



# Payments and Cards: What to expect in a post UPI Indian payments market

Panel Discussion

NOVEMBER 2022

# Introduction to the Panel



**Mr. Dilip Asbe**  
MD and CEO  
NPCI



**Mr. Prasad Sonavane**  
Chief Revenue Officer  
Innoviti



**Mr. Nikhil Sahni**  
Division President, South Asia  
Mastercard



**Mr. M N Srinivasu**  
Co-Founder  
Billdesk



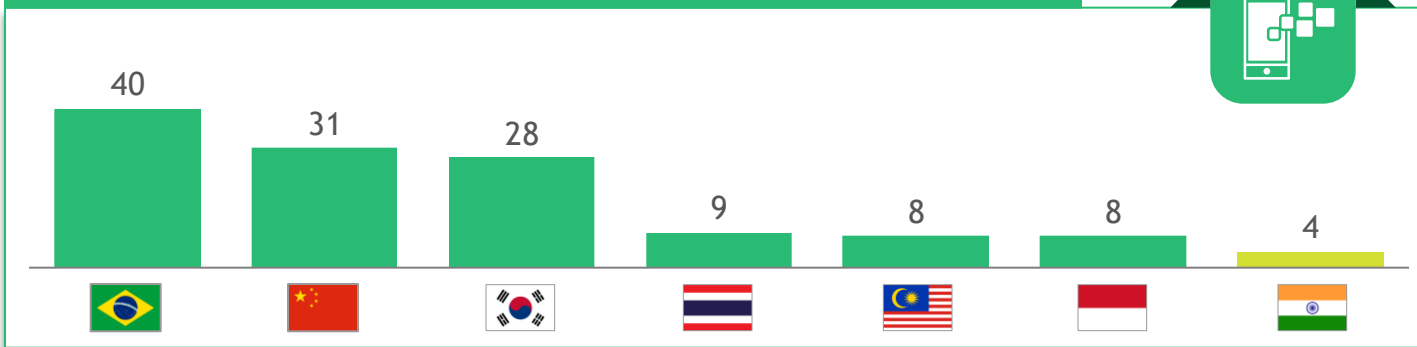
**Dr. N Kamakodi**  
MD and CEO  
City Union Bank



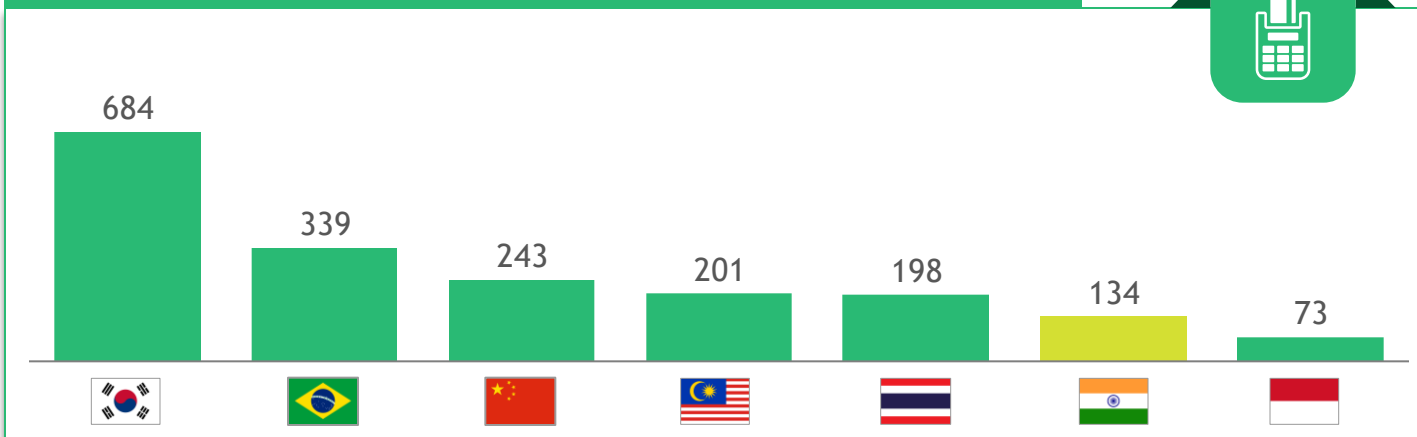
**Mr. Mahendra Nerurkar**  
CEO  
Amazon Pay India

