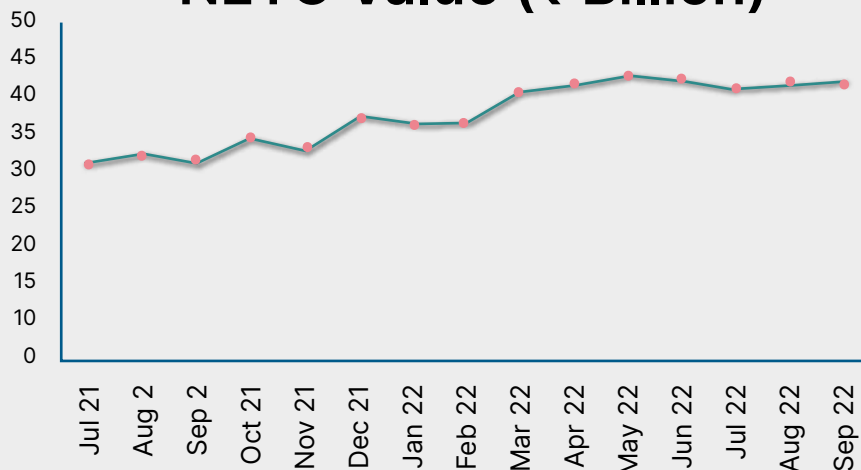
NETC Fastag continued to grow and facilitate electronic payments at the parking plazas across malls, metro stations, hospitals, airports among others apart from acceptance across national and state highways.

Top issuer banks for Fastags as of March 2022 were ICICI Bank, IDFC First Bank, Paytm Payments Bank, Airtel Payments Bank and Kotak Bank whereas the top acquirer banks were IDFC First Bank, ICICI Bank, Paytm Payments Bank, Axis Bank and HDFC bank. Currently, over 40 parking plazas across the country accept Fastags for parking fees in over 20 major cities.

NETC Volume (Million)



NETC Value (₹ Billion)



Bharat BillPay

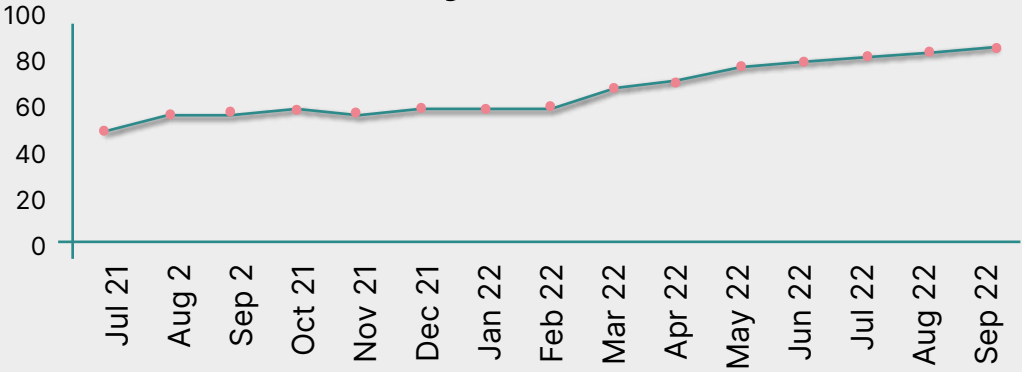
The transactions volume passing through Bharat Bill Payment Central Unit (BBPCU) in Q3 2022 stood at 262.31 million while the transactions value was INR 487.53 billion. It registered a growth rate of 55% and 53% in volume and value respectively as compared with Q3 2021.

In September RBI Governor launched Bharat BillPay Cross-Border Bill Payments with an intent to empower and enable Non-Resident Indians (NRIs) to undertake utility, water, and telephone-related bill payments on behalf of their families in India. With more than 30 million Indians staying abroad, India is one of the top 5 biggest recipients of inward remittances.

