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Cross-Border B2C Payments and Remittances in India: Trends, Barriers, and Enablers

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Abstract
India sits at the centre of the global consumer cross-border payments landscape. It is the world's largest recipient of remittances, with inward flows reaching a record US$ 135.46 billion in FY2025, while resident Indians remitted US$ 28.98 billion outward under the Liberalised Remittance Scheme (LRS) in FY2026, dominated by international travel and overseas education. Yet the cost of moving money across borders remains stubbornly high: the global average cost of sending US$ 200 stood at 6.36 percent in the third quarter of 2025, more than double the United Nations Sustainable Development Goal target of 3 percent. This paper examines trends in India's business-to-consumer (B2C) cross-border payment flows, analyses the barriers that keep costs high and experiences poor, including opaque foreign exchange markups, correspondent banking friction, tax compliance burdens, and licensing asymmetries, and assesses the enablers reshaping the market, notably the internationalisation of the Unified Payments Interface (UPI), fintech competition, tax reform in the 2025 Union Budget, and multilateral infrastructure initiatives such as the G20 cross-border payments roadmap and Project Nexus. The paper draws on Reserve Bank of India data, World Bank Remittance Prices Worldwide monitoring, Financial Stability Board progress reports, and industry sources. It concludes that India is uniquely positioned to lead the global transition to low-cost, real-time consumer cross-border payments, but that realising this position requires regulatory convergence, transparent pricing mandates, and continued investment in payment system interlinkage.

1. Introduction

Few economies are as deeply integrated into global consumer payment flows as India. A diaspora of over 30 million supports households at home through remittances that exceed foreign direct investment as a source of external financing, while a growing middle class sends money abroad for education, travel, medical treatment, and investment. These flows are individually small and personally significant: a student's tuition payment, a worker's monthly transfer home, a family's travel budget. Collectively they run into hundreds of billions of dollars and materially shape India's balance of payments [1, 2].

The infrastructure carrying these flows, however, was not designed for consumers. International transfers have historically travelled over correspondent banking networks built for institutional flows, with costs, delays, and opacity that fall hardest on retail senders. The United Nations Sustainable Development Goal 10.c commits the international community to reducing remittance transaction costs to less than 3 percent of the amount sent by 2030 and to eliminating corridors costing above 5 percent; the G20 has adopted parallel targets for 2027 [3, 4]. Against these benchmarks, the global average cost of sending US$ 200 was still 6.36 percent in Q3 2025 [5].

This paper examines India's consumer (B2C) cross-border payments market in three parts: the scale and composition of flows, inward and outward; the structural barriers that keep costs high; and the enablers, technological, competitive, and regulatory, that are beginning to transform the market. The analysis covers developments through mid-2026, a period that includes the expansion of UPI acceptance to nine countries, the 2025 Union Budget's reform of tax collected at source (TCS) on foreign remittances, and the first year of operation of new fintech licensing regimes.

2. Data and Methodology

The study analyses secondary data from official and industry sources. Flow data are drawn from Reserve Bank of India (RBI) balance of payments statistics and monthly disclosures on the Liberalised Remittance Scheme. Cost data come from the World Bank's Remittance Prices Worldwide database, which tracks 365 country corridors on a quarterly basis [5]. Policy and infrastructure developments are sourced from Financial Stability Board (FSB) progress reports on the G20 roadmap, Bank for International Settlements (BIS) publications on Project Nexus, NPCI International announcements, and Union Budget documents. Industry structure and competitive dynamics are informed by trade press and market research. All figures are attributed in the reference list. Fiscal years follow the Indian April to March convention.

3. Trends in India's Consumer Cross-Border Flows

3.1 Inward remittances: the world's largest market

India received a record US$ 135.46 billion in personal remittances in FY2025, a 14 percent increase year on year, according to RBI data [1]. This keeps India decisively at the top of the global recipient table, well ahead of Mexico at approximately US$ 68 billion, China at US$ 48 billion, the Philippines at US$ 40 billion, and Pakistan at US$ 33 billion [2]. The composition of source geographies has shifted over the past decade: advanced economies, led by the United States with roughly 27 to 28 percent of inflows, have overtaken the Gulf as the largest source region, with the United Arab Emirates contributing about 19 percent [2]. This shift reflects the changing profile of Indian migration, from predominantly blue-collar Gulf employment toward high-skilled employment in North America and Europe, and it has consequences for the market: higher-income senders transact larger amounts, adopt digital channels faster, and are more sensitive to exchange rate transparency than to headline fees.

3.2 Outward remittances: education and travel under the LRS

Outward flows by resident individuals travel under the Liberalised Remittance Scheme, which permits remittances of up to US$ 250,000 per person per financial year [6]. Outward LRS remittances were US$ 31.74 billion in FY2024, US$ 29.56 billion in FY2025, and US$ 28.98 billion in FY2026, a decline of about 2 percent in the latest year [7]. International travel is the dominant category, accounting for close to 60 percent of outflows, while overseas education, historically the second pillar, has moderated: education remittances fell to US$ 2.92 billion in FY2025, a 16 percent decline, under the pressure of tighter student visa regimes in the United States, United Kingdom, and Canada [7, 8]. The moderation of education flows and resilience of travel flows indicate that outward B2C payments are increasingly experience-driven rather than investment-driven, with implications for product design in the remittance industry.