# Despite the surge in digital payments, significant potential for further penetration

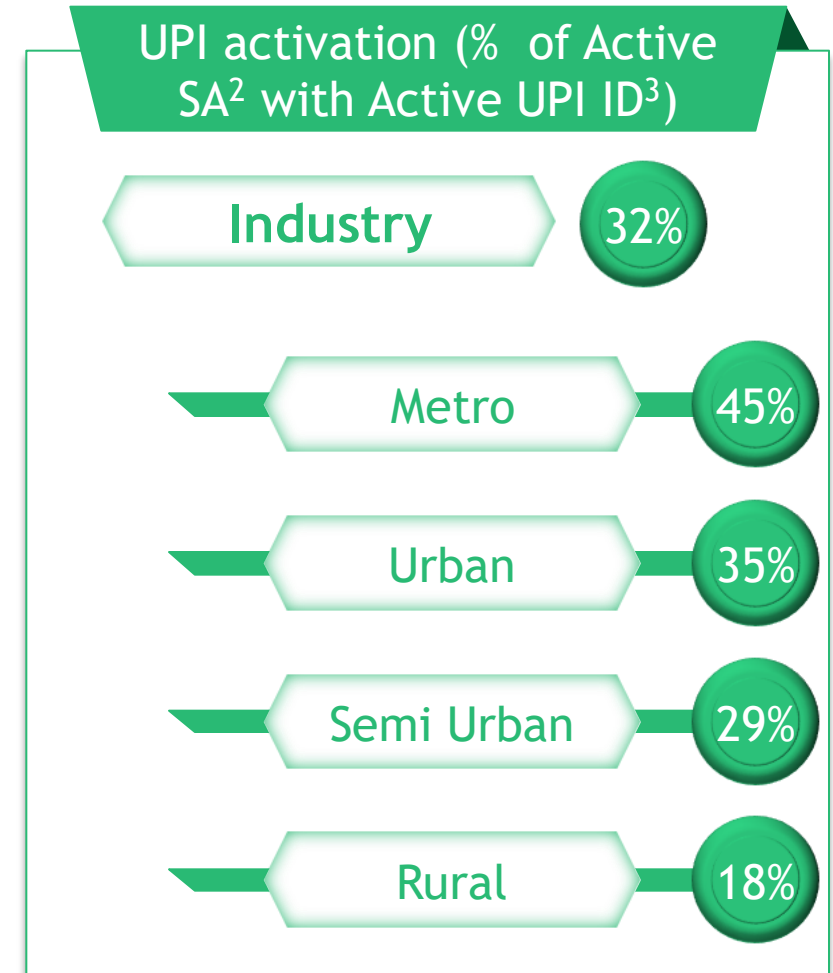
Digital payments to cash in circulation (Value ratio)



Digital payments per Banked Person <sup>1</sup> (Volume)