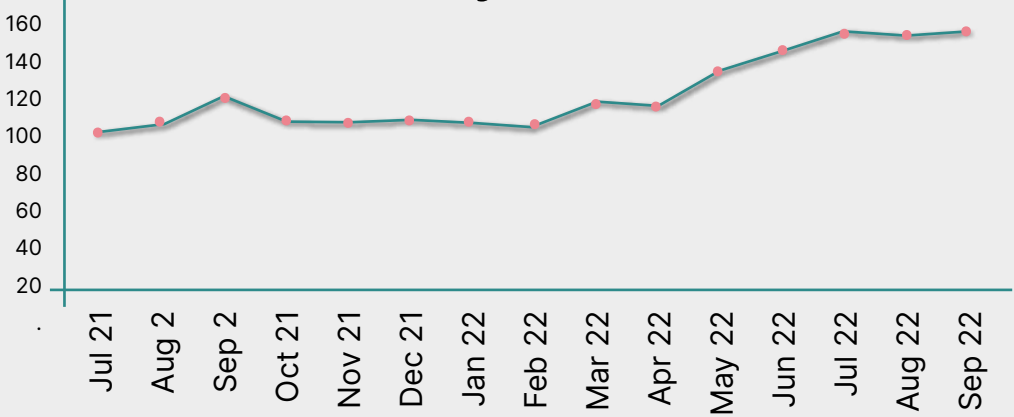
As of September 2022, top 5 BBPOUs based on Billers on-boarded were Axis Bank, ICICI Bank, Kotak Mahindra Bank, Infibeam Avenues Limited and India Ideas Com Ltd. Axis Bank had onboarded 19,399 billers followed by ICICI Bank with 18,016 billers in June 2022.

Bharat Bill Pay caters to about 20 categories like Education, Loan Repayment, Insurance, FASTag recharge, Housing society, Credit cards, Subscription, Hospitals, Clubs and associations, Electricity, Water and Municipal Taxes, LPG gases, Piped Gas, DTH, Mobile prepaid, postpaid, broadband postpaid and cable etc.

Bharat BillPay Volume (Million)



Bharat BillPay Value (₹ Billion)

