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Is UPI Still Free? What the 0.4% Merchant Fee Means for You



India's digital payments journey is now reaching an important stage. Over the past decade, the country has built one of the world's largest real-time payments networks. This includes the growing use of smartphones, QR code-based merchant acceptance and person-to-person transfers.

Until now, the payments model on UPI has remained free. However, amid rising infrastructure costs and the need for fraud prevention, a new pricing framework has been introduced. Under this, a Merchant Discount Rate, or MDR, will apply on some UPI transactions.

Let us understand the new MDR charge on UPI in detail and know what its impact will be.

What's Happening?

In a circular issued on 15 September 2026, the National Payments Corporation of India, or NPCI, said that merchants

will have to pay 0.4% MDR on UPI payments above Rs 2,000. This charge will go to banks and payment processors, and the new structure will come into effect from 15 October 2026.

However, no charge will apply on person-to-person, or P2P, transactions, regardless of the transaction value. P2P transactions account for 37% of the volume and 70% of the value of total UPI transactions.

The charge will apply only on person-to-merchant, or P2M, transactions whose value exceeds Rs 2,000. All P2M transactions up to Rs 2,000, whether through UPI or Ru-Pay debit card, will remain completely free. No charge will apply on auto-debits and UPI mandates either.

How Much Charge Will Apply on Which Transactions?

Under the new framework, different MDRs have been fixed for different transactions.

First, a standard MDR of 0.4% will apply on P2M transactions above Rs 2,000. For transactions of Rs 75,000 and above, this charge will be capped at Rs 300 per transaction.

Second, a flat MDR has been kept for essential sectors such as railways, telecom, insurance, fuel and agricultural inputs. A flat MDR of Rs 5 will apply on transactions above Rs 2,000. This also includes utility payments, fuel purchases, insurance premiums, rail tickets and several government services. The objective is to keep costs stable in essential public services and thin-margin industries.

The third slab is for the capital market. Payments made towards mutual funds, securities, stock brokers and dealers will attract 0.02% MDR, which will be capped at Rs 300.

Complete exemption has been given to small merchants. Merchants falling under the P2PM category, who receive up to Rs 1 lakh every month through UPI QR codes, will not have to

pay MDR on any UPI transaction. This includes merchants such as vegetable vendors, tea shops and Kirana stores.

Who Will Benefit from MDR?

According to the Finance Ministry, banks will not be able to pass on the MDR cost imposed on merchants to customers. At the same time, UPI app providers will not be allowed to levy platform fees or hidden charges. MDR is not a tax and will not be collected by the government or NPCI; instead, it will be shared among different partners in the payment's ecosystem.

Of the 0.4% MDR, 0.28% will be the interchange fee, while the remaining portion will be shared between payment service providers and app providers. According to the government, continuous investment is needed for UPI operations, server bandwidth and fraud prevention.

Despite this, the 0.4% MDR is lower compared to the 1.5%–2.5% MDR on credit cards and up to 0.9% on debit cards. According to government data, only 4% of merchant transactions will be affected by MDR, while more than 95% of merchant transactions below Rs 2,000 will remain unaffected.

What Does This Mean for Investors?

For investors, the new MDR framework offers a new way of looking at the UPI ecosystem. Until now, the UPI model was based on subsidies. The new MDR will create a revenue stream for payment banks, acquiring banks and third-party app providers.

The government has also announced that 5% of total MDR collections will be set aside for a dedicated fund. This will be used to promote the use of UPI among small merchants.

This initiative also focuses on increasing UPI acceptance and bringing small businesses into the digital payment's ecosystem. For companies linked to payment gateways, PSP services and merchant acquiring, the 0.4% MDR could become a new revenue stream. At the same time, due to the Rs 2,000 threshold and the monthly limit of Rs 1 lakh for small P2PM merchants, a large number of payments will still remain outside MDR.

What's Next?

According to the Finance Ministry, the new MDR framework will help make UPI self-sustainable, provide incentives for expansion in rural and semi-urban areas, and maintain competitiveness. Banks also incur costs for cash handling, and many banks charge deposit fees. In this context, the 0.4% digital acceptance model could also remain cost-efficient for merchants.