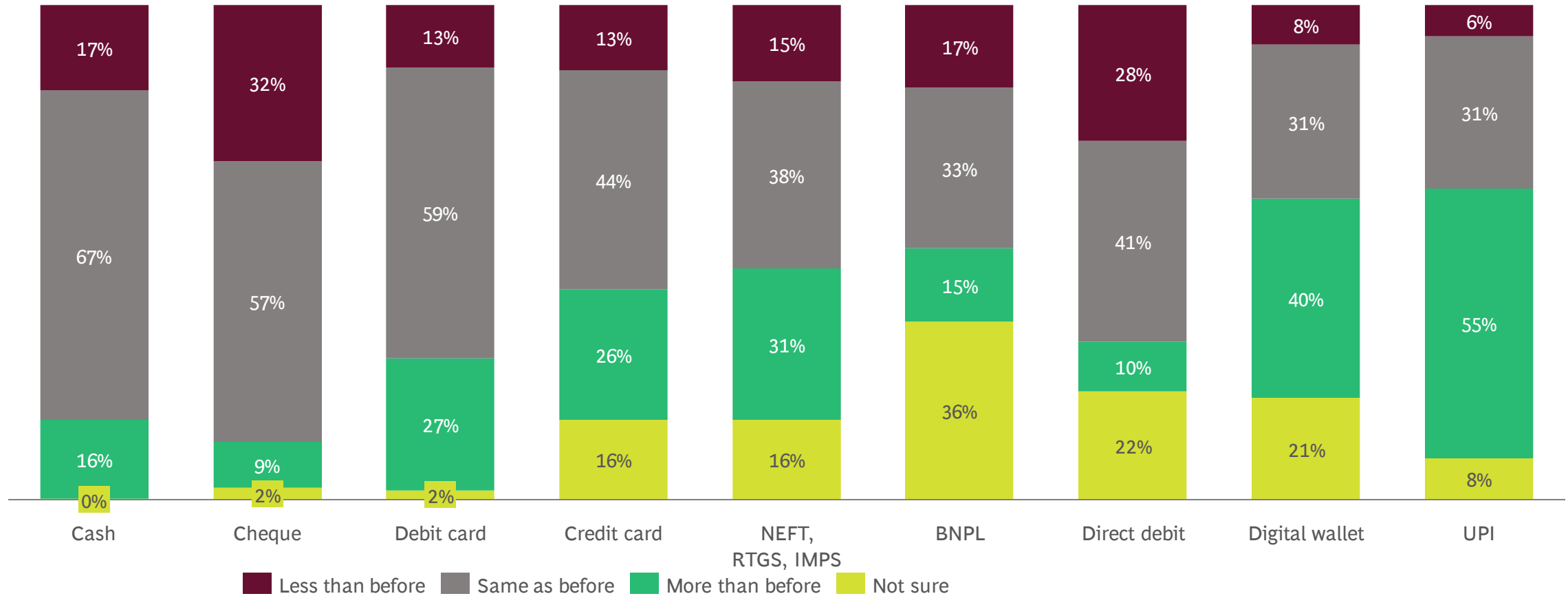


UPI activation (% of Active SA<sup>2</sup> with Active UPI ID<sup>3</sup>)



Note: 1. Banked population defined as people of above 15 years of age having accounts with Financial Institutions 2. Savings Accounts which have at least 1 customer initiated financial transaction in last 6 months 3. Active UPI ID