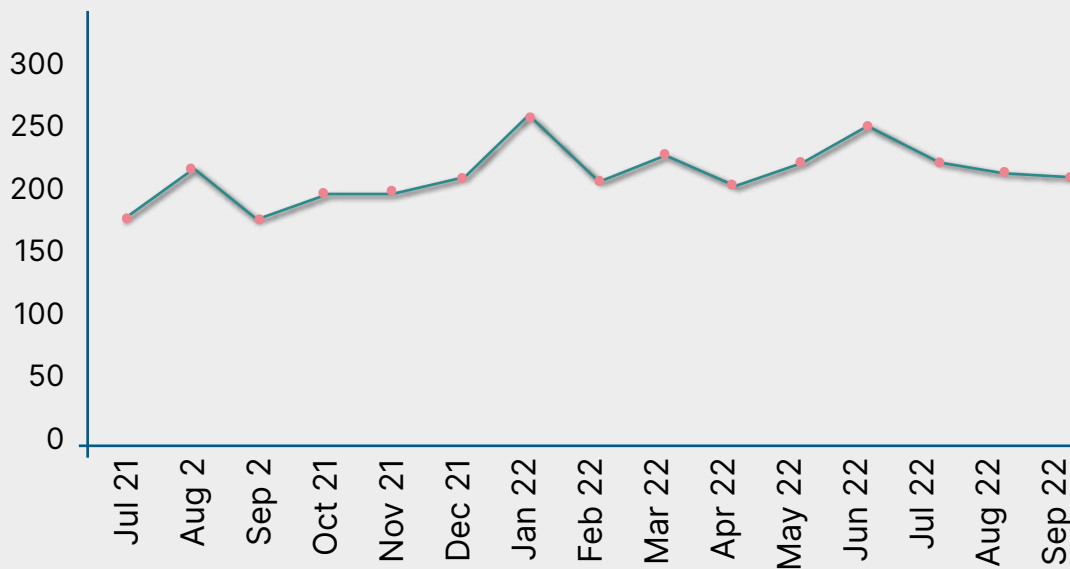


Aadhar enabled Payment Service

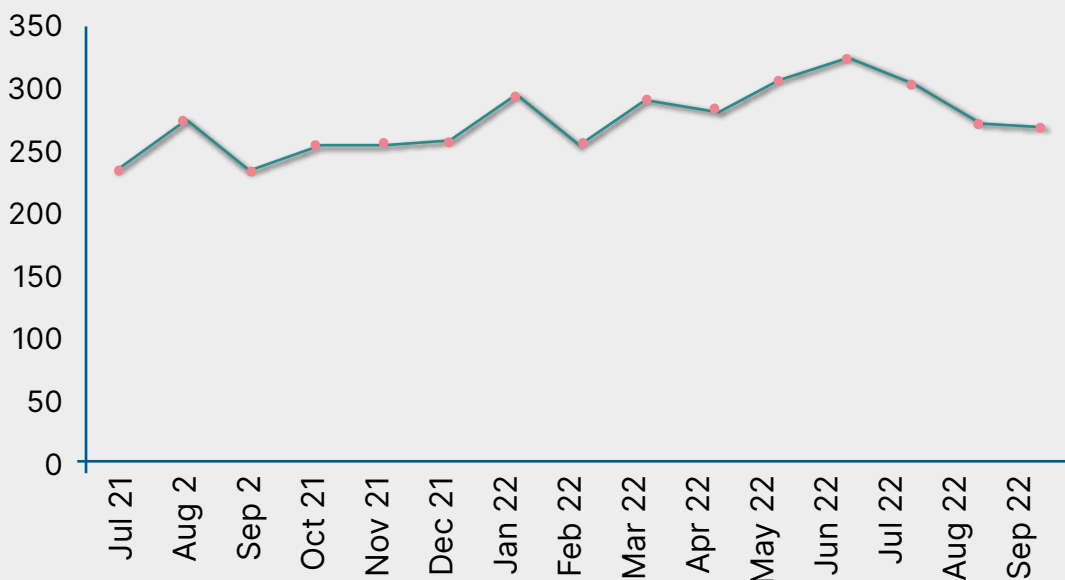
In Q3 2022, AePS transactions recorded a substantial volume of over 651 million transactions, registering about 13% growth over Q3 2021. It processed transactions worth INR 840.5 billion, an increase of 13% over Q3 2021.

AePS is a bank led model which allows online interoperable financial inclusion transaction at PoS (MicroATM) through the Business correspondent of any bank using the Aadhaar authentication.

AePS Volume (Million)



AePS Value (₹ Billion)





This report has been prepared by

Sunil Rongala

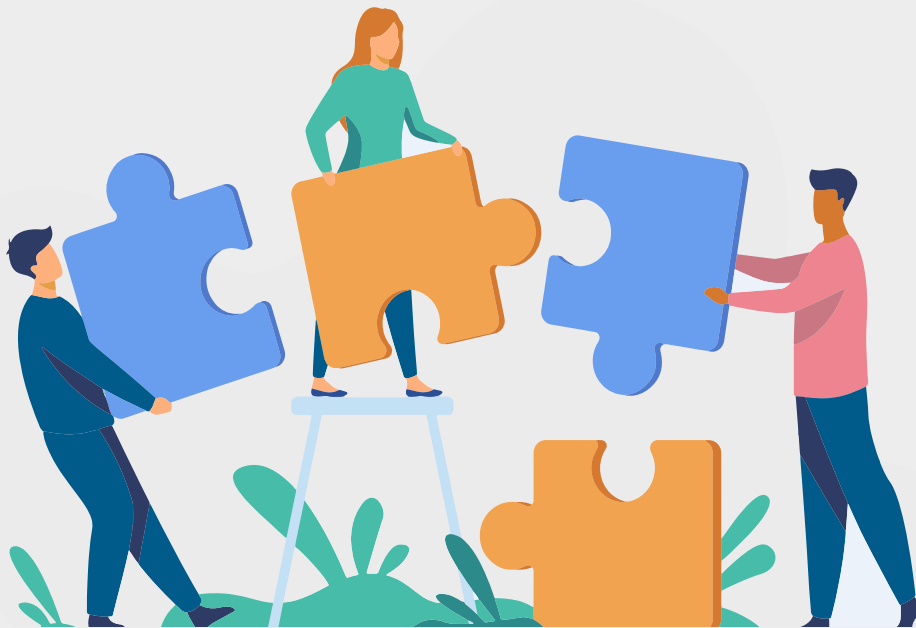
Senior Vice President
Strategy, Innovation & Analytics

Manish Kohli

Associate Director
Marketing & Communications

Tanha Naik

Manager
Strategy & Corporate Affairs



Pioneering PayTech for a
Buland Bharat

Digital Payments
for a Trusted World