

SBI Research

New Insights from UPI Data

UPI transactions have emerged as a primary source of exchange amongst Indian masses and enterprises across all ticket sizes...merchant transactions are mostly low-ticket items.. Out of almost 300 major merchant category codes and NPCI has started with 29 major MCCs ...data for at least 100 major MCCs may be given by NPCI...Higher concentration of transactions amongst a handful of TPAPs may stifle India centric Fintech innovation going forward...Need for a Desi Counter Intuitive App simultaneously with an overarching AI architecture cannot be overemphasized as we move towards leveraging data

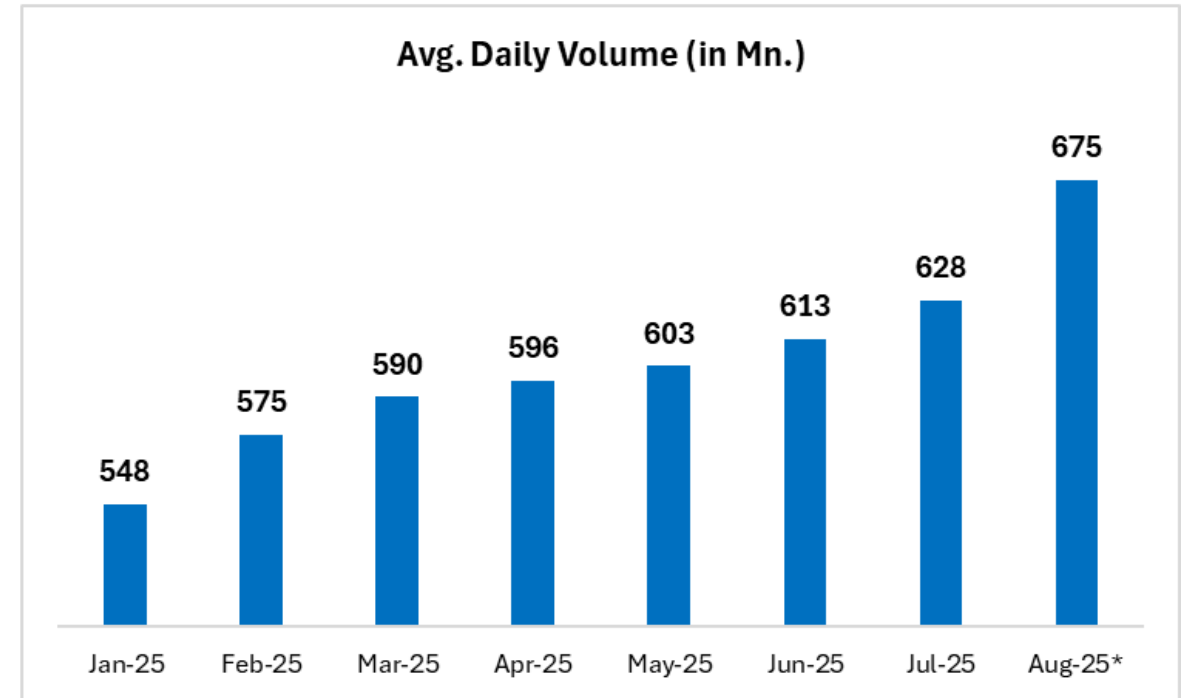
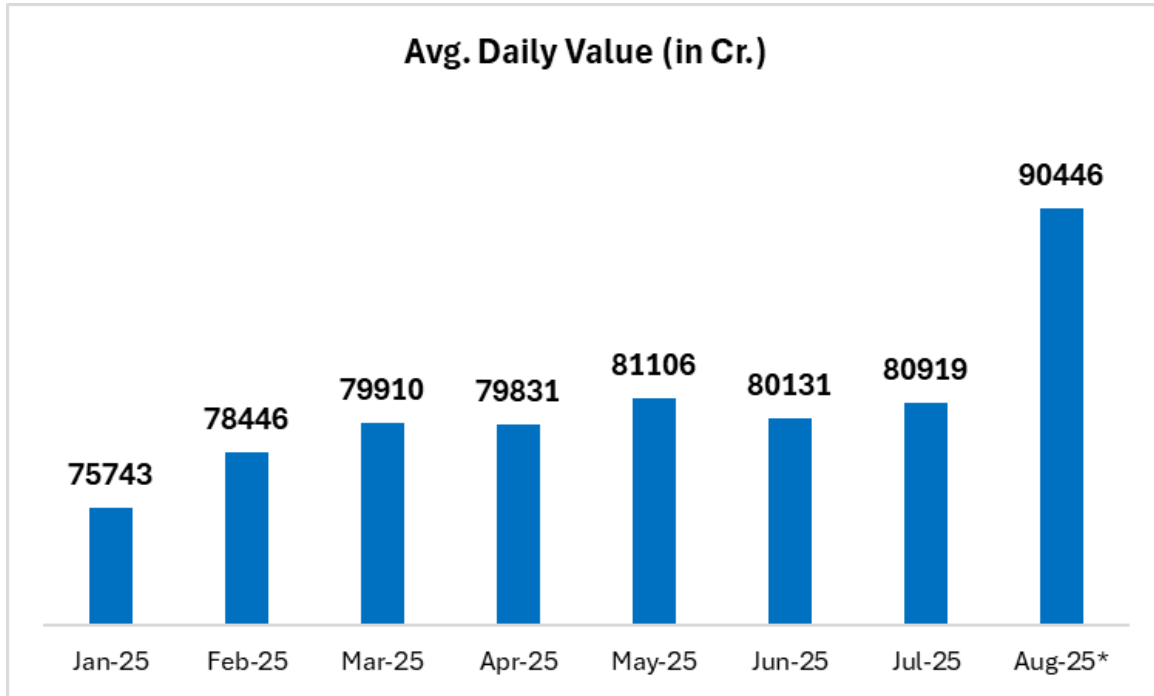
Issue # 20, FY26 18-August-2025