is defined as at least 1 user-initiated UPI transaction in last 6 months (as of 31 March)  
Sources: World Bank Global Findex Database; FIBAC Trends and Benchmarks 2022; BCG analysis; Bcg global payments model 2022

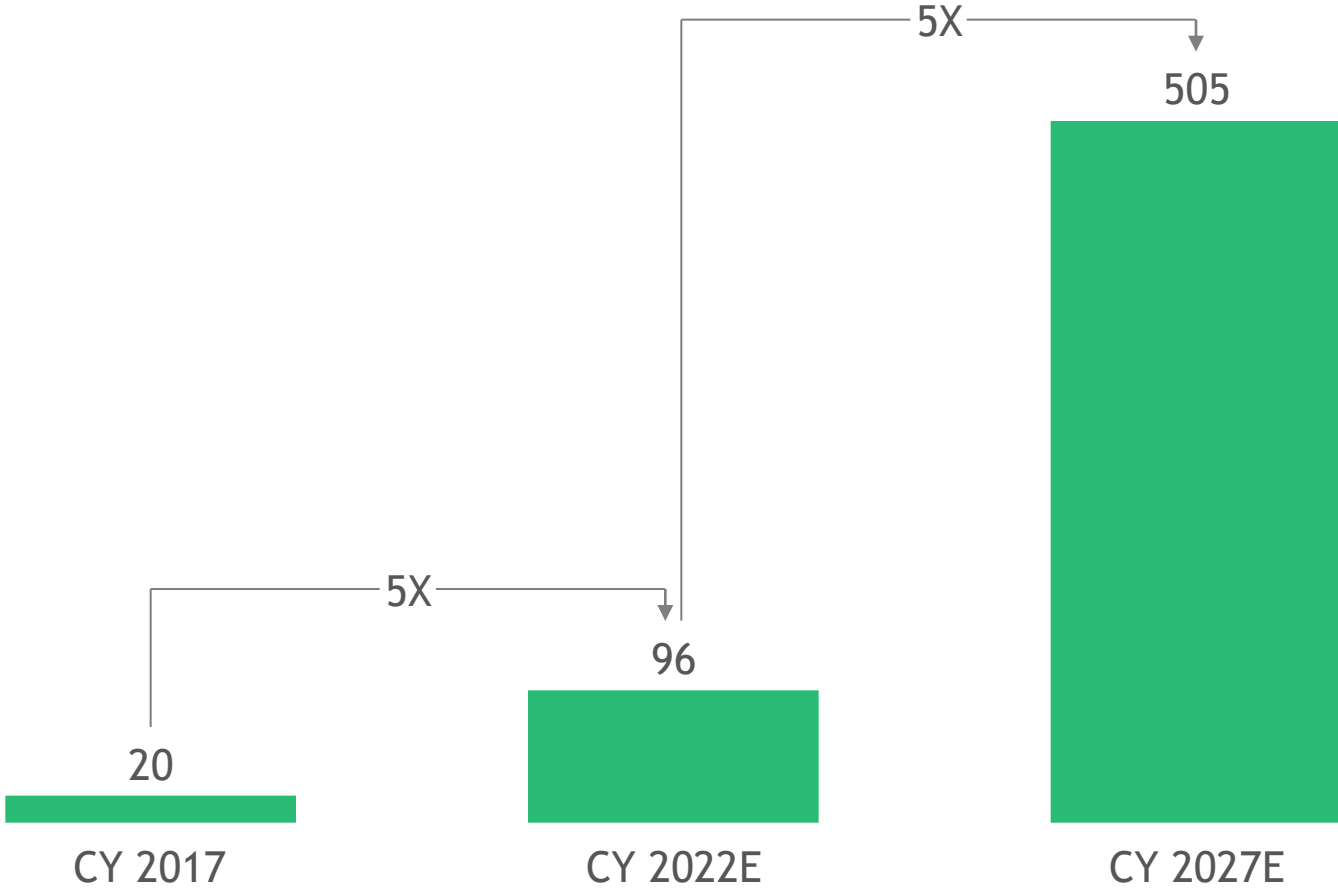
# Secular shift in customer sentiment towards digital transactions (esp. UPI, digital wallets)



