

RuPay and UPI get multimillion-dollar support from Indian government

Article

The news: The Indian government will spend \$318.4 million to promote homegrown card network **RuPay** and the **Unified Payments Interface (UPI)**, India's mobile bank-to-bank instant

payments system, per TechCrunch.

New Delhi hopes offering a financial incentive will encourage more banks to offer customers RuPay cards and increase small-value consumer-to-business (C2B) UPI payments before the fiscal year ends on March 31, 2023.

Key context: UPI and RuPay have played a major role in fueling digital payments adoption across India.

- UPI has become one of the most-used payment methods in India since its 2016 launch: UPI reached a record **7.829 billion payments totaling INR 12.820 trillion (\$163.1 billion)** in December alone, per the National Payments Corporation of India.
- And RuPay dominates India's debit card market but lags behind **Visa** and **Mastercard** in the credit card sector.

The problem: While RuPay and UPI have been widely embraced by consumers and merchants, large banks and payment providers aren't as keen to promote the systems because they can't earn significant income from them.

- As mandated by the government, UPI and RuPay debit cards have no merchant discount rate (MDR)—the fee acquirers typically charge to maintain merchant accounts and a source of revenues for providers in the payments chain.
- RuPay and UPI exist in part because Visa and Mastercard didn't agree to the government's zero-MDR proposal. The government felt that having the fee structure in place was necessary to drive digital payments adoption. This ended up being true—without UPI, many small businesses in India probably couldn't afford to accept digital payments.

What this means: While UPI and RuPay have already made inroads across India, there's still room for growth—especially with large banks like **HDFC**, which reportedly doesn't have much interest in issuing RuPay credit cards, people familiar with the matter told TechCrunch.

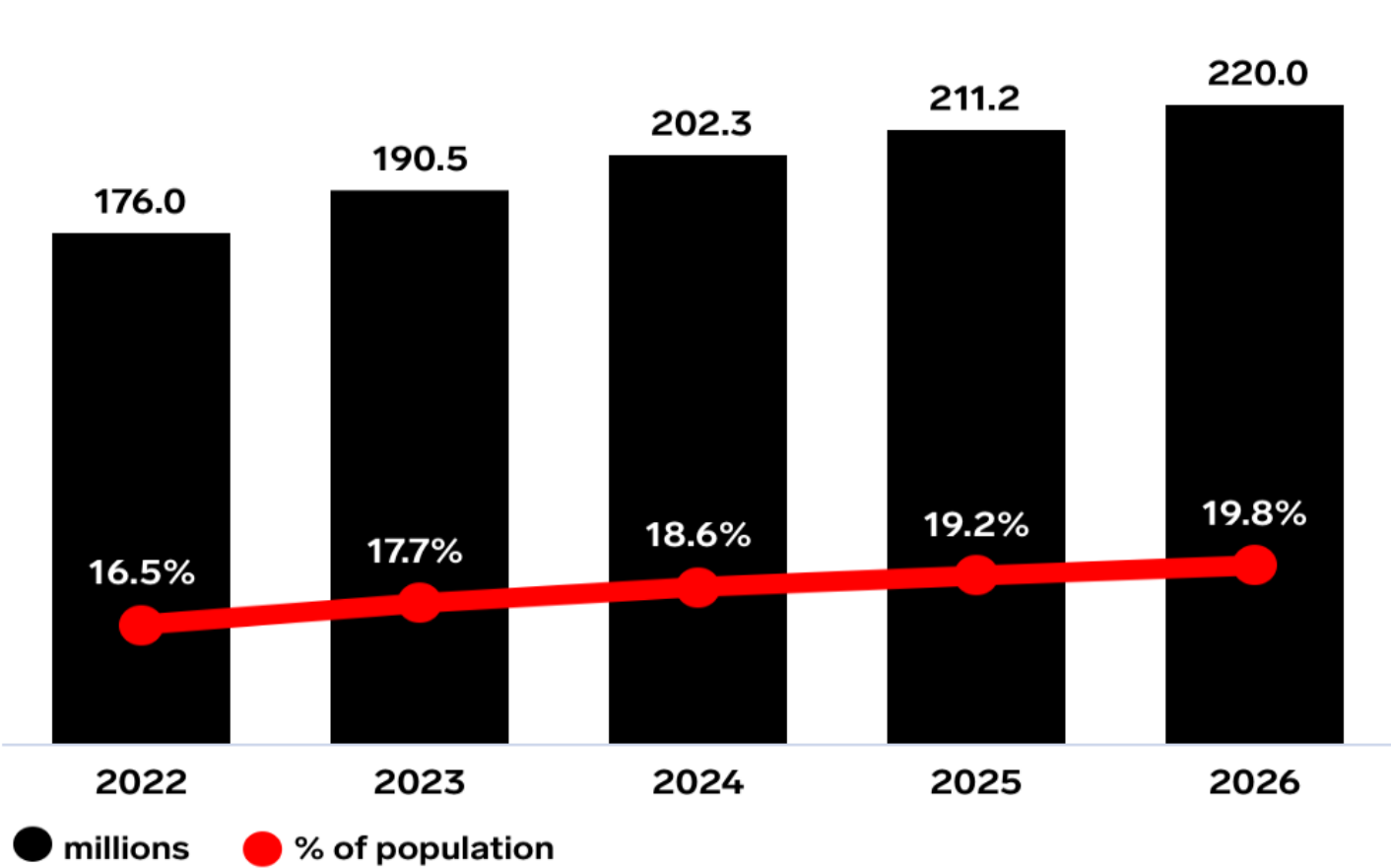
By giving banks and providers financial incentives to promote RuPay and UPI, the government can minimize Visa's and Mastercard's power within India's payments space and encourage digital payments adoption across the country.

This is bad news for multinational card networks because it might decrease their revenue potential in a major market: **India's digital payments market size is expected to increase**

from \$3 trillion in 2022 to \$10 trillion by 2026, [according to](#) a report by Boston Consulting Group and PhonePe.

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](https://www.insiderintelligence.com)

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