The new model coming into effect from 15 October 2026 will determine how India's digital payments ecosystem moves from a subsidy-based system towards a revenue-sharing model.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

India's Next Industrial Revolution: 6 Sectors to Watch



India's economic growth is no longer limited to traditional manufacturing. With deep tech, advanced infrastructure and a growing domestic market, India is now moving into a new industrial phase. Over the past 10 years, India has built strong digital infrastructure, including telecom penetration, rising smartphone usage, real-time payments and digital identities. On this foundation, the next wave of growth is now taking shape.

Let us understand this new industrial revolution in India.

What's Happening?

Jefferies, in its India Equity Strategy report, has linked India's next phase of growth to 6 sectors. These include semiconductors, space, aerospace, electronics, solar

manufacturing and data centres. Jefferies considers this India's new industrial revolution.

This growth is being supported by a large domestic market, rising private sector participation and policy support. India is already a major manufacturer of steel, cement, automobiles and refined products. In addition, India is also an important producer of mobile phones and solar modules.

Now, the challenge is to take these capabilities towards more complex manufacturing. The government opened the space sector to private companies in 2020. Tax holidays for data centres and incentive schemes for semiconductors, electronics and solar manufacturing have also been introduced.

Semiconductors and Space Sector

In semiconductors, India is now moving from announcements to execution. Investments of about \$20 billion have been triggered. One chip fabrication plant is under construction, while several Outsourced Semiconductor Assembly and Test (OSAT) projects are moving towards production. The government has also launched the second phase of its semiconductor programme, with an outlay of about \$13 billion.

Private participation is also rising in the space sector. The target is to take the space economy to \$40 to \$45 billion by 2030, compared with \$8.4 billion in 2023. This means the target is to achieve nearly five-fold growth.

In 2026, there are more than 400 space startups in India. Players like Sky root Aerospace, Pixxel, Agnikul Cosmos and Digantara are moving from innovation to commercial execution. India is among the select spacefaring nations with competitive capabilities.

Electronics, Solar and Aerospace Sector

The electronics sector is no longer limited to assembly, and value addition is rising. Local value addition in the mobile component bill of materials can rise from less than 20% to 50% over the next six years. The PCB market, worth about \$5 billion, is still dependent on imports. Schemes like the Electronics Component Manufacturing Scheme (ECMS) and MPMS (Mobile 2.0) are strengthening the supply chain.

In the solar sector, India is the second-largest solar photovoltaic manufacturer. There is currently 35 GW of operational cell capacity, while 100 GW of capacity is under construction. By 2030, 90% of the value chain is expected to be localised.

In aerospace, global supply constraints are creating opportunities for India. Boeing and Airbus source \$1.4 to \$1.6 billion annually from India. Aequs, Azad Engineering, Bharat Forge, Dynamatic, Motherson and Sansera have become global tier-1 suppliers.

What Does This Mean for Investors?

Data centres are the biggest capital-intensive opportunity. Colocation capacity has risen five-fold over the past five years to 2 GW. Over the next five years, it is expected to rise another five-fold to 10 GW. This could create a facility capital expenditure opportunity of \$45 billion and a revenue opportunity of \$9 billion. This investment will go into construction, real estate, power equipment, cooling solutions and network infrastructure.

The space sector rising from \$8.4 billion to \$40-45 billion, investments of \$20 billion in semiconductors with an outlay of \$13 billion, and localisation of the \$5 billion PCB market in electronics give this theme multi-year visibility. With policy backing and a large domestic market, private capital is also rising.

What's Next?

Going forward, growth in these sectors will also create opportunities in power generation, grid connectivity, cooling and advanced materials. The common drivers of all these sectors are local supply chains, domestic demand, policy backing and private participation.

However, challenges such as supply chain depth, skilled workers and global competition will remain. Despite this, India is moving beyond assembly and imports towards manufacturing, localisation and global supply chain integration. This is a multi-decade opportunity.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

Construction Costs Rose 34%, So Why Did Home Prices Rise 59%?