1. Question - In the next 12 months, how likely are you to use different payment methods compared to last 12 months?  
 Source: BCG consumer survey 2022 - 2000+ consumers

We are on the path to a 25x rise in digital payments over 10 years

### Digital Payments Volumes (Bn)



Source: RBI, National Payments Corporation of India (NPCI) statistics, Annual Reports, BCG analysis. Includes Upi, CC, DC, prepaid cards, NEFT, RTGS, IMPS

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# Key Questions to ponder

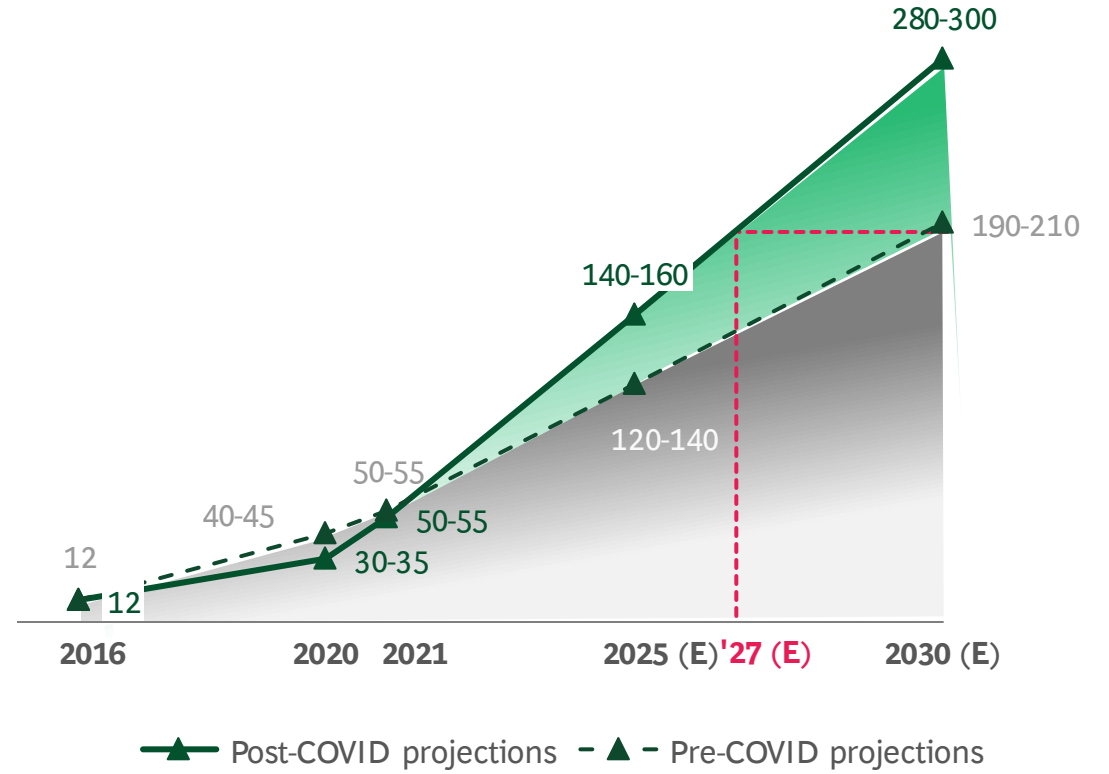
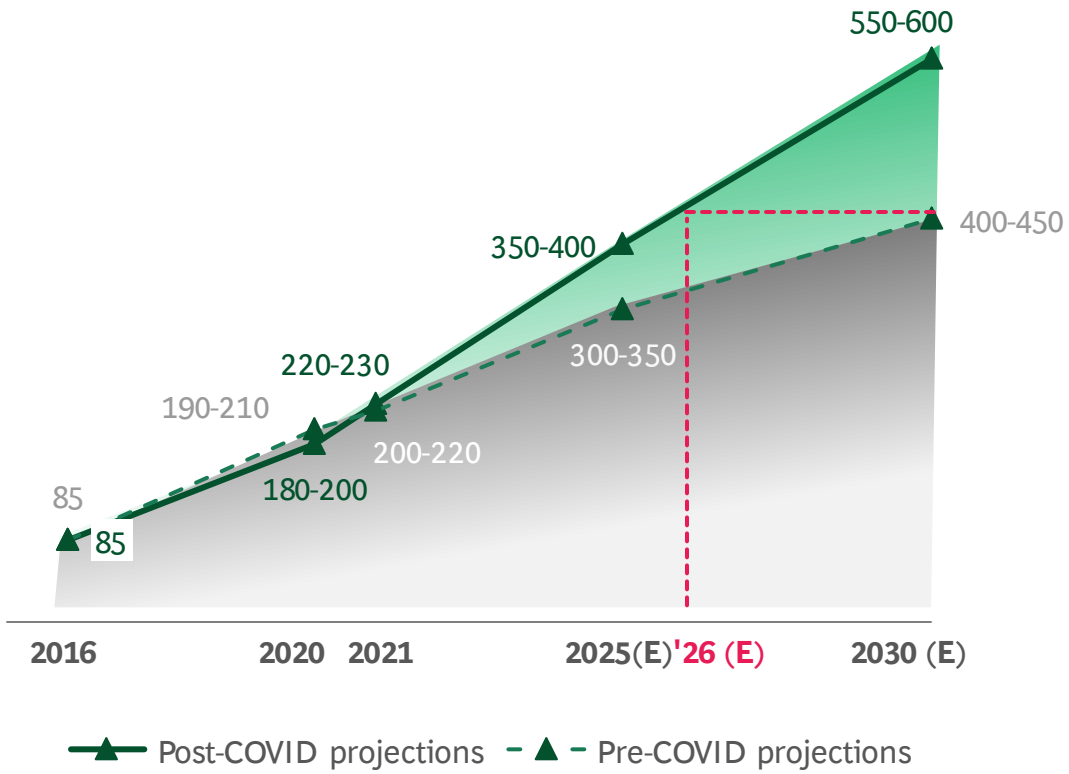
Interventions needed to  
drive penetration to last  
mile?

Implications of debit  
card becoming obsolete?

# E-Commerce Growth Accelerated by 3-4 Years Due to COVID

 Online shoppers (millions)

 Online retail spending (\$ billions)



Note: Among 18+ population. Online spending is for product-only categories. Pre-COVID and post-COVID projections represent expected online shoppers and retail spending projections for 2025 and 2030 made in a pre-COVID period (January 2017) and a post-COVID period (January 2022). Sources: BCG CCI Digital Influence Study 2013-2017, 2021 surveys (N =10,000 to 20,000 each year, urban and rural coverage); consumer survey data, secondary reports, expert calls, and other sources; BCG analysis.



# Key Questions to ponder

Challenges continue in  
online check-out &  
payment experiences

What innovation can we  
expect?





