

The background features a dark blue field with several concentric circular patterns and dashed lines, some containing numerical values like 150, 180, 210, 240, and 260. A faint world map is visible, with the acronym 'UPI' repeated in various locations. In the upper right, there are two overlapping triangles, one orange and one green.

UPI

CREDIT ON UPI MARKET IN INDIA

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Credit on UPI

The **Credit on UPI** concept refers to using **credit-based services** for making payments through the UPI (Unified Payments Interface) system.

What is UPI?

- Unified Payments Interface (UPI) is a real-time payment system enabling money transfer between banks via mobile devices.
- Launched by the National Payments Corporation of India (NPCI) in 2016.
- Currently one of the most widely used digital payment systems in India.



UPI Adoption and Growth in India

Statistics:

- Over 350 million UPI users as of 2023.
- UPI transactions have grown by over 100% YoY.
- UPI has set a new record by processing over 16.73 billion transactions, with a staggering transaction value of Rs 23.25 lakh crore in December 2024.
- UPI is expected to reach **1 billion transactions/day** by 2025.
- The average daily transaction count during December was 539.68 million, up from 516.07 million in November.
- UPI currently has around 350 million active users and 340 million QR codes at merchant locations, More than 600 banks participate in UPI,

UPI Adoption and Growth in India

Key Drivers:

- **Government Support:** Initiatives like financial inclusion programs and Direct Benefit Transfers (DBT) boosted UPI usage.
- **Affordability:** Low transaction costs and widespread availability of cheap mobile data.
- **Ease of Use:** Simple, user-friendly interface and interoperability across banks and apps.
- **Digital Literacy:** Increased awareness and mobile banking adoption, especially in rural areas.
- **Merchant Adoption:** UPI's wide acceptance by both large and small businesses, including street vendors.
- **Security:** Strong encryption, two-factor authentication, and RBI-backed regulatory oversight.
- **Financial Sector Partnerships:** Collaboration with Banks and FinTechs, and Cross-Border Payments.

Key Players In Credit On UPI

Banks



Traditional banks like HDFC, ICICI, SBI are entering the UPI credit space through collaborations with fintechs.

FinTechs

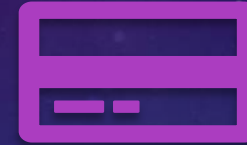


PhonePe: Offers UPI-based credit through their Pay Later feature.

Paytm: Provides UPI-based loans via Paytm Postpaid.

Simpl: A key player offering Buy Now Pay Later (BNPL) services via UPI integration

Payment Platforms



Payment Platforms:

Google Pay: Partners with lending platforms to offer easy credit options.

Sub Segments of Credit on UPI

Credit Card on UPI:

Use your linked credit card to make payments.

Buy Now, Pay Later (BNPL):

Use a BNPL service to make UPI payments and repay later.

Overdraft Facility on UPI:

Use an overdraft limit linked to your bank account for UPI payments.

Pre-approved Personal Loan on UPI:

Use a pre-approved loan for UPI transactions.

Instant Credit via Digital Wallets:

Use instant credit lines offered by digital wallets or fintech apps.

Credit Line on UPI:

Revolving credit lines offered by banks or fintech apps, usable for UPI transactions.

Jobs To Be Done

	Job	Outcome	Why
1.	Accessing Instant Credit for Purchases	Immediate access to small credit limits directly from UPI, enabling instant purchases at merchants or online.	Users want a seamless, quick, and convenient way to access credit for day-to-day purchases without needing a credit card or loan approval.
2.	Managing Cash Flow	Ability to access short-term credit through UPI to cover urgent or unexpected expenses.	Users need flexibility in managing their finances, especially during times of financial strain, without relying on larger loans or credit cards.
3.	Making Emergency Payments	Access to small, short-term credit lines through UPI for urgent payments (e.g., medical bills, utilities).	Users want a quick way to cover emergency expenses without going through long credit approval processes.

