(IJTBM) 2026, Vol. No. 16, Issue No. IV, Oct-Dec **e-ISSN: 2231-6868 p-ISSN: 2454-468X**

UPI, Zero-MDR and Small Retail Merchants in India: A Policy and Secondary-Data Analysis

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DOI:10.37648/ijtbm.v16i04.006

[1]*Received: 21 September 2026; Accepted: 13 October 2026; Published: 08 November 2026*

Abstract

This paper examines whether India's move from zero to non-zero merchant discount rate (MDR) on UPI payments threatens small retail merchants. Using published NPCI volume and value data for 2025–26, the MDR framework announced in September 2026, and illustrative merchant-level cost scenarios, it finds that the average UPI payment (about ₹1,240 in October 2026) sits well below the ₹2,000 threshold, so most small-merchant transactions stay free. The real exposure is concentrated in high-ticket, low-margin sellers and in merchants whose UPI receipts cross ₹1 lakh a month. The paper argues for a graded threshold, a transparent reclassification rule, and monitoring of cash reversion before the framework is fully rolled out.

Keywords: *UPI; merchant discount rate; digital payments; small retailers; financial inclusion; two-sided markets; India*

1. Introduction

UPI processed a record 25.47 billion transactions worth ₹31.53 lakh crore in October 2026, up 23% in volume and 16% in value year on year. It is now the default way many Indian shoppers pay, and small shopkeepers sit at the receiving end of that shift.

One reason for this reach is price. From January 2020, government rules barred MDR on prescribed electronic payment modes, including BHIM-UPI and UPI QR payments. Merchants who had avoided cards because of 1–2% fees could accept UPI at no direct cost.

That arrangement is now changing. NPCI announced a 0.4% MDR on person-to-merchant (P2M) payments above ₹2,000, due from 15 October 2026. On 13 October NPCI deferred the start to "immediately post Diwali", with the date to be notified separately. As of 22 November 2026 the author has not found an official start date.

The question for commerce scholars and policymakers is who actually bears the cost, and whether it will push small merchants back to cash. This paper addresses that question with public data and transparent scenarios.

[1] *How to cite the article:* Jindal R., Chauhan S. (November 2026); UPI, Zero-MDR and Small Retail Merchants in India: A Policy and Secondary-Data Analysis; *International Journal of Transformations in Business Management,* Vol 16, Issue 4, 56-69, DOI: http://doi.org/10.37648/ijtbm.v16i04.006

1.1 Background. A merchant discount rate is the fee a merchant pays its bank or payment provider each time a customer pays digitally. Before 2020 it could reach levels that discouraged small shops from accepting cards at all; the government had cited a UPI P2M MDR of up to 0.30% before zero MDR was introduced. Making the fee zero for BHIM-UPI and RuPay debit cards in January 2020 removed a direct cost for merchants, particularly small businesses.

Zero MDR did not make processing free. Someone still ran the network, paid for the servers and handled disputes. Banks argue that they carried part of this cost, and commentators note that government reimbursements have often fallen short of actual processing costs. Grant Thornton's payments report puts the number of merchants accepting digital payments at over five crore, and credits UPI as a major factor.

1.2 Significance of the study. Small retail is a large part of Indian commerce, and its owners decide on very thin margins whether to accept digital payments. A fee change that looks tiny in a policy note can look large at the counter. Understanding who actually pays, and how much, matters to four groups: shopkeepers deciding on pricing, banks and payment apps designing products, regulators fine-tuning the framework, and students of commerce who study how pricing shapes technology adoption.

1.3 Structure of the paper. Section 2 reviews the literature and builds a conceptual framework. Section 3 states the objectives and research questions. Section 4 explains the methodology, including a survey design for primary data. Section 5 analyses the secondary data and the MDR rate card. Section 6 discusses findings, section 7 gives recommendations, and section 8 states limitations and concludes. Appendices contain the questionnaire, templates for reporting survey results, and a glossary.

2. Review of literature

Three strands of work frame the question.

Technology adoption. Davis (1989) showed that perceived usefulness and ease of use drive acceptance of a new technology, and Venkatesh et al. (2003) extended this into the UTAUT model by adding social influence and facilitating conditions. Rogers (2003) adds that adoption spreads along an S-curve and that relative advantage, including cost, shapes how quickly. For a shopkeeper, a zero fee raises relative advantage directly; a fee lowers it.