- ❑ UPI transactions have expanded significantly both in value and volumes terms. In 2025 itself, the average daily value has increased from Rs 75,743 crore in Jan to Rs 80,919 crore in July and to Rs 90,446 crore in August.... SBI is the top remitter member with 5.2 billion transactions, almost 3.4x larger than the second most remitter (HDFC Bank)
- ❑ UPI P2P and P2M Transactions reveal UPI transactions have emerged as a primary source of exchange across majority of Indian masses/enterprises and across all ticket sizes...merchant transactions are mostly low-ticket items
 - Maharashtra emerges as the consistent leader in digital payments with 9.8% share in July alone, followed by Karnataka (5.5%) and UP (5.3%)
 - The share of P2M transactions in total value transactions has increased from mere ~13% in Jun'20 to ~29% in Jul'25. During the same period, the share in volume has increased to ~64% from 39%... Indicating robust growth in digital payments and financial inclusion
- ❑ Digital payments, led by UPI, have been increasing rapidly, which is much higher than the CIC number. The monthly average UPI transactions is Rs 24,554 billion, while CIC monthly average growth is Rs 193 billion during Apr-July 2025
 - In the retail demand for money (UPI + ATM withdrawal using Debit cards), the share of UPI in value has increased from merely 40% in Nov'19 to 62% in Jan'21 to whopping 91% in May'25. This is clear indication that people are replacing cash with UPI
- ❑ NPCI data on merchant category classification for this fiscal (Apr-July) reveals data on 29 categories with the share of these 29 merchant categories (MCCs) at 82% in volume terms and 52% in value terms. **There are almost 300 major merchant category codes and NPCI has started with only 29 major MCCs, while NPCI has done a commendable job we believe that data for at least 100 major MCCs should be given by NPCI**
 - The top 15-merchant categories accounts 70% in terms of volume and 47% in terms of value in July 2025..The Groceries account for 24.3% of the transactions and 8.8% in value and debt collection agencies category accounts for 12.8% share in terms of value but only 1.3% share in volume
 - The debt collection agencies category transaction value has increased to Rs 93,857 crore in July 2025 from Rs 80,789 in April 2025, while the ticket size has declined to Rs 5817 from Rs 5952

UPI – Progress So Far

UPI increasing in leaps and bounds

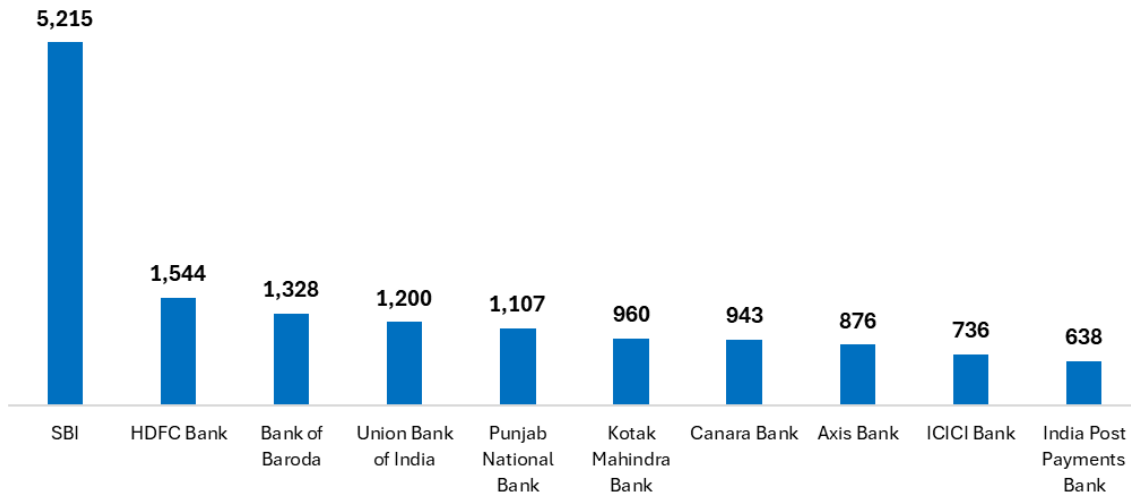
- ❑ UPI transactions have expanded significantly both in value and volumes
- ❑ In 2025 itself, the average daily value has increased from Rs 75,743 crore in Jan to Rs 80,919 crore in July and to Rs 90,446 crore in August (so far)
- ❑ The same increasing trend is visible in average daily volumes also which has increased by 127 million to 675 million in Aug as compared to Jan



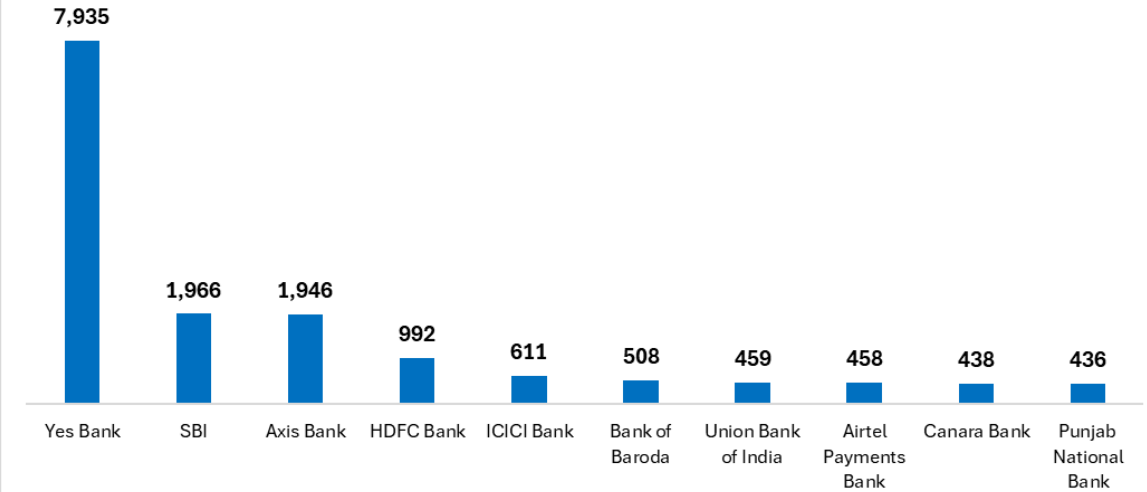
SBI is the top Remitter Member....Yes Bank top Beneficiary Member