Economics  
compressed on  
high volume  
transactions



UPI P2M - 0 MDR



Rupay DC - 0 MDR



CC on UPI - 0 MDR for <INR 2K transactions  
50-60% of transactions, 15-20% by value



Cost of UPI processing to banks: **0.25-0.5%**

# Payments key to customer activation of in multi-banking universe

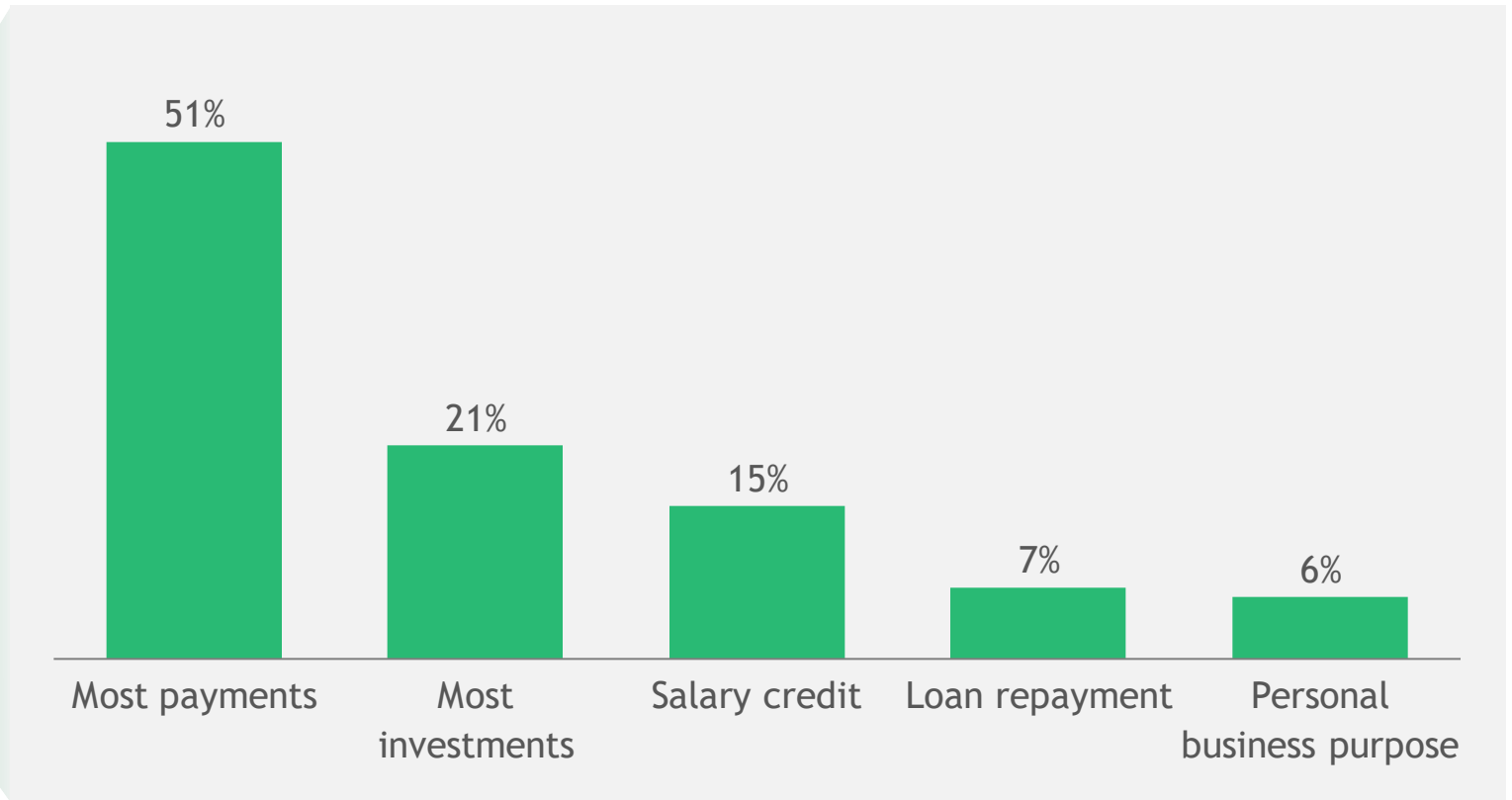
40% consumers have multiple SA a/c; payment options key to drive SA balance