Two-sided markets. Rochet and Tirole (2003) and Rysman (2009) explain why platforms often subsidise one side of the market to attract the other. Zero MDR fits this logic: customers and merchants both joined a network whose processing cost was met elsewhere. The government's incentive payments under digital-payment schemes totalled ₹8,276 crore from FY2021–22 to FY2024–25. A subsidy that bootstraps a network can become hard to justify once the network is mature, which is the argument made by policy commentators.

Merchant economics under the 2026 debate. Industry commentary splits. Supporters of zero MDR say affordability was central to UPI's growth and that digital receipts improved small merchants' cash flow and transaction records. The Retailers Association of India warned that the new MDR could hurt adoption among smaller retailers, while MobiKwik's CEO argued UPI was never free and that market-linked pricing ends a taxpayer-funded subsidy.

Financial inclusion and credit. A second argument for zero MDR is that digital receipts bring small merchants into the formal financial system. A former senior advisor to the Indian Banks' Association argues that zero MDR made digital payments accessible to small merchants and supported wider access to formal financial services and credit. The founder of a merchant-services firm adds that digital receipts improved small merchants' cash-flow cycle and the quality of their transaction data. If these effects are real, a fee that pushes merchants back to cash would carry a cost beyond the fee itself, because the shop would lose the digital record that lenders can read. This is a plausible mechanism, not an established result, and it is one reason the survey in section 4.1 asks about credit.

Cost pass-through and price sensitivity. The new framework bars merchants from adding the fee to the customer's bill as a surcharge. A merchant who cannot surcharge has three other options: absorb the cost, raise shelf prices for

everyone, or steer customers to cash. Which one a shop chooses depends on its margin and on how easily customers can switch to another shop. A seller of branded goods with fixed retail prices has little room to raise prices. A neighbourhood grocery with loyal customers has more. Reports from merchants quoted in the press already show both reactions: one expects sellers to pass the cost on to consumers, while another says the cost is small relative to the operational burden of tracking it.

Card payments as a comparison. Before zero MDR, many small and medium merchants avoided card payments because of the fees, and some did not even have a point-of-sale machine. Cards therefore show what happens when fees and equipment costs sit on the merchant side: acceptance stays thin among small shops. The 2026 UPI fee is far lower than that history suggests, but the comparison explains why merchant groups react strongly to any return of a percentage fee.

Gap. Most of the 2026 material is journalism or advocacy. There is little structured analysis that sets the announced rate card against actual ticket sizes and merchant margins. This paper takes a first step in that direction.

2.1 Reading the theories together. The adoption models explain the individual merchant's choice: will I accept UPI, and will I keep accepting it? The two-sided-market literature explains the system's choice: who should be charged, and how much, to keep both customers and merchants on board. A merchant fee touches both. It changes the merchant's perceived usefulness of UPI, because a cost is now attached, and it shifts the platform's balance between the two sides.

Two further ideas help. First, price sensitivity depends on margin: a 0.4% fee is trivial for a seller earning 25% on each sale and heavy for one earning 4%. Second, a threshold creates a notch. When the fee jumps from nil to positive at a fixed level of receipts, rational merchants may bunch just below that level. Notch behaviour is well documented in public finance for tax thresholds, and the ₹1 lakh rule has the same structure.

2.2 Conceptual framework. The framework used for the field study has four groups of variables.

Group	Variable	Measured by
Merchant profile	Type of goods, monthly sales, average ticket, gross margin, years in business	Questionnaire section A
UPI use	Share of sales received by UPI, number of QR codes, use of soundbox or app	Questionnaire section B
Perceptions	Perceived usefulness of UPI, awareness of the MDR rules, expected cost burden	Questionnaire sections C and D
Behavioural intention	Intention to keep accepting UPI, to ask customers for cash, to raise prices	Questionnaire section E

The expected path runs from profile and use, through perceptions, to behavioural intention.