- ❑ SBI is the top remitter member with 5.2 billion transactions, almost 3.4x larger than the second most remitter member while Yes bank is the top beneficiary member with ~8.0 billion transactions
- ❑ It is clear that PSBs are top remitter members and Private Banks in majority are beneficiary members

UPI Remitter Members (Jul-2025) - Total Volume (In Mn)

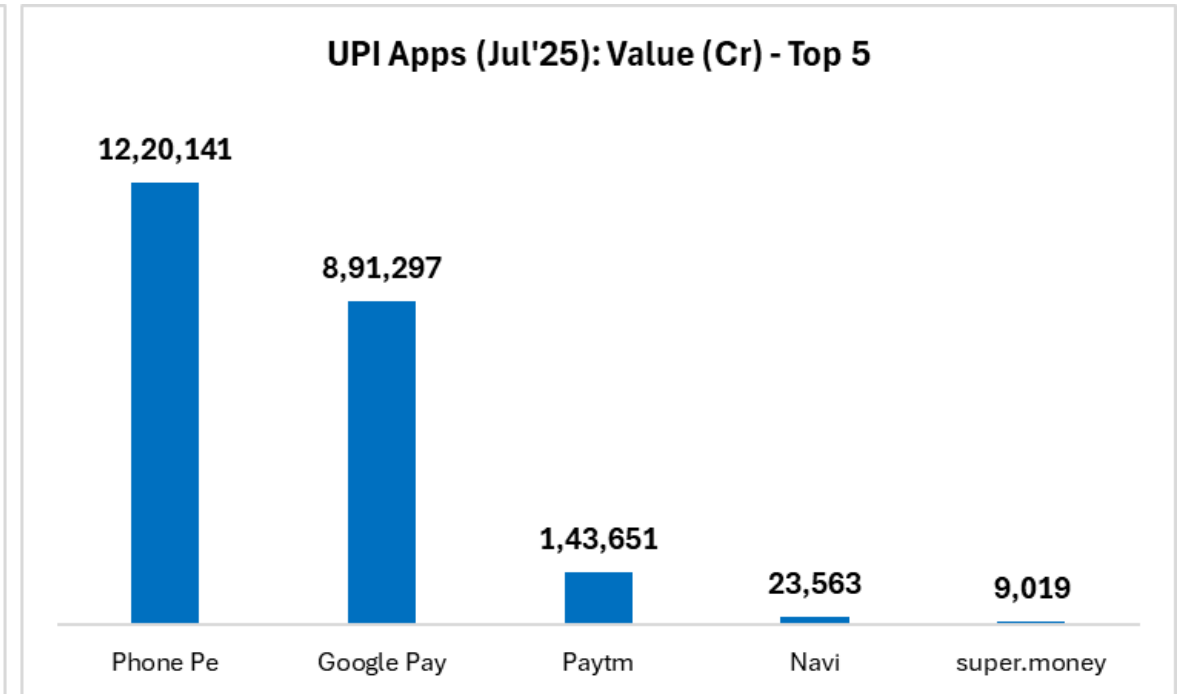
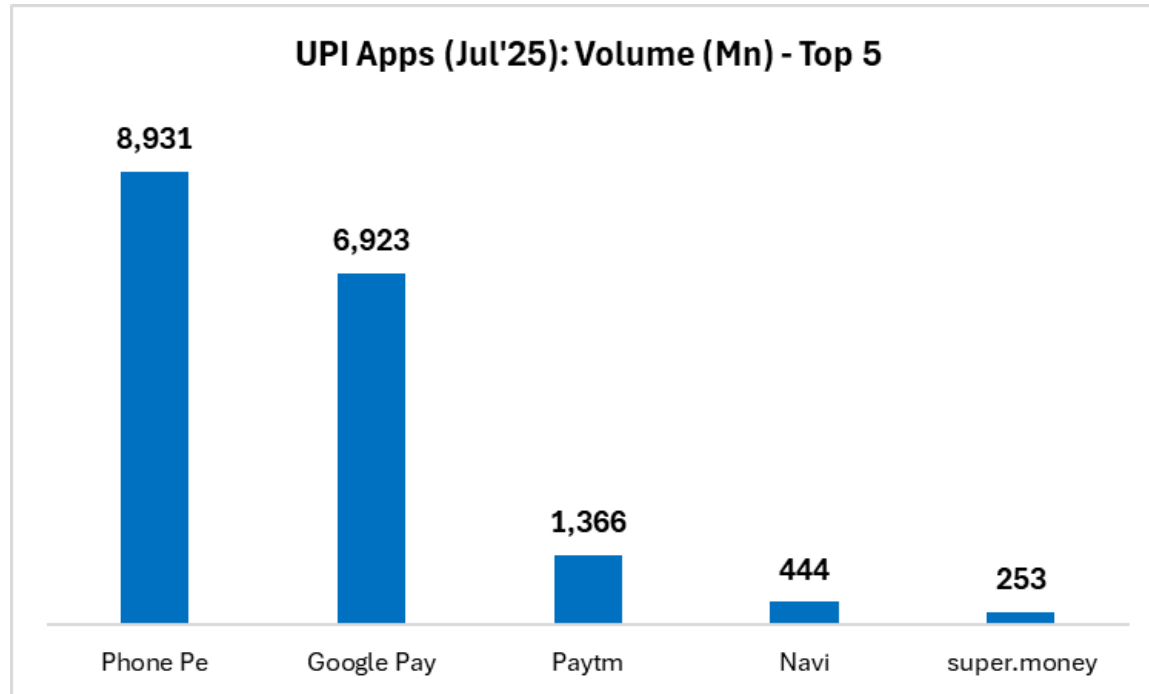


UPI Beneficiary Members (Jul-2025) - Total Volume (In Mn)



3rd Party UPI Apps Leads both in Value & Volume

- PhonePe is the *numero uno* UPI app followed by Google Pay and Paytm in both volume and value
- The higher concentration of transactions amongst a handful of TPAPs may stifle India centric Fintech innovation going forward...The need for a Desi Counter Intuitive App cannot be overemphasized as we move towards leveraging data