India's major cities have seen continuous increases in the cost of buying homes over the past few years. But understanding this rise solely through cement, steel, labour and other construction expenses does not present the complete picture. Between 2021 and 2025, the average construction cost of standard-plus residential projects in the top seven cities rose by 34%, while residential capital values increased by 59%. In other words, home prices have risen at a significantly faster pace than the cost of building them.

This gap shows that property prices are influenced not only by building costs but also by land, location, developer margins and demand-supply factors.

Let us understand this change in detail and find out the real reasons behind such a sharp rise in home prices.

What's Happening?

According to Anarock Research, between 2021 and 2025, the average construction cost of standard-plus residential projects in the top seven cities rose from Rs 2,681 per square foot to Rs 3,604 per square foot. This is a 34% increase, with a CAGR of approximately 6.9%. In comparison, during the same period, the average residential capital value rose from Rs 5,826 per square foot to Rs 9,260 per square foot, which is a 59% increase and approximately 12% CAGR.

According to the report, of the total increase in residential prices, approximately 66% is attributable to construction expenses, while the remaining 34% is linked to land costs, developer margins and changing demand-supply dynamics. This difference shows that the story of homes becoming more expensive is not limited to construction materials alone. In this, land prices emerge as one of the most important factors.

Rising Land Prices Have Become a Major Reason

In the top seven cities, between 2021 and H1 2026, land values rose by approximately 50-120%. In NCR, this increase was about 70-130%, and in Bengaluru, around 60-120%. According to the report, infrastructure-led appreciation, demand-supply dynamics, location premiums and developer pricing played a role in increasing residential capital values.

The arrival of expressways, metro lines, airports or better connectivity in an area can increase its attractiveness. This raises both the demand for and price of land. Especially in established urban corridors, limited land supply can force developers to pay higher prices. This cost eventually appears in the final price of the property.

This is why two homes with the same construction specifications can still have a large difference in price. The

difference may not be only in the building, but also in the land and location on which that home is built.

Pressure is also Rising on Construction Costs

Apart from land, the cost of building homes has also risen rapidly. In the premium segment, between 2021 and 2025, construction costs rose by 39% from Rs 3,861 per square foot to Rs 5,370 per square foot.

Meanwhile, due to West Asia tensions, an additional 8-10% pressure is estimated on the total construction cost. Steel prices rose by approximately 20%, and the price of TMT bars reached around Rs 72,000 per tonne. Fuel and site logistics costs rose by 15-20%. Finishing materials such as tiles, glass and hardware became 8-12% more expensive, while MEP costs rose by 9-13%.

Labour is still the largest single component of project costs and accounts for approximately 25-30% of the total cost. Its cost rose by 5-6%. Cement prices increased by approximately 4-5%. Between 2023 and 2025, core building costs rose by 13% to Rs 2,212 per square foot, while MEP costs rose by more than 17% to Rs 788 per square foot. In 2025, the share of MEP in total construction costs was approximately 22%.

What Does This Mean for Investors?

Real estate prices have risen by 59%, while construction costs have risen by 34%. This gap shows that land, location and demand-supply factors play a major role in property values.

From the stock market perspective, rising property prices can support the revenue and realisations of real estate companies, but rising construction costs can put pressure on margins. Especially in already launched and sold projects, it is not easy to raise prices despite rising costs. On the other hand, in new

projects, developers have more room in pricing, although buyer affordability remains an important constraint in mid-income and affordable housing.

What's Next?

Going forward, the impact of construction costs will depend on the project stage and segment. In already launched and sold projects, limited scope to raise prices may keep margins under pressure. In new projects, the possibility of repricing will be higher, but affordability and competition may limit it.

Premium and luxury housing can absorb rising costs relatively better, while higher prices in the affordable and mid-income segments may affect demand. In such a situation, developers may focus on changes in pricing, project specifications, product mix and launch timing.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

India's Auto Market Shifts: CNG, Hybrid and EVs Overtake Petrol



India's automotive industry is witnessing a major shift. In August 2026, auto retail sales set a new record, but the bigger change was in people's fuel preferences. For the first time, the combined share of CNG, hybrid and electric vehicles surpassed that of petrol. Lower running costs, concerns over E20 petrol and stronger rural demand were the main reasons behind this change.