2.3 Hypotheses for the field study. The following hypotheses are stated for the student to test with primary data.

- **H1.** Merchants with a higher average ticket size report a higher expected cost burden from the MDR.
- **H2.** Merchants with lower gross margins report a higher expected cost burden.
- **H3.** Awareness of the MDR rules is lower among merchants with lower monthly sales.
- **H4.** Merchants whose monthly UPI receipts are close to ₹1 lakh are more likely to intend to ask customers for cash.
- **H5.** A higher expected cost burden is associated with a higher intention to reduce UPI acceptance.

3. Objectives and research questions

The study has three objectives:

1. To trace the growth of UPI volume and value and estimate the typical ticket size.
2. To set out the 2026 MDR framework and identify which merchants it reaches.
3. To estimate, through scenarios, how much the new MDR would cost merchants of different types relative to their margins.

These lead to three research questions:

- **RQ1.** Is the average UPI payment small enough to fall outside the ₹2,000 threshold?
- **RQ2.** Which merchant profiles carry the largest MDR burden relative to gross margin?
- **RQ3.** Does the ₹1 lakh monthly threshold create a cliff that could discourage formal digital acceptance?

The paper tests two propositions rather than statistical hypotheses, since it uses secondary data:

- **P1.** Most small-merchant UPI payments are unaffected because ticket sizes are low.
- **P2.** The burden is concentrated in high-ticket, low-margin merchants and in those just above the ₹1 lakh threshold.

4. Research methodology

The study is descriptive and uses secondary data only. It has not collected a primary merchant survey, so its findings are scenario-based and should be read as hypotheses for later field testing.

Data. Monthly UPI volume and value come from NPCI figures as reported by Entrepreneur India, Outlook Money, Business Today and Business Standard. The MDR rate card is taken from Inc42 and Kotak Neo.

Method.

1. Average ticket size is computed as monthly value divided by monthly volume.
2. The rate card is applied to sample payment sizes to show the fee at each point.
3. Three hypothetical merchant profiles are built, with stated assumptions for monthly UPI receipts, the share of value in payments above ₹2,000, and gross margin. MDR is applied at 0.4% to that share, before GST.

Caveats. Average ticket size covers all UPI payments, including person-to-person transfers, so it only approximates P2M tickets. The merchant profiles are illustrative and not drawn from a sample.

4.1 Primary survey design (to be carried out by the student). The hypotheses in section 2.3 need field data. The design below is complete enough to run as it stands.

Research design. A cross-sectional, descriptive and explanatory survey of small retail merchants who accept UPI.

Population and sampling frame. Retail shops in one chosen market area, such as a district or a set of neighbourhood markets, that display a UPI QR code. The student should name the area and list the markets visited.

Sampling method. Convenience sampling with quotas, so that grocery and general stores, apparel, electronics and mobile, and pharmacy and other shops are each represented. The student should state clearly that this sample is not random and that results cannot be generalised beyond it.

Sample size. For estimating a proportion at 95% confidence, the usual formula is:

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n = \frac{z^{2}\,p\,(1-p)}{e^{2}}
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With z = 1.96, p = 0.5 and a margin of error e = 0.09, n is about 119. A target of 120 completed questionnaires is therefore reasonable, with 130–140 approached to allow for refusals.

Instrument. A structured questionnaire of 24 items in five sections (Appendix A). Perception items use a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Pilot and reliability. Test the questionnaire with 10–15 merchants who are not in the final sample, fix unclear items, then compute Cronbach's alpha for each multi-item scale. A value of 0.70 or more is the usual benchmark for acceptable internal consistency.

Data collection. Interviews in the shop, in the merchant's preferred language, with the student reading out the items and recording answers. Each interview should take about 10 minutes. Record the date, market and shop type, but not the shop name.

Ethics. Obtain verbal consent, explain that participation is voluntary and answers are anonymous, and do not ask for bank details, UPI IDs or exact income. Store the data without personal identifiers.

Analysis plan. The table below links each hypothesis to its test.

Hypothesis	Variables	Suggested test
H1	Average ticket (₹) and expected cost burden (1–5)	Spearman rank correlation
H2	Gross margin (%) and expected cost burden	Spearman rank correlation
H3	Monthly sales band and awareness score	Kruskal–Wallis test
H4	UPI receipts near ₹1 lakh (yes/no) and intention to ask for cash (yes/no)	Chi-square test of independence
H5	Expected cost burden and intention to reduce UPI	Spearman rank correlation, then simple regression

All tests are two-tailed at the 5% level. Tables should report the sample size for each test, since some respondents will skip items. Descriptive statistics (means, medians, percentages) come first for every variable.