3.3 Digitalisation and the internationalisation of UPI

The most consequential structural trend is the extension of India's domestic real-time payment infrastructure across borders. As of June 2026, UPI is accepted in nine countries: Singapore, the United Arab Emirates, Bhutan, Nepal, Sri Lanka, France, Mauritius, Qatar, and Cambodia [9]. The UPI-PayNow linkage with Singapore, the first bilateral interlinking of real-time payment systems involving India, expanded in July 2025 to cover 19 Indian banks for inward remittances [10]. Cross-border UPI transaction volumes grew more than twentyfold in FY2025 to over 755,000 transactions, with 601,000 transactions processed in the first four months of FY2026 alone [11]. Agreements to build UPI-modelled systems in

Peru and Namibia extend India's payments diplomacy beyond acceptance toward infrastructure export [9]. While cross-border UPI volumes remain small relative to total remittance flows, the trajectory demonstrates that real-time, low-cost, account-to-account international payments are operationally viable.

Table 1 summarises India's principal consumer cross-border flows.

Flow	Latest value	Trend	Primary driver
Inward remittances (FY2025)	US$ 135.46 billion	+14% YoY	Diaspora income growth, US and UAE corridors
Outward LRS (FY2026)	US$ 28.98 billion	-2% YoY	Travel (~60%), education, family maintenance
Education remittances (FY2025)	US$ 2.92 billion	-16% YoY	Visa tightening in US, UK, Canada
Cross-border UPI (FY2025)	755,000+ transactions	>20x YoY	UPI-PayNow, QR acceptance in 9 countries

Table 1: India's consumer cross-border payment flows. Sources: [1], [7], [9], [11].

4. Barriers

4.1 Cost and pricing opacity

The global average cost of sending US$ 200 across borders was 6.36 percent in Q3 2025, against the SDG target of 3 percent; the average cost of digital remittances was 4.59 percent while non-digital channels averaged 7.30 percent [5]. A large share of the cost is not the visible fee but the foreign exchange markup embedded in the offered rate, which most consumers cannot evaluate against the interbank benchmark. On average it still costs about US$ 12 to remit US$ 200 [12]. Banks, which retain an estimated 60 to 70 percent share of India-linked remittance volume, typically price less transparently than digital-first challengers, and the persistence of this share despite higher prices indicates the strength of inertia, trust, and bundling in consumer banking relationships [13].

4.2 Correspondent banking friction

Most India-linked transfers still settle over the SWIFT correspondent banking network, in which a payment may pass through multiple intermediary banks, each adding fees, delay, and points of failure. Dependence on correspondent chains raises transaction costs and reduces transparency, particularly for emerging market corridors, and the number of active correspondent relationships has declined globally as banks de-risk [12, 14]. SWIFT itself has acknowledged the problem, announcing in September 2025 a new framework of rules for retail cross-border payments on its network aimed at improving speed, transparency, and predictability [14]. The G20 targets require 75 percent of cross-border payments to be credited to the beneficiary within one hour by end-2027, a standard the correspondent model struggles to meet consistently [4].

4.3 Tax and compliance burden

India applies tax collected at source (TCS) on LRS remittances, which at its peak imposed a 20 percent upfront collection on many categories of outward transfer. While TCS is adjustable against income tax liability, it functions as a working capital burden on households and adds documentation complexity at the point of transaction. The 2025 Union Budget provided material relief, raising the exemption threshold from Rs 7 lakh to Rs 10 lakh per financial year and eliminating TCS entirely on education remittances funded through specified education loans, effective April 2025 [15]. Nonetheless, the regime continues to complicate transaction flows, and frequent rate changes generate uncertainty for consumers and providers alike. Know-your-customer and purpose-code documentation requirements, which vary by bank and purpose, add further friction that falls disproportionately on first-time senders.

4.4 Licensing asymmetry and market access

India's regulatory architecture has historically treated inward and outward flows asymmetrically. Several global money transfer operators, including MoneyGram, Remitly, and Ria, operate receive-only in India, able to deliver funds but not to originate outward transfers, while outward remittances have remained largely a bank-intermediated activity [13]. The emergence of the payment aggregator cross-border (PA-CB) licensing framework is beginning to change this: Wise received in-principle authorisation as a cross-border payment aggregator in 2025, and domestic fintechs such as moneyHOP, BookMyForex, and Niyo have built outward remittance propositions within the regulated perimeter [13, 16]. The asymmetry nonetheless persists in degree, limiting competitive intensity precisely in the outward segment where consumer costs are highest.

4.5 Trust, awareness, and digital divides

Cross-border payments are infrequent, high-stakes transactions for most consumers, and trust dominates choice. Surveys of remittance behaviour consistently find that senders default to banks or established brands even at materially higher cost, that awareness of digital alternatives is limited outside metropolitan markets, and that fear of transaction failure, with funds in limbo between systems, deters experimentation. On the receiving side, last-mile cash-out needs persist for a segment of households, sustaining the higher-cost agent-based model even as digital wallets expand.

