

Value of UPI transactions up 753%

After a stellar performance in 2018, the platform's updated version, UPI 2.0, seen taking growth further

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While digital payments saw a surge after the demonetisation of late 2016, the pace of adoption has since been much slower than anticipated. Digital transactions have only inched forward in the past year but with a significant exception, the government-pushed Unified Payments Interface (UPI).

UPI crossed the ₹1 trillion milestone for monthly value last month, growing nearly eight times over a year. It also achieved a monthly volume of over 600 million, four times the volume of transactions in December 2017, according to data from National Payments Corporation of India (NPCI).

The total payments industry saw a rise of 27 per cent in volume and a fall of one per cent in November 2018 over November 2017, according to data from the Reserve Bank of India. The forms of payment cover cards, mobile wallets and mobile banking — data for these are only available till November 2018.

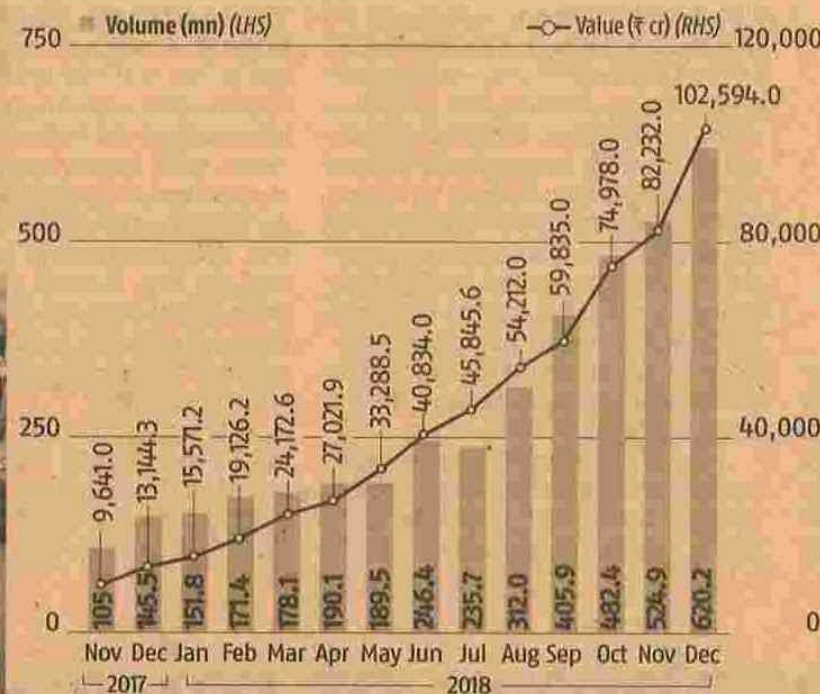
Card transactions saw growth of 22 per cent in volume and 18 per cent in value in November 2018 against November 2017. During this period, wallets grew 86 per cent in volume and 72 per cent in value. UPI, however, grew 400 per cent and 753 per cent, respectively.

UPI is fairly new in the e-payments space. It was launched in August 2016 with 21 partner banks and saw monthly transaction volume of less than 100,000 and value of ₹3 crore, respectively, at the time. The platform has seen strong growth ever since.

NPCI attributes UPI's success to three features — simple, seamless



GROWTH IN NUMBERS



Source: NPCI

and secure. These, it says, deliver to the needs of the consumer, merchants, banks and financial technology entities.

"UPI was a game changer in the true sense, with complete interoperability being driven on the front-end using a mobile phone, with reduced friction while on-boarding and secured two-factor authentication," said NPCI, in response to an e-mail query.

ICICI Bank's chief technology and digital officer, B Madhivanan, said UPI had the underlying platform of IMPS, already a market leader. UPI has not eroded into older platforms. UPI grew faster because it removed a layer of friction — it replaced the account number and IFSC code with

a UPI identity. "All the onus of making a transfer was on the sender before. UPI's Pull transaction feature put the onus on both sides," he explained.

Mahesh Makhija, leader, emerging technologies, at consultants EY India, says UPI is cost-efficient and asset-light when compared to alternatives. And, in most cases, can be activated by the recipient (merchant or business) on a self-serve model.

UPI infrastructure was given a further boost with the entry of global majors Google (Google Pay) and Facebook (WhatsApp Pay). Madhivanan says these companies brought not only newer technology but also enormous velocity and cash-backs.

UPI already has nearly twice the

monthly volume that e-wallets do. It is now expected to see a major boost in both volume and value of transactions, with new features in the form of what is termed 'UPI 2.0'.

According to Navtej Singh, chief executive at the digital business of Hitachi Payment Services, peer transactions continue to dominate UPI volumes but merchant transactions are starting to pick up. "UPI 2.0 has extended the feature of overdraft facility and bridged the gap between merchants and customers, making UPI a more holistic solution," he added.

Beside the overdraft facility, UPI 2.0 is set to offer features such as One Time Mandate, Invoice in the Inbox, Signed Intent and QR. This

will offer a big canvas for banks and financial technology entities to collaborate and deliver value for consumers, says NPCI.

"The biggest disruptor is the one-time mandate feature. It can make the payment experience much more seamless and, at the same time, give greater control to the customer," avers Kalpesh Mehta, partner at consultancy Deloitte India. The feature can enable multiple-use cases, pushing its adoption. "The only challenge is that its set-up and the understanding of its features will possibly be limited to digitally savvy smartphone users," he added.

Last year, foreign payment providers had to face regulatory blocks such as the rules on data localisation. The Supreme Court's Aadhaar judgement has left e-wallet companies hanging, with no means to electronically verify customer documents or get on board new customers. The government's heavy support for UPI, however, protects it from such threats.

In October, the Reserve Bank of India issued wallet interoperability guidelines through the UPI network, enabling direct access for wallet companies. Previously, they had to use a bank to access the network.

NPCI says wallet interoperability should pave the way for increases in digital transactions and adoption. It also sees growth coming through the mandate of the Securities and Exchange Board of India for initial public offers of equity to move completely to UPI, in a phased manner.

"Likewise the various other enhancements, features, encompassed in UPI 2.0 shall provide the ground for future growth," states NPCI.