5. Data analysis: UPI growth and the MDR framework

5.1 Growth and ticket size. UPI volume rose from 20.7 billion in October 2025 to 25.47 billion in October 2026, while the average payment stayed near ₹1,200–1,300.

Month	Volume (billion)	Value (₹ lakh crore)	Average ticket (₹)
Oct 2026	25.47	31.53	1,238
Sep 2026	24.07	29.37	1,220
Aug 2026	24.51	29.82	1,217
May 2026	23.2	29.90	1,289
Oct 2025	20.7	27.28	1,318
Sep 2025	19.63	24.90	1,268

Average ticket = value ÷ volume, computed by the author from the NPCI figures cited in section 4, rounded to the nearest rupee.

UPI volume in the first half of FY27 was 145 billion against 114 billion a year earlier, a 27% rise.

5.2 The rate card. The framework charges the merchant, not the customer, and merchants may not add the cost to the bill as a surcharge.

Payment type	MDR
Person-to-person transfers	Nil
P2M payment up to ₹2,000	Outside standard MDR
P2M payment above ₹2,000	0.4%, capped at ₹300 (reached at ₹75,000)
Merchant receiving up to ₹1 lakh a month by UPI QR	Exempt
Essential services above ₹2,000 (railways, fuel, telecom, insurance)	Flat ₹5
Mutual funds, securities, brokers	0.02%, capped at ₹300

GST at 18% applies on the MDR amount, which registered merchants can generally claim as input tax credit. A merchant receiving more than ₹1 lakh for three consecutive months moves into the standard category. The government estimates that about 96% of P2M transactions remain unaffected.

5.3 Fee at sample payment sizes. Using 0.4% with the ₹300 cap:

Payment (₹)	MDR (₹)
2,500	10
10,000	40
50,000	200
75,000 and above	300

5.4 Three merchant scenarios. The assumptions below are hypothetical. All receipts are assumed to be above the ₹1 lakh monthly threshold and each payment below the ₹75,000 cap.

Profile	Monthly UPI receipts (₹)	Share of value in payments above ₹2,000	MDR per month (₹)	Gross margin (₹)	MDR as % of margin
Grocery store	3,00,000	5%	60	36,000 (12%)	0.2%
Electronics shop	5,00,000	40%	800	75,000 (15%)	1.1%
Mobile retailer	10,00,000	70%	2,800	80,000 (8%)	3.5%

MDR per month = receipts × share above ₹2,000 × 0.4%, before GST.

5.5 Sensitivity to ticket mix. The electronics shop in section 5.4 has ₹5,00,000 of monthly UPI receipts and a gross margin of ₹75,000. The table shows how its MDR changes as more of its sales come in payments above ₹2,000.

Share of value in payments above ₹2,000	MDR per month (₹)	MDR as % of gross margin
10%	200	0.3%
25%	500	0.7%
40%	800	1.1%
55%	1,100	1.5%
70%	1,400	1.9%

The cost rises in a straight line with the share of high-value payments, so a shop can predict its exposure from its own bills. GST at 18% adds to the cash cost, though registered merchants can generally claim it back.

5.6 Who receives the revenue. Bernstein projects an annual MDR pool of about ₹22,000 crore by FY28, with banks taking roughly ₹14,000 crore and payment apps roughly ₹7,000 crore. Moneylife's own estimate rests on August 2026 transaction data and on assumptions about the effective average rate after the cap and the lower rates for some categories. Estimates like these are projections and depend on how many merchants cross the ₹1 lakh line.

The sources describe the split of each fee differently. Inc42 works through a ₹2,500 purchase, where the acquiring bank charges ₹10 and most of it passes to the issuing bank. Kotak Neo gives percentages: 40% to the issuing bank, 30% to the acquiring bank, 20% to the UPI app and 10% to the app's partner bank. A student should read NPCI's own circular to settle this point before quoting any split.