Jobs To Be Done

	Job	Outcome	Why
4.	Paying Across Multiple Merchant Categories	UPI credit works across various merchant categories, both online and offline, without platform restrictions.	Users prefer flexibility and want to use credit for a wide range of merchants and use cases, not limited to specific platforms.
5.	Reducing the Need for Multiple Financial Apps	UPI integrates credit options (Buy Now, Pay Later) alongside traditional payment features for a unified solution.	Users want to consolidate their financial activities into one app, reducing the mental load of managing multiple apps.
6.	Easily Tracking Credit Usage and Repayment	Clear, intuitive dashboard within the UPI app showing credit used, outstanding balances, and upcoming repayment dates.	Transparent and easy-to-understand tracking helps users make informed financial decisions and avoid missing payments.

Key Parameters Driving Value Proposition in Credit on UPI

Convenience & Ease of Use

- Seamless UPI integration for easy payments
- Instant credit approval and quick access via apps

Flexible Repayment Options

- Multiple choices (weekly, monthly) and EMI conversion
- Low/No interest on short-term loans

Affordable & Transparent Pricing

- Clear terms, no hidden fees
- Competitive interest rates and interest-free grace periods

Trust & Security

- Compliance with RBI regulations and strong data protection
- Transparent credit scoring and secure transactions

Financial Inclusion

- Credit access for underbanked segments and those without traditional banking
- Tailored products for diverse user needs

User Experience (UX)

- Easy checkout and mobile-first design
- Real-time notifications for payments and due dates

Partner Network & Merchant Integration

- Wide merchant network and integration with e-commerce
- Credit at checkout for higher adoption

Customer Support & Engagement

- 24/7 customer service and personalized support
- Rewards, cashback, and financial education to engage users

Recent Trends Shaping the UPI Credit Market

1. Rising BNPL Adoption

BNPL services (PhonePe, Paytm Postpaid) gaining popularity for flexible, interest-free payments.
UPI-based repayments offering seamless checkout for everyday purchases.

2. Instant Credit via UPI

UPI-powered instant loans (LazyPay, KreditBee) replacing traditional credit cards for fast, low-friction credit access.
Real-time credit solutions improving consumer experience.

3. Financial Inclusion

Focus on underserved populations (tier 2, 3 cities, rural areas) with micro-credit and alternative data for credit scoring.
Helping the unbanked participate in the digital economy.

4. E-Commerce & Merchant Integration

BNPL and UPI-based credit integrated into major e-commerce platforms (Amazon Pay Later, Flipkart Pay Later).
Expanding merchant partnerships for seamless online and offline usage.

5. AI & Automation in User Experience

AI-driven personalization for tailored credit offerings and repayment plans.
Chatbots and automation enhancing customer support and credit management.

6. Bank-Fintech Collaborations

Banks (ICICI, HDFC) partnering with fintechs (PhonePe, ZestMoney) for UPI-based credit solutions.
Co-branded products and faster e-KYC for seamless onboarding.

7. UPI-Linked Credit Cards & Virtual Cards

Virtual and physical UPI-linked cards (Slice, Uni) offering flexible payments with EMI options and no upfront charges.
Seamless integration across platforms for both online and offline transactions..

8. Enhanced Regulatory Focus

RBI's focus on clear digital lending guidelines for consumer protection and transparency.
Stronger credit scoring and risk management practices to build trust in UPI credit products.

Future of UPI-Based Credit in India: Key Trends

Expansion of UPI-Based Credit Products

- **Growth in BNPL & Short-Term Credit:** E-commerce, travel, and education sectors will see wider credit offerings.
- **Personalized Credit Lines:** Platforms (PhonePe, Paytm) will tailor credit based on user behavior and income.

Financial Inclusion

- **Targeting Tier 2 & 3 Cities:** UPI will drive credit access for underbanked populations in rural/semi-urban areas.
- **SME Adoption:** Small businesses will use UPI for working capital and short-term loans.

Cross-Border Payments

- **Global UPI Integration:** UPI will expand to countries like Singapore, Nepal, UAE, enabling cross-border payments and purchases.
- **Global BNPL Solutions:** Indian users will access global BNPL credit via UPI integration.