# savings account held<sup>1</sup>



Reasons for using any account as primary savings account<sup>2</sup>



1. Question - How many savings account you hold 2. Question - Out of multiple savings account, what are main reasons for keeping the maximum balance in one saving account?  
Source: BCG consumer survey 2022 - 2000+ consumers



# Key Questions to ponder

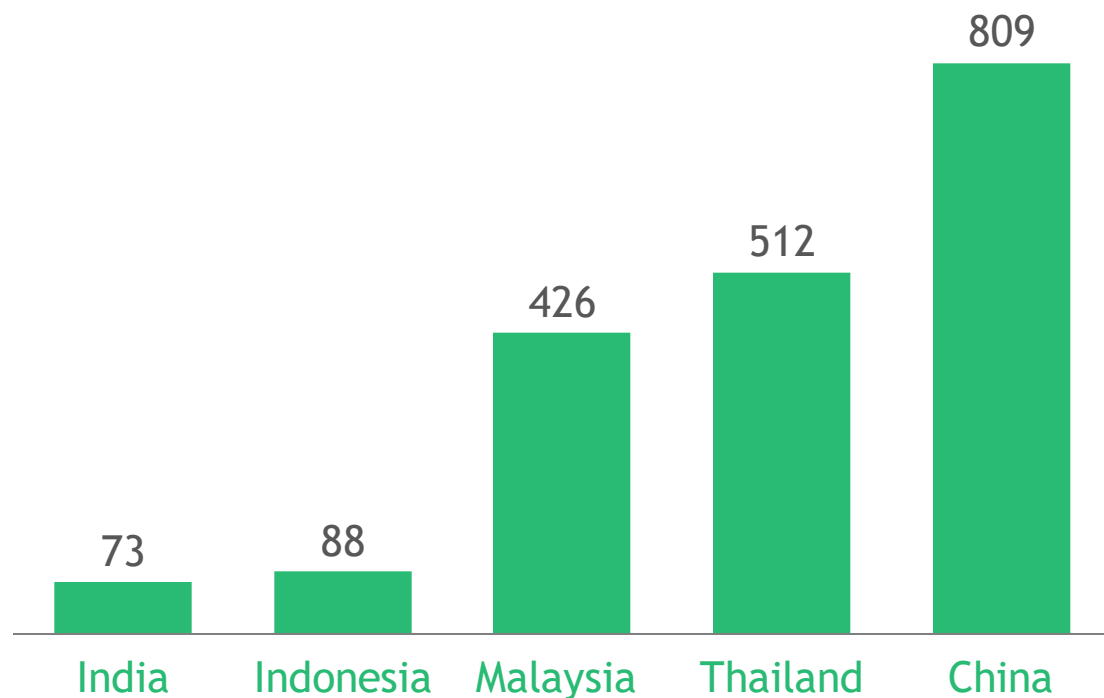
At a customer level, does  
economics play out?

# Credit cards under-penetrated; Spend breaking out post COVID



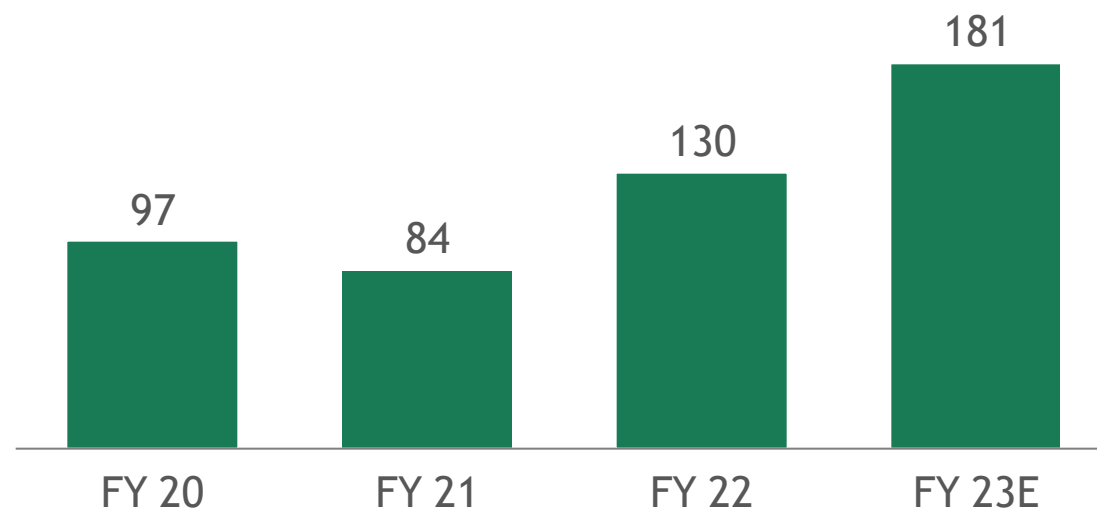
Credit card reach limited, highly underpenetrated