5.7 Stakeholder analysis. Each group in the payment chain faces a different change.

Stakeholder	What changes	Main concern
Customers	Nothing to pay; person-to-person transfers remain free	Higher shelf prices if merchants pass the cost on
Merchants up to ₹1 lakh a month by UPI QR	Exempt	Falling over the line after three months
Merchants above the line	0.4% on payments above ₹2,000, capped at ₹300, plus GST	Margin pressure on high-ticket sales
Banks	A share of a new fee pool	Cost of running the rails in the zero-MDR years
UPI apps	A share of the fee	Dependence on merchant acceptance
Government	Lower need for subsidy; incentives totalled ₹8,276 crore from FY2021–22 to FY2024–25	Political reaction from traders
Essential-service billers	Flat ₹5 on payments above ₹2,000	Customer reaction at fuel, rail and telecom counters

5.8 Policy options. Four designs are possible. The first two are real; the other two are the author's illustrations and are not official proposals.

Option	How it works	Effect on small merchants	Funding of the system
A. Keep zero MDR	Government keeps funding the network	Fully protected	Depends on budget allocations that have fallen short of costs
B. The announced framework	0.4% above ₹2,000, cap ₹300, ₹1 lakh exemption	Most protected; cliff at ₹1 lakh	New fee pool for banks and apps
C. Graded schedule (illustration)	Nil up to ₹1 lakh, a lower rate for the next band, then 0.4%	Protected, with a smoother step	Lower than B in the early years
D. Flat fee per payment	A fixed rupee amount, as for essential services	Small per payment, but heavier on small tickets	Predictable

Option D shows a trap: a flat fee is cheap on a ₹50,000 sale and expensive on a ₹300 sale, which is the opposite of what a small shop needs. The announced design avoids this by exempting payments up to ₹2,000.

5.9 What the secondary data cannot show. NPCI publishes volumes and values in total, not by merchant size or ticket band. The paper therefore cannot say how many merchants will cross the ₹1 lakh line, nor how their payments are distributed above and below ₹2,000. These are the gaps the primary survey in section 4.1 is designed to fill.

6. Discussion and findings

RQ1 / P1: supported. The average UPI payment was about ₹1,238 in October 2026, roughly 62% of the ₹2,000 threshold. Since the average includes person-to-person transfers, this is only indicative, but it matches the government's estimate that about 96% of P2M transactions stay unaffected. One FMCG distributor cited by Inc42 reports that 96.3% of its UPI transactions are ₹2,000 or below, making the cost about 0.06% of its UPI collections. The typical kirana's payments stay free.

RQ2 / P2: supported in the scenarios. The grocery profile loses 0.2% of margin; the mobile retailer loses 3.5%. The burden rises with ticket size and falls with margin, so high-ticket, thin-margin sellers are the most exposed. An agritech seller with an average ticket of ₹50,000–75,000 told Inc42 that even the capped fee affects equipment margins and could push rural buyers away from UPI.

RQ3: a cliff risk. The exemption ends when a merchant receives more than ₹1 lakh a month through UPI for three consecutive months, about ₹3,300 a day. A merchant just above that line moves from nil to 0.4% on payments above ₹2,000, while one just below pays nothing. This creates an incentive to under-report, split receipts across QR codes, or steer customers to cash. Whether merchants actually do so is an empirical question this paper cannot settle. Inc42 also notes that one industry voice argues platforms, not merchants, should track the threshold.

Political economy. Resistance has been visible. Retail trader associations called a “No UPI Day” for 2 October 2026 and withdrew it after meeting the Finance Minister. NPCI then deferred the start to after Diwali, and has not changed the rates. Bernstein's estimate of an annual MDR pool of about ₹22,000 crore by FY28 shows what is at stake for banks and payment apps.

Reading the results against theory. The adoption models predict that a cost attached to a useful tool lowers its relative advantage, but they also say usefulness can outweigh cost. The scenarios fit that pattern: for the grocery

profile, UPI's usefulness is untouched because almost no payment crosses ₹2,000, while for the mobile retailer the fee is large enough to compete with the benefits. The two-sided-market view adds that the platform can protect the side most likely to leave. The announced framework does this by exempting small merchants and low-value payments, and by charging larger businesses, which matches a view quoted by Inc42 that the rules place most of the cost on bigger shops, large retailers and e-commerce companies.