AI, ML, and Data-Driven Credit Scoring

- **Smarter Credit Decisions:** AI-driven credit scoring will use alternative data (mobile usage, transactions).
- **Real-Time Risk Management:** Dynamic, personalized credit options based on real-time behavior and market trends.

Future of UPI-Based Credit in India: Key Trends

UPI Integration with Digital Wallets & Fintech

- **Wallet Ecosystem Integration:** UPI credit within digital wallets (PhonePe, Paytm) alongside loans and investments.
- **Cross-Product Ecosystem:** Fintech collaborations will bundle credit with insurance, mutual funds, etc.

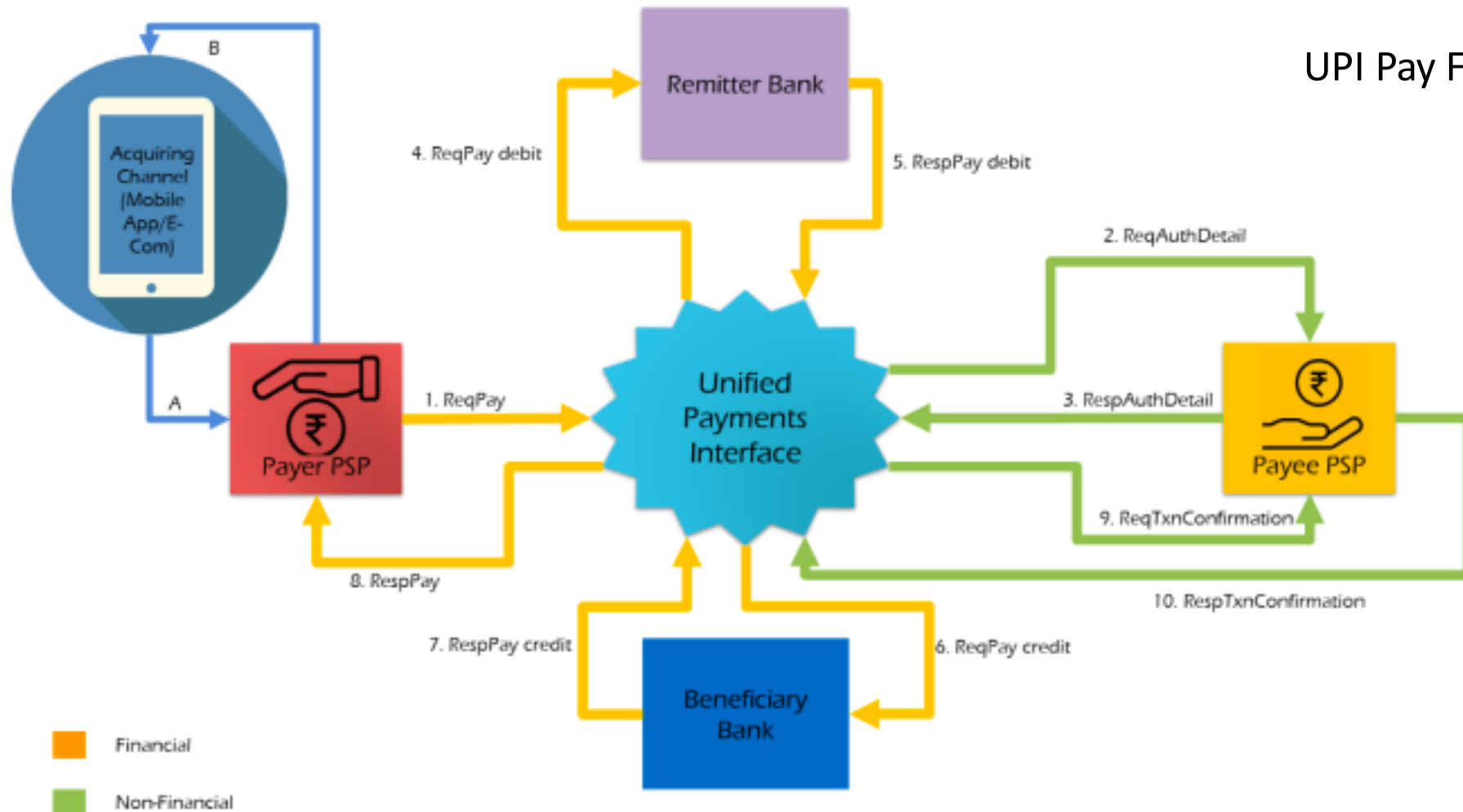
UPI-Linked Credit & Virtual Cards

- **Rise of UPI Credit Cards:** UPI-enabled and virtual credit cards for seamless online/offline payments.
- **Smarter Credit Cards:** Automated EMI conversion, dynamic repayment schedules.

Regulatory Clarity & Consumer Protection

- **Clearer Regulations:** RBI to refine digital lending rules, focusing on consumer protection and data privacy.
- **Credit Scoring Transparency:** Fair and transparent credit scoring systems to build trust.

UPI Transaction Flow

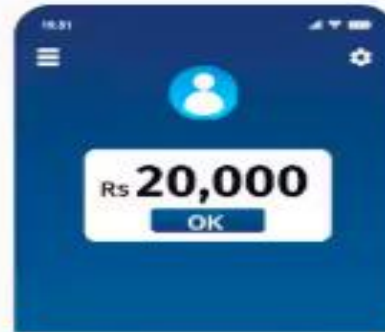


Transaction Flow for Credit On UPI

**Step 1:
Open the UPI
payment app**



**Step 2:
Enter the
amount**



**Step 3:
Select the credit line
offered by the bank**



**Step 4:
Enter the UPI
PIN**



**Step 5:
Complete your
transaction**



Regulatory Landscape for Credit on UPI

RBI Oversight:

- RBI is the primary regulator for UPI, ensuring security, scalability, and inclusivity.
- UPI framework governed by NPCI under RBI's supervision.

Digital Lending Guidelines:

- RBI's guidelines ensure transparency, borrower protection, and fair lending practices.
- In 2022, stricter norms were introduced, including fee disclosure and interest rate caps.

RBI's Focus on Security:

- Strong security protocols (2FA, encryption) protect users.
- Essential for safe integration of credit services with UPI.

UPI 2.0 & Credit Linkage:

