BANKING/FINANCE · C4S COURSES

MDR Framework for UPI Transactions

17 September 2026

Source: PIB

Context A **Merchant Discount Rate (MDR) framework** for UPI has been introduced, effective **15 October 2026**, applying to merchant transactions with specified exemptions.

What MDR Is

- A fee charged **within the merchant payment ecosystem** for processing digital transactions
- Applies to certain **Person-to-Merchant (P2M)** transactions
- **Shared among banks, payment service providers and UPI app providers**
- **It is not a tax or government levy**, and **customers are not required to pay it**
- Introduced under the **Payment and Settlement Systems Act, 2007**

The Fee Structure

Category	Rate
All P2P transactions	**Zero**, irrespective of value
P2M above ₹2,000	**0.4 per cent**
Transactions above ₹75,000	**Capped at ₹300**
Essential sectors — railways, telecom, fuel, insurance, utility bills, agricultural inputs	**Flat ₹5** for payments over ₹2,000
Capital market — mutual funds, securities, stockbrokers	**0.02 per cent**, capped at ₹300

- No charges on payments up to ₹2,000 through **RuPay debit cards** either

Exemptions

- **All P2P transactions** — zero MDR
- **P2M up to ₹2,000** — zero MDR
- **Small merchants under P2PM** — zero MDR up to **₹1 lakh monthly receipts**
- **UPI AutoPay and Mandates** — including recurring utility bills, subscriptions and investments

Financial Inclusion Provision

- **5 per cent of collections** will fund **UPI adoption among small merchants**

About UPI

- A **real-time payment system** enabling **24/7 instant, interoperable and secure** transactions
- The **world's largest retail fast payment system by transaction volume**
- Developed by the **NPCI**
- Key features: **two-factor authentication**, **open API**, **single app integration** across multiple bank accounts

International Acceptance

UPI is accepted in 11 countries: Greece, Maldives, UAE, Singapore, Bhutan, Nepal, Sri Lanka, France, Mauritius, Qatar and Cambodia

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