Let us understand this trend in detail and see how cost efficiency, consumer concerns and rural demand together shaped this shift.

What's Happening?

In August 2026, India's auto retail market recorded its biggest August so far. Total vehicle registrations stood at 24,23,201 units, a growth of 17.51% YoY. However, compared to the record levels of July, sales were 6.48% lower. This has been

linked to the seasonal impact of the monsoon and changes in the festive calendar.

In the passenger vehicle segment, the biggest change came in terms of fuel preference. The combined share of CNG, hybrid and electric vehicles stood at 41.95%, while vehicles running on petrol/ethanol accounted for 40.85%.

A year earlier, the share of petrol was about 11 percentage points higher. Now, this lead has completely disappeared. Passenger vehicle registrations stood at 4,02,398 units, meaning that for the first time in August, this figure crossed the four-lakh mark.

Rising Share of Alternative Fuels and Concern Over E20

Among alternative fuel vehicles, CNG had the highest share at 25.28%. This was followed by hybrids with a share of 9.04% and EVs at 7.63%. The share of EV passenger vehicles has also increased. In August 2025, it was 5.8%, which rose to 7.63% in August 2026.

A major reason behind this change is the lower running cost of alternative fuel vehicles. Along with this, concern among consumers over E20 petrol has also increased. E20 contains 20% ethanol and was introduced to reduce dependence on imported crude.

However, owners of older vehicles are concerned that E20 may reduce fuel economy and affect engine performance. FADA, the dealers' body, said these concerns are prompting buyers to consider CNG, hybrid and electric models.

In total auto retail sales, two-wheeler sales stood at 17,14,610 units. This was a growth of 19.69% YoY and the best August so far for two-wheelers.

Rural Demand and Expansion of the EV Market

In August, the rural market outperformed the urban market. Total rural retail growth was 19.79%, compared to 15.17% in urban areas. The difference was even wider in passenger vehicles, where rural growth stood at 24.99% against 10.93% in urban markets. However, there was pressure in the tractor segment. Here, YoY growth was only 0.84%, while MoM sales fell 25.03%.

The EV segment also set a new record in August. Across all categories, EV retail sales stood at 2,98,448 units, a YoY growth of 52.9%. Total EV penetration reached 12.3%, up from 9.5% last year. Electric two-wheelers accounted for 10.68% of sales, while EVs made up 65.30% of three-wheeler sales and 5.18% of commercial vehicle sales. In the EV passenger vehicle market, Tata Motors had a share of about 43%, followed by Mahindra & Mahindra at 21.1%.

What Does This Mean for Investors?

The shift in fuel preferences could have long-term implications for auto companies. CNG, hybrid and EV models are gaining ground, while rural markets are also contributing more to overall sales. In April-August FY27, total retail sales stood at 1.29 crore units, a growth of 18.47%.

However, passenger vehicle inventory has reached 38-40 days, significantly higher than FADA's benchmark of 21 days. This means companies will need to maintain a balance between dispatches and actual demand to avoid excess inventory.

What's Next?

The festive season from September to November will be important for the auto market. The shift away from petrol is more than a one-month change and points to evolving

consumer preferences, particularly around running costs and fuel choices. At the same time, the growing presence of EVs and stronger rural sales are opening up new areas of growth for the industry. FADA said every EV category set a new record in August.

The Economic Times reported that dealers' sentiment remains positive, although it has weakened slightly. 67.09% of dealers expect growth in September, while 81.62% expect growth during September-November. Festive occasions such as Ganesh Chaturthi, Navratri, Dhanteras and Diwali may support sales. However, dealers remain cautious due to the below-normal monsoon, recent price increases and the strong base created by last year's GST-driven festive season.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.

India's Chip Industry Could Reach \$200 Billion by 2035: What It Means



India's semiconductor sector is in a phase of rapid expansion. Amid growing demand from sectors such as electronics, automobiles, artificial intelligence and data centres, there is a growing emphasis on strengthening chip manufacturing and the related ecosystem in the country. Global companies, along with the government, are also increasing investments in India. In this context, the semiconductor sector could play an important role in strengthening India's technology and manufacturing capabilities in the coming years.