The notch argument also holds in this setting. A merchant with ₹90,000 of monthly receipts and one with ₹1,10,000 differ by about 20% in sales but may differ sharply in fee treatment. Whether they bunch below the line cannot be seen in NPCI's aggregate figures. It would show up as a cluster of shops reporting receipts just under ₹1 lakh, which a survey can check.

What the evidence does not support. The paper does not show that UPI acceptance will fall, nor that merchants will move to cash. It shows only where the cost will land and how large it could be in stylised cases. The reaction of merchants so far, including the called-off "No UPI Day", is evidence of concern, not of changed behaviour.

Summary of findings.

1. Most small-merchant payments fall below the threshold and remain free.
2. Cost concentrates in high-ticket, low-margin sellers.
3. The ₹1 lakh monthly threshold is the design feature most likely to change merchant behaviour.

7. Implications and recommendations

The findings point to design fixes rather than a return to zero MDR.

For policymakers and NPCI

- Replace the single ₹1 lakh cut-off with a graded schedule, so a merchant moving past the line sees a small step in cost, not a jump. The Retailers Association of India has already asked for a graded structure (Inc42).
- Publish the rule for reclassification and for moving back down, so merchants can plan.
- Track cash withdrawals, QR counts and merchant churn for six months after rollout, and publish the results.

For payment apps and banks

- Let merchants see their running monthly UPI receipts against the threshold in the app.
- Show MDR and GST credit clearly on settlement statements.

For merchants

- High-ticket sellers should model MDR against their margin before pricing, as in the scenarios above.
- Registered merchants should claim input tax credit on the GST charged on MDR.

For researchers

- A merchant survey in a few cities, combined with settlement data, would test whether the cliff changes behaviour.

Suggested sequence of action. The recommendations can be read as a sequence.

1. **Before the start date.** NPCI announces the date and the reclassification rule in plain language, in regional languages as well as English. Payment apps send each merchant a notice with its current monthly receipts.
2. **At rollout.** Settlement statements show MDR and GST separately. A helpline handles disputes about threshold classification.

3. **In the first six months.** NPCI and banks publish aggregate data on merchant counts by band, cash withdrawals and QR volumes, so that critics and supporters argue from the same figures.
4. **After twelve months.** The framework is reviewed. If bunching below ₹1 lakh or a visible fall in small-merchant acceptance appears, the graded design in option C of section 5.8 is considered.

This sequence costs little and keeps the main benefit of the framework, which is a funding source for the network that does not rest on budget allocations alone.

8. Limitations and conclusion

Limitations. The paper uses secondary data and press reports for the 2026 policy, not primary merchant data. Average ticket size covers all UPI payments, not only merchant payments. The merchant profiles are hypothetical. The MDR start date had not been announced when this paper was prepared on 22 November 2026, and the rate card could change before implementation.

Directions for further research. Four questions follow from this paper. First, how many merchants fall in each receipts band, and how many sit close to ₹1 lakh? Second, does the share of cash in small-shop sales change after the fee starts, and for which shop types? Third, do merchants who pass the cost on do so through shelf prices or through discounts for cash? Fourth, does the loss of digital records change small merchants' access to credit? Each can be studied with the survey in section 4.1 or with anonymised settlement data from banks and payment apps. Comparison with other countries that moved from free to priced instant payments would also help, though it needs its own sources and a separate study.

Conclusion. UPI's growth has been built on low tickets and a zero merchant fee. The 2026 framework keeps most small payments free and places the fee on higher-value payments, so a typical kirana is largely protected. The risk lies at the edges: sellers of costly goods on thin margins, and merchants near the ₹1 lakh monthly threshold. A graded threshold, clear reclassification rules and published monitoring data would let the system raise revenue for banks and payment apps without losing the small merchants who made UPI universal.

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- Business Standard – UPI transactions hit record high of Rs 27.28 lakh crore in Oct (2025)

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- Beebom – NPCI delays new UPI charges until after Diwali
- Business Today – Will MDR strengthen the UPI ecosystem?
- OneIndia – The cost of 'free UPI'

Appendix A: Questionnaire

Introduce yourself, state the purpose, ask for consent, and then read each item. Likert items use 1 = strongly disagree to 5 = strongly agree.