Number of credit cards per 1000 adults, 2021



Spend bouncing back post Covid

Credit card spend, \$ Bn



RBI's backlash on BNPL apps and enablement of UPI on CC will give further impetus

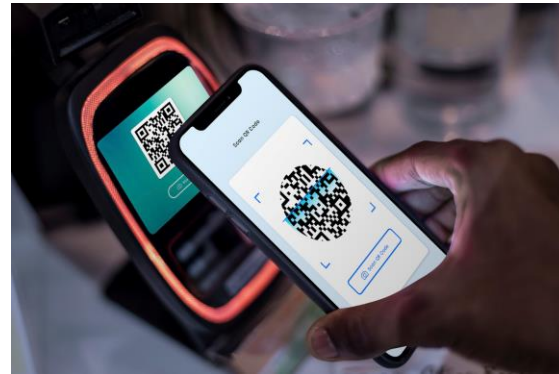
- UPI on CC will help expand reach and improve convenience

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# Key Questions to ponder

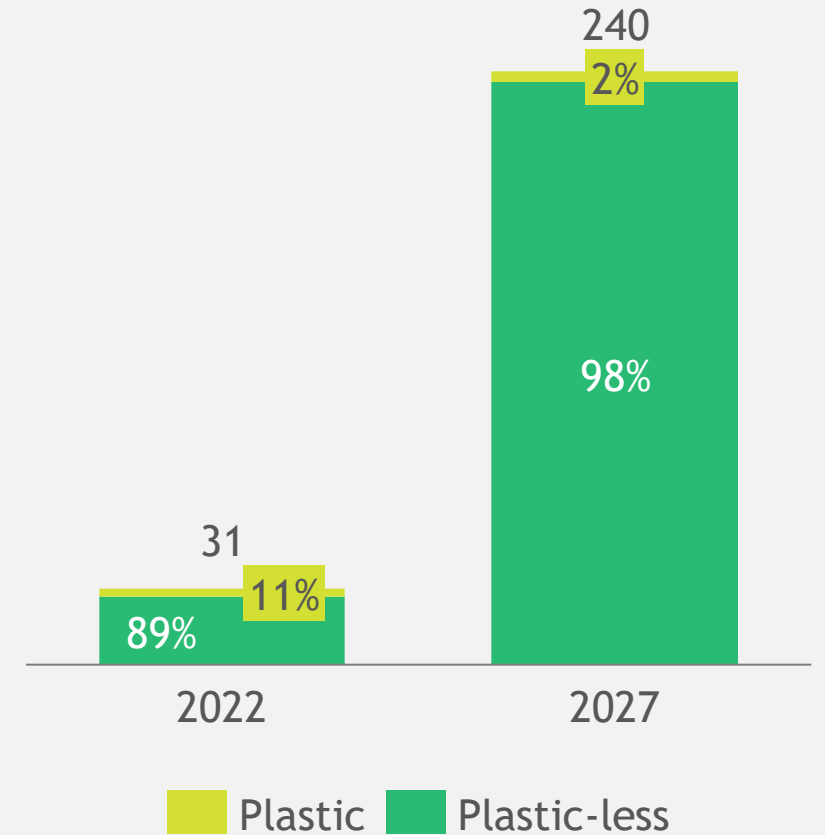
Will we finally see credit cards bridge the under-penetration gap this cycle?

# Mobiles will be the new wallets!!



89% of transactions already contactless, i.e., without a card being present (UPI/Online) - on track to 98%+ by 2027

# of P2M transactions, Bn





# Key Questions to ponder

Will we see traditional POS stay only in high end stores -> high ticket transactions?

Will small merchants (UPI only) be willing to pay CC economics?

# Risk & compliance set to take center stage in a highly digital world

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Cyber security



Digital frauds



Data security  
and privacy





# Key Questions to ponder

Are all stakeholders  
investing enough in cyber  
infrastructure

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