5. Enablers

5.1 UPI internationalisation and payment system interlinkage

The extension of UPI abroad is the single most important structural enabler in the Indian market. Bilateral linkages such as UPI-PayNow demonstrate end-to-end real-time settlement between domestic instant payment systems, bypassing correspondent chains entirely [10]. Multilaterally, India is a participant in Project Nexus, the BIS-initiated programme to interlink instant payment systems at scale, in collaboration with the central banks of Singapore, Malaysia, the Philippines, and Thailand; a legal entity, Nexus Global Payments, has been established with the intention of entering production in 2027 [17]. If Nexus delivers, the marginal cost of an international account-to-account transfer approaches that of a domestic one, a structural reduction no incremental fee competition can match.

5.2 Fintech competition

Digital-first providers have compressed prices and reset consumer expectations for transparency. Global players such as Wise publish mid-market exchange rates with explicit fees, and domestic challengers including moneyHOP and BookMyForex compete on rate transparency, speed, and digital onboarding for outward remittances, particularly in the education corridor [16]. The World Bank's finding that digital remittances cost on average 4.59 percent against 7.30 percent for non-digital channels quantifies the competitive dividend [5]. As PA-CB licensing broadens market access, the contestable share of the outward market should grow, putting sustained pressure on bank pricing.

5.3 Policy reform

The 2025 Union Budget's TCS reforms, raising the exemption threshold to Rs 10 lakh and zero-rating education-loan-funded remittances, directly reduced the effective cost and friction of the education corridor [15]. At the multilateral level, the G20 roadmap endorsed in 2020 has created sustained institutional pressure, with quantitative 2027 targets for cost, speed, access, and transparency, and annual FSB progress reporting that keeps national regulators accountable [3, 4]. India's presidency-era emphasis on digital public infrastructure has positioned UPI as a reference model in that process.

5.4 Structural demand growth

Underlying demand continues to expand on both sides of the ledger. The Indian diaspora is the world's largest and increasingly concentrated in high-income economies, supporting continued inward growth [2]. Outward, the long-run drivers, international education aspirations, outbound tourism, medical travel, and globalised consumption, remain intact despite cyclical moderation; the travel category alone accounts for roughly 60 percent of LRS outflows [7]. Rising smartphone penetration and familiarity with UPI domestically lower the adoption barrier for digital cross-border products.

6. Discussion

Three observations emerge. First, India's cross-border consumer market is simultaneously the world's largest and among its most friction-laden: record flows travel over infrastructure that still fails the SDG cost test in many corridors. The gap between the 6.36 percent global average cost and the 3 percent target is not primarily technological; UPI-PayNow proves the technology exists. The gap is institutional, sustained by correspondent dependency, licensing asymmetry, and consumer inertia.

Second, the direction of change favours account-to-account rails over legacy networks. The twentyfold growth in cross-border UPI volumes, Project Nexus's 2027 production timeline, and SWIFT's own retail reform framework all point to a market converging on real-time, transparent, low-cost transfers. The strategic question for incumbents is not whether this transition occurs but who captures the customer relationship as it does.

Third, policy is now a tailwind rather than a headwind. The TCS threshold increase and education loan exemption reversed a period in which tax policy added friction faster than technology removed it. Continued alignment between the RBI's licensing reforms, NPCI International's expansion, and India's G20 commitments would compound this advantage.

7. Recommendations

First, mandate transparent all-in pricing. Requiring every provider, bank or fintech, to disclose the total cost of a transfer, including the foreign exchange margin against the mid-market rate, at the point of sale would activate price competition where it is currently muted by opacity.

Second, extend outward licensing symmetrically. Broadening the PA-CB framework so that qualified non-bank providers can originate outward remittances across all major purposes would raise competitive intensity in the highest-cost segment of the market.

Third, prioritise corridor-level interlinkage where flows are concentrated. The US, UAE, Singapore, UK, and Canada corridors carry the bulk of India's consumer flows; sequencing bilateral or Nexus-based real-time linkages by corridor value would maximise consumer welfare per unit of institutional effort.

Fourth, stabilise the tax interface. Publishing a multi-year TCS glide path and automating credit adjustment through pre-filled returns would reduce the compliance burden without fiscal cost.

Fifth, invest in consumer protection and recourse standards for instant cross-border payments, including standardised failure resolution timelines, so that trust, the binding constraint on adoption, grows with volume.

8. Conclusion

India's consumer cross-border payments market is at an inflection point. Record inward remittances of US$ 135.46 billion, a diversified outward market under the LRS, and the demonstrated viability of real-time international payments over UPI linkages together describe a market whose scale and infrastructure ambitions are unmatched among emerging economies. The barriers that remain, cost opacity, correspondent friction, tax complexity, licensing asymmetry, and trust, are individually tractable and collectively yielding. If the current trajectory of UPI internationalisation, fintech competition, and policy reform is sustained, India has a credible path to becoming the first large market in which sending money across a border costs little more than sending it across town, and in doing so to set the template for the G20's 2027 vision of cross-border payments globally.

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