No.	Item	Response format
A. Shop profile		
A1	Type of shop (grocery/general, apparel, electronics/mobile, pharmacy, other)	Tick one
A2	Years in business	Number
A3	Approximate monthly sales (₹)	Bands: under 1 lakh, 1–3 lakh, 3–5 lakh, 5–10 lakh, above 10 lakh
A4	Typical bill size (₹)	Bands: under 500, 500–2,000, 2,000–10,000, above 10,000
A5	Approximate gross margin on sales	Bands: under 5%, 5–10%, 10–20%, above 20%
A6	Is the shop registered for GST?	Yes / No
B. UPI use		
B1	Share of monthly sales received through UPI	Bands: under 25%, 25–50%, 50–75%, above 75%
B2	Approximate monthly UPI receipts (₹)	Bands: under 50,000, 50,000–1 lakh, 1–2 lakh, above 2 lakh
B3	Number of QR codes or UPI IDs used by the shop	Number
B4	Do you use a soundbox or payment app for business?	Yes / No
B5	Do you also accept cards?	Yes / No
C. Perceived usefulness of UPI		
C1	UPI saves time at the counter	Likert 1–5
C2	UPI reduces the risk of handling cash	Likert 1–5

No.	Item	Response format
C3	UPI brings more customers to my shop	Likert 1–5
C4	UPI helps me keep better sales records	Likert 1–5
C5	UPI payment records help me get credit or loans	Likert 1–5
D. Awareness and expected burden		
D1	Are you aware that a fee on some UPI merchant payments has been announced?	Yes / No
D2	Do you know the fee applies only to payments above ₹2,000?	Yes / No
D3	Do you know shops receiving up to ₹1 lakh a month by UPI QR are exempt?	Yes / No
D4	The fee would reduce my profit noticeably	Likert 1–5
D5	The fee is fair, since UPI has a cost to run	Likert 1–5
E. Intentions after the fee starts		
E1	I will keep accepting UPI payments	Likert 1–5
E2	I will ask customers to pay cash for large bills	Likert 1–5
E3	I will raise my prices to cover the fee	Likert 1–5

Scoring notes. Awareness score = number of "yes" answers to D1–D3 (0–3). Expected cost burden = D4. Perceived usefulness = mean of C1–C5. Intention to reduce UPI = 6 − E1. For H4, code a shop as "near the threshold" if B2 is 50,000–1 lakh or 1–2 lakh, and code "ask for cash" as yes if E2 is 4 or 5.

Appendix B: Templates for reporting results

The tables below are empty on purpose. The student fills them from his or her own data and writes the interpretation.

B.1 Sample profile

Shop type	Number of shops	Percentage
Grocery / general		
Apparel		
Electronics / mobile		
Pharmacy / other		

Shop type	Number of shops	Percentage
Total		100%

B.2 Reliability of scales

Scale	Items	Cronbach's alpha
Perceived usefulness	C1–C5	

B.3 Hypothesis tests

Hypothesis	Test used	n	Statistic	p-value	Supported?
H1	Spearman				
H2	Spearman				
H3	Kruskal–Wallis				
H4	Chi-square				
H5	Spearman				

Appendix C: Glossary

Term	Meaning
NPCI	National Payments Corporation of India, the organisation that runs UPI
UPI	Unified Payments Interface, the instant bank-to-bank payment system
P2P	Person-to-person payment, such as sending money to a friend
P2M	Person-to-merchant payment, such as paying a shopkeeper
MDR	Merchant discount rate, the fee a merchant pays for accepting a digital payment
TPAP	Third-party application provider, such as a UPI app
QR code	A printed square code a customer scans to pay
Gross margin	Sales minus the cost of goods sold, as a share of sales
Input tax credit	A GST registered business's right to set off tax paid on purchases against tax payable
Likert scale	A rating scale on which respondents show how strongly they agree with a statement
Cronbach's alpha	A measure of how consistently a set of items measures the same idea

Appendix D: Suggested work plan for the field study

Week	Task
1	Re-read the sources; check every figure and link; fix the research questions
2	Finalise the questionnaire; get the guide's approval; translate if needed
3	Pilot with 10–15 merchants; revise items
4–5	Collect data from about 120 merchants
6	Enter and clean data; compute reliability
7	Run the tests in section 4.1; fill the templates in Appendix B
8	Write sections 5–8 in your own words; update the abstract
9	Check references, formatting and the declaration; submit to the guide