

Visa and Mastercard's UPI ambitions could shake up India's payments market

Article

The news: The Reserve Bank of India is reportedly drawing up plans to link credit cards issued by Visa and Mastercard to the Unified Payments Interface (UPI), industry executives

aware of the matter told The Morning Context.

The central bank will make a decision before April, two of the executives said.

The background: The UPI, India's mobile bank-to-bank instant payments system, has become one of the country's most popular payment methods since its 2016 launch and has helped spur strong digital payments growth.

- The UPI reached a record **7.829 billion payments in December alone** totaling INR 12.82 trillion (\$163.1 billion), up 71% year over year (YoY), **per** the National Payments Corporation of India.
- Right now, only debit cards and select credit cards powered by **RuPay** can use the UPI.
- RuPay has issued **more than 700 million cards in India** and dominates the country's debit card market, but it **lags** behind Visa and Mastercard when it comes to credit cards.

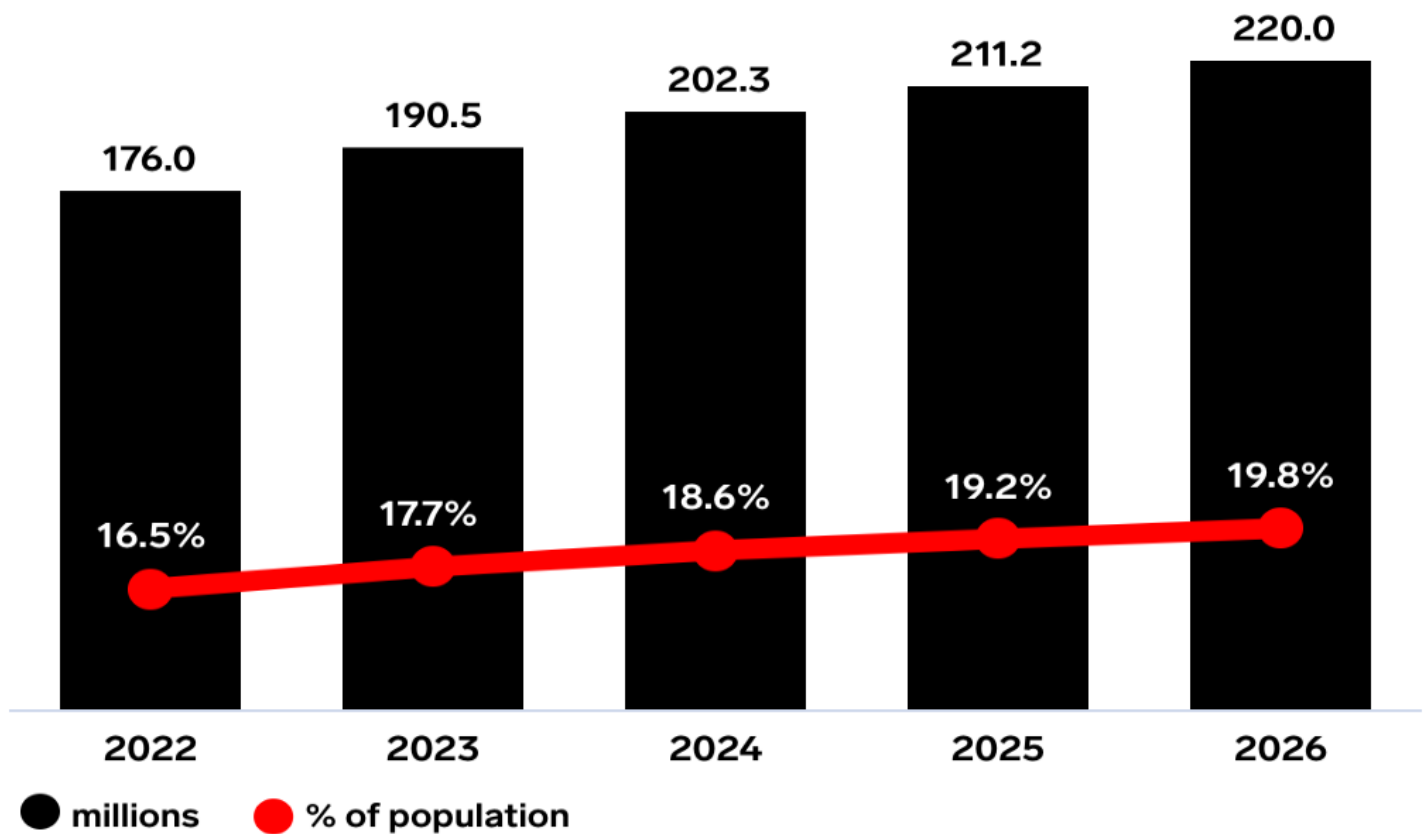
What's in it for Visa and Mastercard? Connecting to the UPI would be a huge opportunity for Visa and Mastercard.

- Together, the two own **90% of India's credit card market**, but the country has **just 7.3 million point-of-sale terminals** for physical cards, per Bloomberg.
- But using the UPI would give them access to a vast network of 230 million QR codes that shops use to receive money.
- This would help them grow their presence in **India's digital payments market**, which is expected to increase **from \$3 trillion in 2022 to \$10 trillion by 2026**, per Boston Consulting Group and **PhonePe**.

Visa and Mastercard have faced regulatory challenges in India regarding things like payment fees and data sharing. Linking to the UPI would let them bulk up their presence in the market.

Proximity Mobile Payment Users

India, 2022-2026



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile phones as a payment method; excludes transactions made via tablet

Source: eMarketer, July 2022

eMarketer | InsiderIntelligence.com

The bigger picture: The change would also have implications for banks and the UPI itself.

- Letting Visa and Mastercard connect credit cards to the UPI would give banks more opportunities to lend to consumers, opening up a massive market for them.
- Connecting the two biggest payment networks in the world would also help UPI continue its impressive growth.

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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