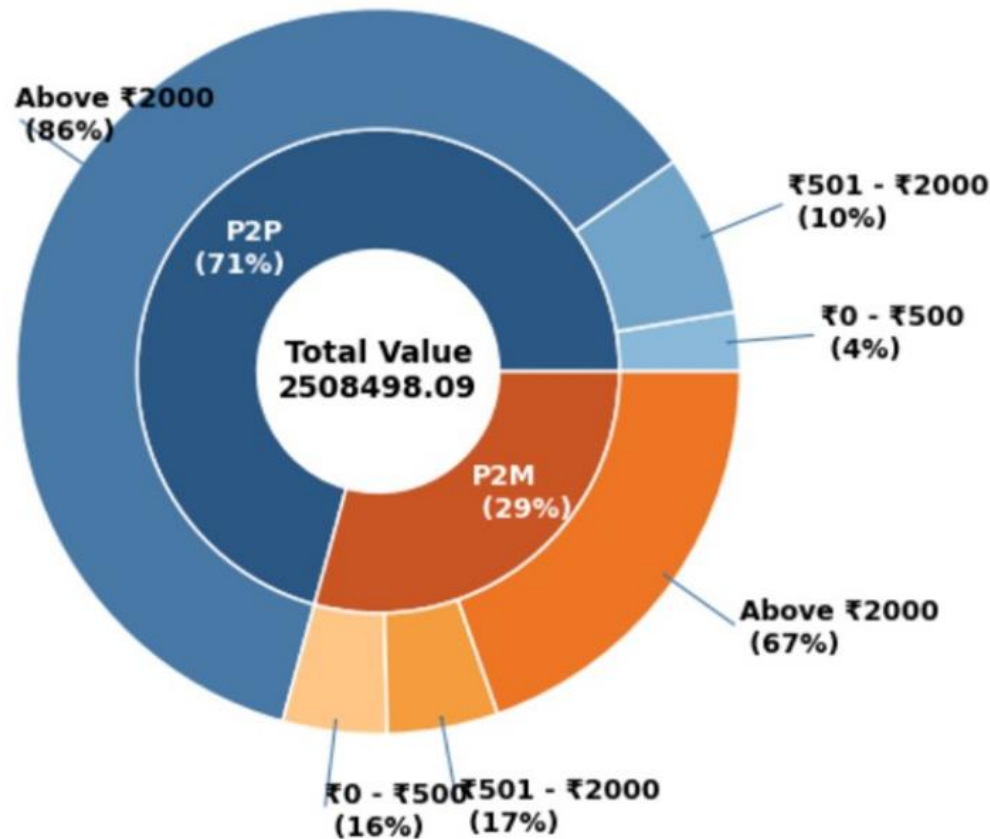
Maharashtra is the #1 state in UPI usage...followed by Karnataka and UP

- ❑ The NPCI has, for the first time, published state-wise data on UPI transactions, revealing Maharashtra as the consistent leader in digital payments with 9.8% share in July alone, followed by Karnataka (5.5%) and UP (5.3%)
- ❑ These shares highlight the entrenched role of these states in India's digital payments ecosystem and indicate that their dominance is likely to continue as adoption deepens across the country
- ❑ Uttar Pradesh, the only north Indian state in the top five states of UPI

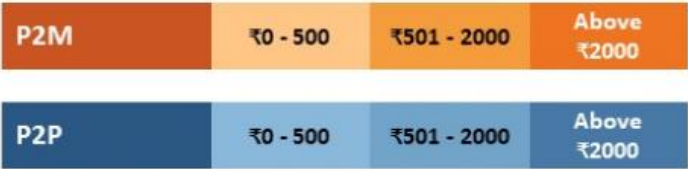
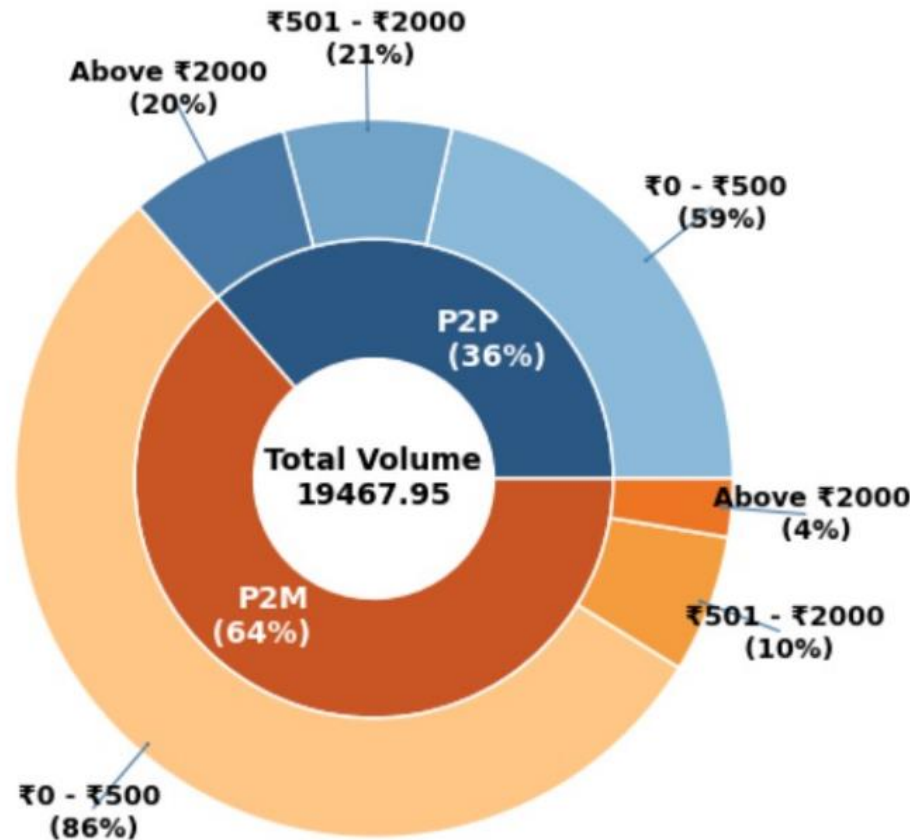
State-wise UPI Product Statistics (July'25)				
State / UT	Volume (in Mn)	Volume Share (%)	Value (in Cr.)	Value Share (%)
Maharashtra	1,905	9.8%	2,30,572	9.2%
Karnataka	1,068	5.5%	1,44,606	5.8%
Uttar Pradesh	1,032	5.3%	1,31,886	5.3%
Telangana	791	4.1%	1,26,740	5.1%
Tamil Nadu	779	4.0%	1,17,090	4.7%
Andhra Pradesh	535	2.8%	93,508	3.7%
Rajasthan	527	2.7%	76,044	3.0%
Gujarat	501	2.6%	74,011	3.0%
Delhi	468	2.4%	58,846	2.4%
West Bengal	426	2.2%	62,144	2.5%
Madhya Pradesh	421	2.2%	55,546	2.2%
Bihar	406	2.1%	58,775	2.3%
Haryana	397	2.0%	54,917	2.2%
Kerala	369	1.9%	51,876	2.1%
Odisha	264	1.4%	33,890	1.4%
Punjab	210	1.1%	34,832	1.4%
Assam	198	1.0%	21,802	0.9%
Jharkhand	168	0.9%	21,496	0.9%
Chhattisgarh	129	0.7%	16,475	0.7%
Uttarakhand	111	0.6%	13,515	0.5%
Remainig States/UTs	334	1.7%	44,942	1.8%
Unclassified	8,428	43.3%	9,84,984	39.3%
Source: NPCI; SBI Research				