Let us understand the direction in which India's semiconductor market is moving and the significance of the investments taking place in this sector.

What's Happening?

According to the EY-IESA report 'Semicon India 2.0: From Capacity Creation to Ecosystem Leadership', India's

semiconductor market could grow from around \$64 billion in 2026 to \$200 billion by 2035. This means that, based on current estimates, the market could grow more than three times.

Currently, consumer electronics accounts for 30% of the demand in India's semiconductor market. This is followed by the automotive sector at 16% and industrial applications at 15%. Meanwhile, segments such as artificial intelligence, data centres, telecommunications, electric mobility and advanced manufacturing are creating new sources of demand.

India's dependence on semiconductor imports is also important for understanding the sector. Imports increased from \$5.7 billion in FY17 to \$30.3 billion in FY25. During this period, the compound annual growth rate of imports was 23%. According to the report, about 20% of the world's chip design engineers are based in India, providing an important talent base for the domestic design and manufacturing ecosystem.

Emphasis on Local Manufacturing with Growing Demand

An important part of India's semiconductor opportunity is to convert growing domestic demand into local manufacturing. According to the EY-IESA report, the rising import figures highlight the need to link domestic requirements with local fabrication and other manufacturing capabilities.

In this direction, India's strategy is now not limited to chip assembly and testing. According to The Hindu, the government wants to develop capacity across different parts of the semiconductor value chain, including design, fabrication, equipment and materials. The government's goal is to develop design and manufacturing capacity in India for several chips used in cars, televisions, refrigerators and power infrastructure.

For this expansion, a commitment of Rs 1.27 lakh crore has been made under Semicon 2.0. According to the government, investment interest of about Rs 1 lakh crore has also been received in this phase.

Semiconductor Ecosystem Being Built with Large Investments

Investment activity in the semiconductor sector has also increased. Along with this, following the new semiconductor policy, investment commitments of up to about \$12 billion have been received from global and domestic investors. These investments are linked to equipment, materials and other semiconductor supply-chain activities.

Applied Materials has stated plans to invest \$5 billion in India over the next decade, while Lam Research plans to spend about \$1 billion on a local manufacturing facility. Micron is moving ahead with a plan to test and assemble hundreds of millions of chips in India in 2027.

Tata Electronics has announced a partnership with Nexperia related to wafer manufacturing, assembly and testing, as well as a collaboration with Fujifilm to develop local production and supply chains for critical raw materials. In addition, Tata Electronics' 363-acre vendor park and Fujifilm's Rs 800 crore semiconductor materials plant have also been mentioned.

What Does This Mean for Investors?

The estimate of the semiconductor market growing from around \$64 billion in 2026 to \$200 billion by 2035 indicates potential long-term demand in this sector. However, it would not be correct to view this opportunity as limited only to chip fabrication.

The EY-IESA report also identifies sectors such as advanced packaging, compound semiconductors, photonics and chip-to-system integration as important opportunities.

On the other hand, the increase in semiconductor imports from \$5.7 billion to \$30.3 billion between FY17 and FY25 shows that a gap still exists between domestic demand and local supply. Therefore, it will be important to view the progress of the sector not only through investment announcements, but also through the development of actual manufacturing, design and supply-chain capacity.

What's Next?

The next phase of India's semiconductor sector will not remain limited to creating new capacity. The EY-IESA report identifies execution, innovation, technology commercialisation, indigenous IP, specialised talent and ecosystem depth as important factors for further progress.

The government's current direction is also towards this. There are plans to expand semiconductor capacity for cars, power systems, televisions, refrigerators and other electronic products. Meanwhile, new investments are reaching sectors such as equipment, materials, wafer manufacturing and testing.

Therefore, the estimate of \$200 billion by 2035 is not only about potential growth in market size. Along with this, India also faces the challenge of how effectively growing domestic demand, chip design talent and new investments can be converted into a deep and broad semiconductor ecosystem.

Source:- Motilal Oswal Research360 , Kotak Research , Business Research, Mint Research.