- UPI 2.0 enables linked overdraft accounts and lending services.
- Financial institutions need RBI approval to offer credit through UPI.

Data Privacy Regulations:

- The **Personal Data Protection Bill (PDPB)** will regulate user consent, data sharing, and privacy in UPI-based credit.
- Lenders must follow data security and consent protocols.

Challenges in Credit on UPI

Over-Indebtedness Risk: Easy access to small loans can lead to over-borrowing, especially for those with limited credit history, increasing default risks.

Lack of Credit History: Many users, especially in rural areas, lack credit history, complicating credit assessment and increasing the risk of mismanagement.

Regulatory Complexity: The complex regulatory landscape with multiple stakeholders (banks, NBFCs, fintechs, RBI) makes compliance difficult and creates coordination challenges.

Fraud and Security Concerns: The integration of credit products raises the risk of fraud, requiring continuous monitoring and enhanced security protocols.

Interest Rate and Fee Regulation: High interest rates and hidden fees in UPI-based credit products could lead to regulatory pressure and affect profitability.

Consumer Education: Low awareness about credit terms, especially in rural areas, could lead to confusion and financial mismanagement.

Dispute Resolution: Lack of streamlined mechanisms for resolving disputes, making the process of addressing defaults or technical issues slow and complex.

Future Outlook and Conclusion

Growth Projections:

The UPI credit market is expected to grow rapidly with more fintechs, banks, and e-commerce platforms incorporating credit solutions.

By 2025, the UPI credit market could witness a CAGR of 50%+, reaching a multi-billion-dollar market size.

Conclusion:

UPI's integration with credit offerings has the potential to drive financial inclusion and reshape digital lending in India.

Regulatory clarity, consumer education, and robust partnerships will be key to unlocking the full potential of this market.

UPI
Payments

Thank You...