UPI P2P and P2M Transactions reveal UPI transactions have emerged as a primary source of exchange across majority of Indian masses and across all ticket sizes...merchant transactions are mostly low-ticket items

UPI: Transactions (by Value in Crores) for Jul'25

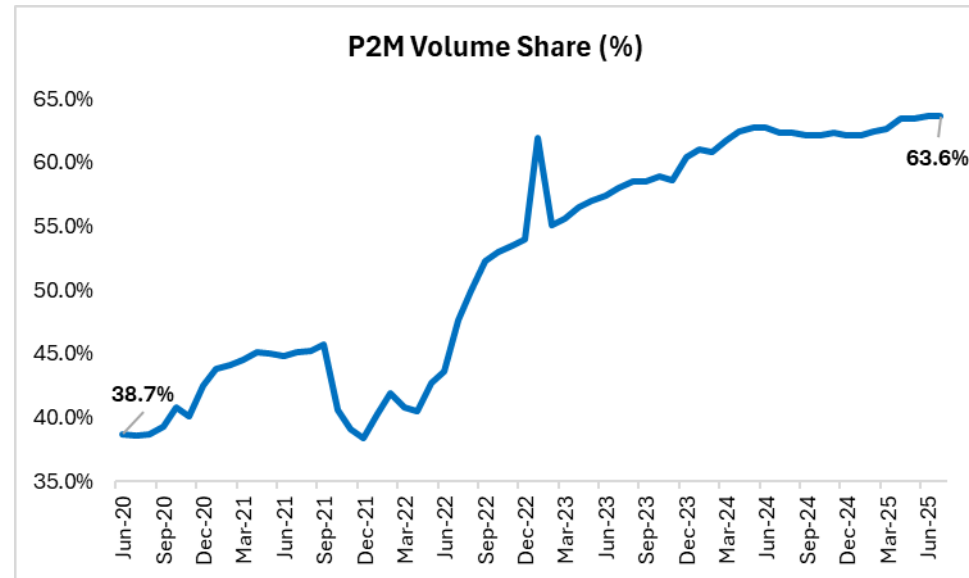
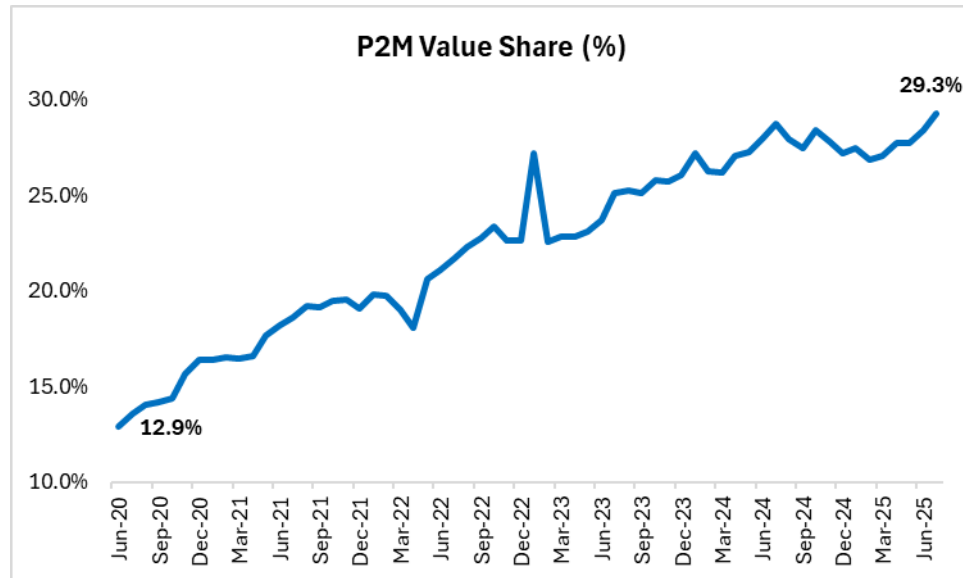


UPI: Transactions (by Volume in Mn) for Jul'25



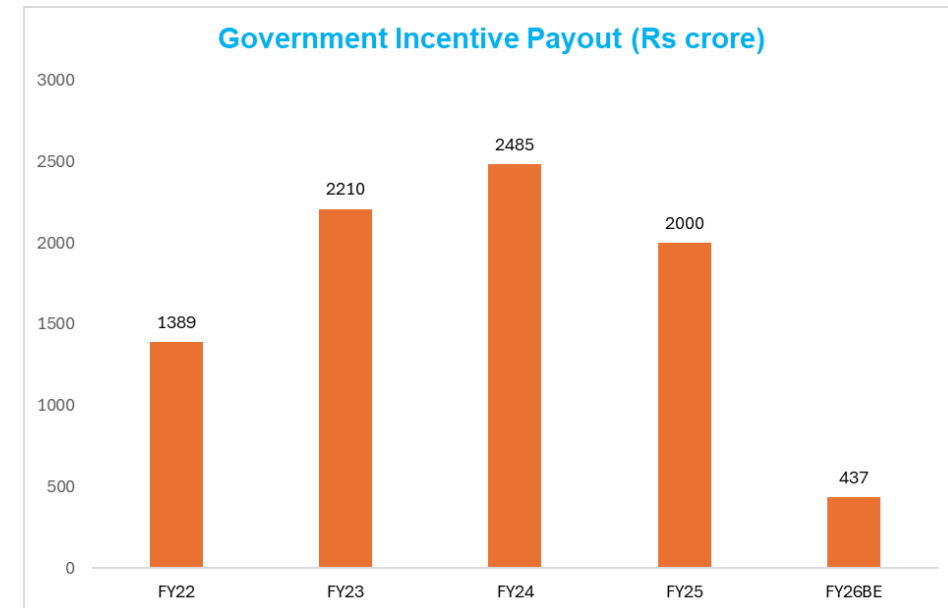
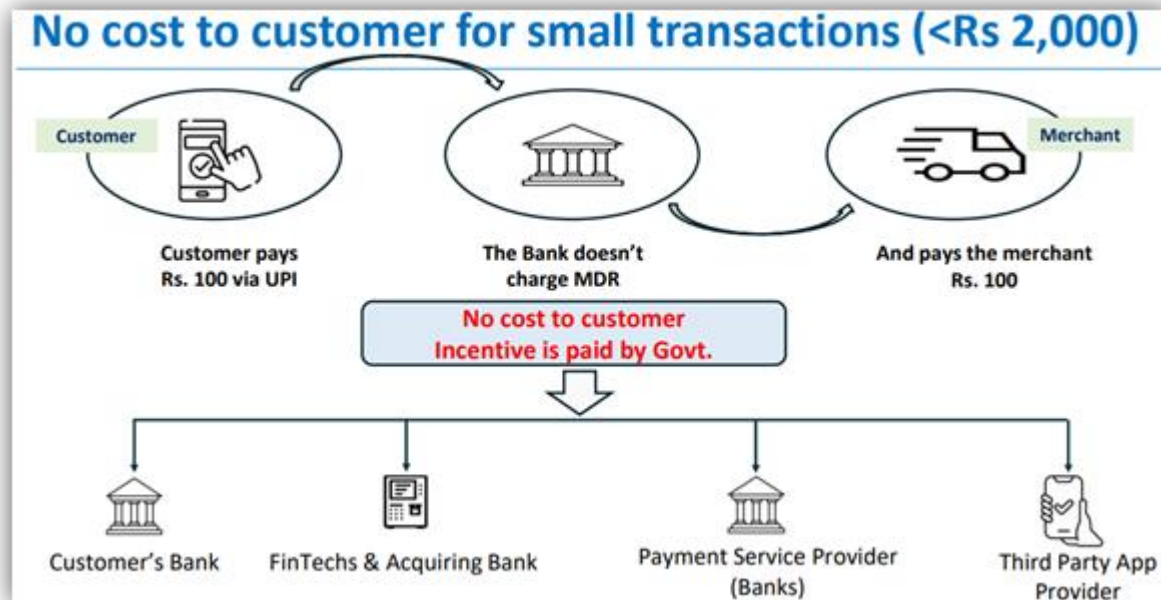
Trends in P2M UPI Transactions.....1/2

- The increasing number of P2M transactions is generally considered positive, as it indicates a growth in digital payments and financial inclusion. The share of P2M transactions in total value transactions has increased from mere ~13% in Jun'20 to ~29% in Jun'25. During the same period the share in volume has increased to ~64% from 39%
- The Indian government has been actively promoting digital payments, including P2M transactions, through various initiatives and incentive schemes
- As per NPCI, MDR of up to 0.30% is applicable for UPI P2M transactions. Since January 2020, to promote digital transactions, MDR has been made zero for RuPay Debit Card and BHIM-UPI transactions through amendments in Section 10A of the Payments and Settlement Systems Act, 2007 and Section 269SU of the Income-tax Act, 1961



Strengthening India's Digital Payment Ecosystem....2/2

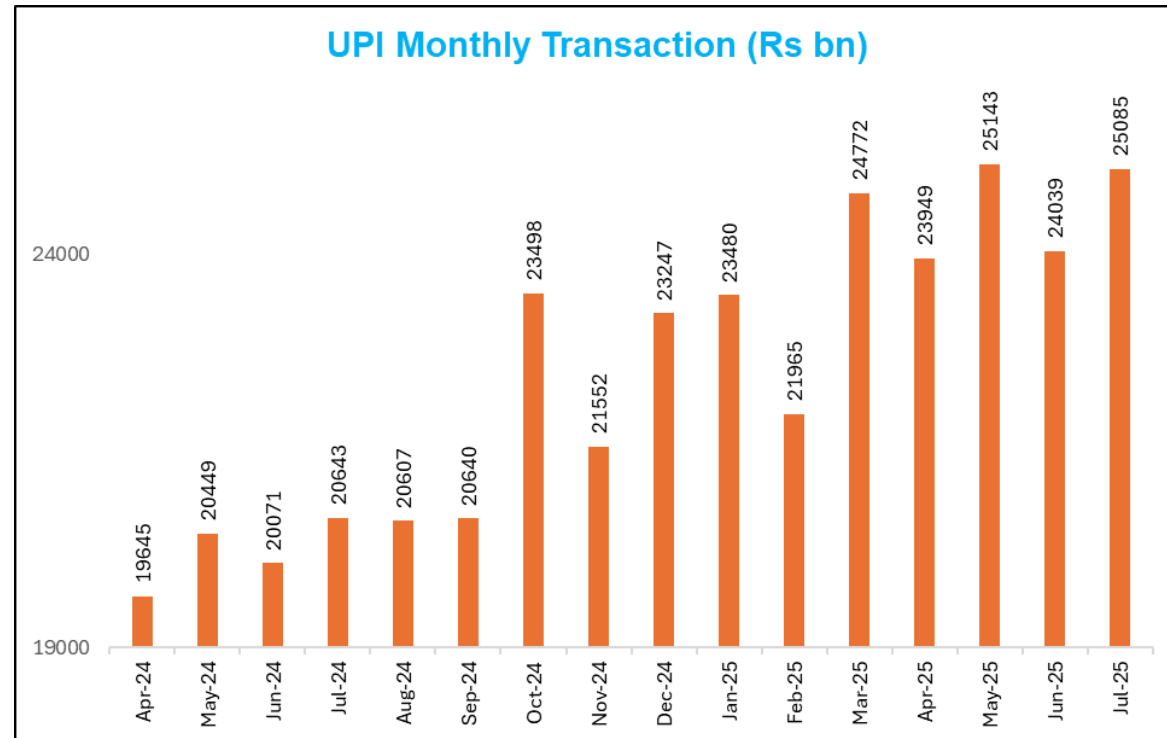
- ❑ To support payment ecosystem participants in effective service delivery, the Government has implemented the “Incentive scheme for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions (P2M)”. For small merchants, UPI transactions up to ₹2,000 attract zero MDR and eligible for an incentive of 0.15% of the transaction value. For transactions above ₹2,000, there is zero MDR but no incentive. In the case of large merchants, all transactions—regardless of the amount—will have zero MDR and will not carry any incentive
- ❑ The incentive is paid by the Government to the Acquiring Bank (merchant's bank) and is then shared among other stakeholders: Issuer Bank (Customer's bank), Payment Service Provider Bank (facilitates UPI onboarding/API integration), and App Providers (TPAPs)
- ❑ The Budget has earmarked Rs 437 crore to promote such transactions in FY26, which may be revised upward. **However, as per estimates Rs 4,000 to Rs 5,000 crore could be the cost that the participants are bearing**



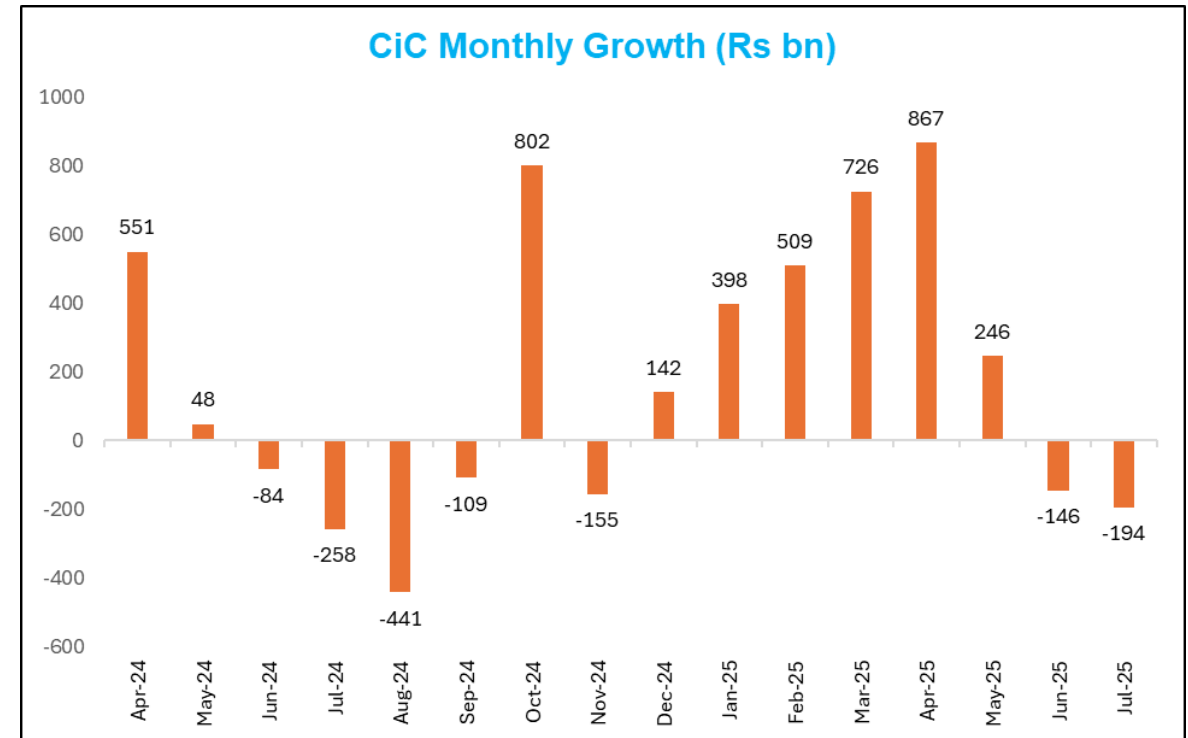
UPI is Surging and has far outstripped CIC: CIC is very small compared to UPI Value

- ❑ Digital payments, led by UPI, has been increasing rapidly, which is much higher than the CIC number. The monthly average UPI transactions is Rs 24,554 billion, while CIC monthly average growth is Rs 193 billion during Apr-July 2025
- ❑ Cash in circulation (CIC) is declining from the last 2 months, though on YTD basis it is increasing. In the current FY26 so far (till Aug 08, 2025), CIC increased by 2.5%, compared to last year YTD growth of 0.4%
- ❑ To test impact of UPI transactions on CIC empirically, we carried out a Structural VAR model, for the period of April 2016 to June 2022. **The results are insignificant which indicate that UPI has largely replaced CIC as a medium of exchange**

UPI Monthly Transaction (Rs bn)

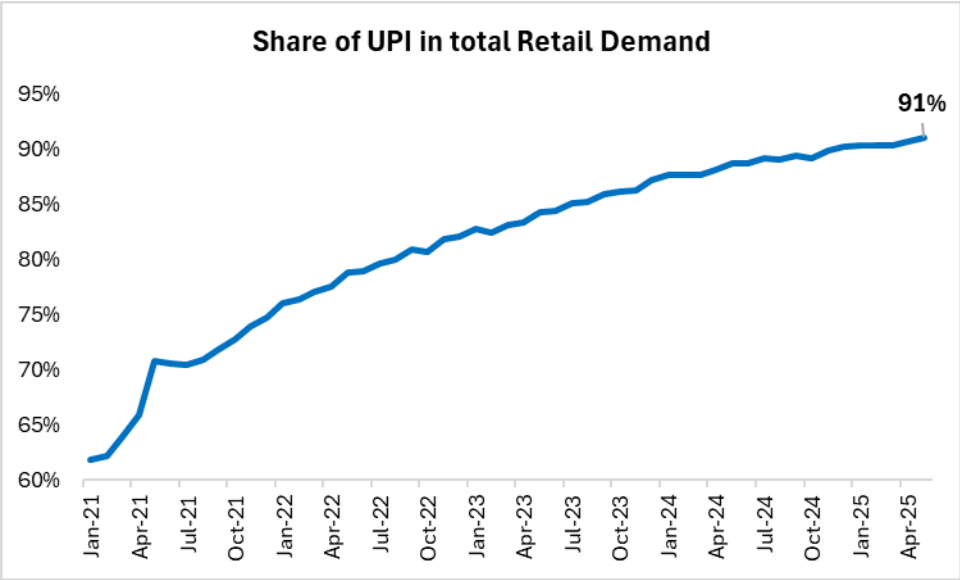


CiC Monthly Growth (Rs bn)



Impact of UPI on Debit Card Transactions

- There is no doubt that the digital payment landscape in India has been transformed primarily due to UPI
- In the retail demand for money (UPI + ATM withdrawal using Debit cards), the share of UPI in value has increased from merely 40% in Nov'19 to 62% in Jan'21 to whopping 91% in May'25. This is clear indication that people are replacing cash with UPI
- It has been observed with the time series analysis for the period of Jan 2021 to May 2025 that 1 Rs increase in UPI Transactions has actually reduces the debit card value transactions by 14 paisa**



Impact of UPI Value Transactions on Debit card Value Transactions			
ARDL Model: Dependent Variable: Debit Card Transactions (Value in Rs Crore)			
Time Period: Jan 2021 to May 2025			
Variable	Coefficient	Std Error	P Value
Adjustment factor	-0.3320	0.1028	0.000*
UPI Transactions (Value in Rs Crore)	-0.1428	0.0199	0.000*
Source: SBI Research * Significant at 1%			

UPI

Merchant Category Classification

- ❑ NPCI has recently started to provide data on merchant category classification for this fiscal (Apr-July). The data was classified into high and medium transacting categories and around data on 29 categories have been dispensed
- ❑ While we appreciate the NPCI's endeavor in providing the merchant category classification, this needs to further scaled up for an effective disclosure:
 - **The share of these 29 merchant categories (MCCs) is 82% in volume terms and 52% in value terms (Jul'25) and hence a large section is still waiting for nomenclature**
 - The Merchant Category Code (MCC) is a four-digit number assigned to describe a Merchant's primary business based on annual sales volume measured in local currency. In addition, some MCCs identify a specific Merchant or type of transaction. Visa/Mastercard, etc. use MCC data for a range of purposes, including activity tracking, reporting, and risk management
 - MCCs are required in all authorization and clearing messages initiated at a point-of-interaction location. The MCCs help to accurately reflect the merchant's primary business and facilitate risk management. The MCCs and descriptions have been derived from Standard Industrial Classification (SIC) Codes and the International Organization for Standardization (ISO) Codes
 - **There are almost 300 major merchant category codes and NPCI has started with only 29 major MCCs, while NPCI has done a commendable job we believe that data for at least 100 major MCCs should be given by NPCI**

- ❑ The top 15-merchant categories accounts 70% in terms of volume and 47% in terms of value in July 2025
- ❑ **The Groceries account for 24.3% of the transactions and 8.8% in value and debt collection agencies category accounts for 12.8% share in terms of value but only 1.3% share in volume ...so ticket size is only Rs 5817 for debt collection agencies**

Top 15 UPI Merchant Category-wise Classification - July'25 (Arranged by Value)					
Description	Volume (in Mn)		Value (in Cr.)		Ticket Size (Rs)
	In Mn	% Share	in Crore	% Share	
Debt collection agencies	161	1.3	93,857	12.8	5817
Groceries and supermarkets	3,033	24.5	64,882	8.8	214
Service stations (with or without ancillary services)	612	4.9	35,189	4.8	575
Utilities electric, gas, water and sanitary	175	1.4	23,498	3.2	1345
Telecommunication services, including local and long distance call	872	7.0	21,629	2.9	248
Eating places and restaurants	1,153	9.3	18,213	2.5	158
Fast food restaurants	1,221	9.9	13,794	1.9	113
Drug stores and pharmacies	297	2.4	11,825	1.6	398
Government services not elsewhere classified	110	0.9	11,298	1.5	1027
Mens and womens clothing shops	93	0.7	10,874	1.5	1175
Digital Goods: Games	351	2.8	10,077	1.4	287
Electronics shops	92	0.7	10,068	1.4	1093
Online Marketplaces	122	1.0	8,054	1.1	660
Mens, womens and childrens uniforms and commercial clothing	66	0.5	5,969	0.8	909
Package shops beer, wine and liquor	146	1.2	5,920	0.8	407
Source: NPCI, SBI Research					

- ❑ The debt collection agencies category transaction value has increased to Rs 93,857 crore in July 2025 from Rs 80,789 in April 2025, while the ticket size has declined to Rs 5817 from Rs 5952
- ❑ The category “Debt Collection Agencies’ indicate ‘loans dues’ collections by NBFCs/Fintechs. Now a days, many small ticket size loans are sanctioned digitally but the amount due are collected by NBFCs termed as debt collection charges
- ❑ So, the increase in amount in the category of ‘debt collection agencies’ are not to worry but its payment to loans which are not paid automatically

MCC (7322)	Visa Definition	Mastercard Definition
Debt collection agencies	Merchants classified with the MCC collect <u>payments of overdue receivables</u> under contract or collect overdue receivables that they have purchased from a third party.	Merchants primarily <u>engaged in collecting debts in default</u> owed to others or that were originally owed to others.

**Disclaimer:**

This Report is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in this Report.

Contact Details:**Dr. Soumya Kanti Ghosh**

Member, 16th Finance Commission &
Group Chief Economic Advisor
State Bank of India, Corporate Centre
Nariman Point, Mumbai - 400021

Email: soumya.ghosh@sbi.co.in
gcea.erd@sbi.co.in

Phone: 022-22742440

✉ : [@kantisoumya](https://twitter.com/kantisoumya)