

Digital payments are on the rise in India

INSIGHT

By India global business staff

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India saw more than 70.3 billion real-time payments transactions processed globally in 2020, a surge of 41 per cent compared to the previous year.

While the [Covid-19 pandemic](#) has had an adverse impact on many sectors in India, it has also led to some sectors booming. Digital payments, for example, have seen a steep rise thanks to most businesses going digital almost overnight. According to a report by ACI Worldwide and GlobalData, India saw more than 70.3 billion real-time payments transactions processed globally in 2020, a surge of 41 per cent compared to the previous year.

PayU, India's leading online payments solution provider, also mapped the impact of COVID-19 and lockdown as seen through year-on-year change in digital payments. The company notes a 24 per cent increase in the number of transactions and 23 per cent increase in expenditure across the PayU platform, year-on-year. Interestingly, during the festive season (October-December 2020) there was a 45 per cent spike in number of online transactions vis-a-vis the same period in the previous year. In line with this trend, PayU processed close to 100 million transactions in a single month during the festive period (15 October-15 November 2020). The number of [UPI](#) transactions grew by 288 per cent and expenditure through UPI grew a phenomenal 331 per cent between 2019 and 2020.

So, what have Indians been buying during the pandemic? With life as it was upended to usher in a new normal encompassing long period of lockdowns, curtailed socialising and isolation.

The [OTT](#) segment witnessed an incredible 144 per cent increase in number of transactions and 139 per cent increase in expenditure between 2019 and 2020, due to cinemas and theatres largely remaining shut.

The [gaming](#) segment also saw a phenomenal 100 per cent increase in expenditure and 154 per cent increase in average ticket size between the two years.

The ticket size increase, despite decrease in number of transactions, could be because consumers shifted from multiple small transactions to single large transactions as gaming became a permanent lifestyle feature. For gaming and entertainment, the number of transactions made at night increased by 34 per cent while number of transactions made during the day decreased by 11 per cent in 2020 vs. 2019, an indication of the increased dependence on indoor entertainment while working from home.



The gaming segment also saw a phenomenal 100 per cent increase in expenditure and 154 per cent increase in average ticket size between the two years. Courtesy: Pixabay
Another sector that saw a huge boost was [edtech](#). With schools and colleges going online due to lockdowns, India's edtech companies, particularly its start-up sector saw a huge boost with a 78 per cent increase in the number of transactions and a 44 per cent increase in expenditure, within this period. According to Business Insider, 2020 saw India's edtech start-ups raise over \$2.2 billion in funding, with BYJU'S alone accounting for \$1.35 billion.

Going e-shopping

Retail and [ecommerce](#) segments saw a massive 106 per cent increase in number of transactions and 124 per cent increase in expenditure between the first and last six months of 2020 thanks to increased digital adoption by Indians, including older users and consumers from smaller towns. In addition, e-commerce also saw a 115 per cent increase in number of transactions and a 126 per cent increase in expenditure between the October-December period in 2019 and 2020, as Indians mostly conducted their festive shopping online.



An employee sorts out vegetables before packing them at a Big Basket warehouse on the outskirts of Mumbai. Put off by snarled city traffic and a shortage of parking, more Indians are shopping for groceries online, helping e-tailers like Bigbasket.com and Localbanya.com turn in profits. Courtesy: Reuters

An insured increase

The number of transactions for financial services (lending, insurance and investment) also increased by 26 per cent and expenditure increased by 31 per cent year-on-year. In particular, investment & insurance witnessed a 59 per cent increase in the number of transactions and expenditure saw a 53 per cent increase as consumers sought risk protection during uncertain times.

"As a leader in the Indian digital payments industry, and the preferred partner for India's largest online businesses, PayU has a unique vantage point in capturing evolving year-on-year trends. It is a pioneer in driving value addition for merchants and banks through data insights, offering targeted solutions which allow them to deepen customer engagement & create actionable business strategies," said Hemang Dattani, Head- Data Intelligence, PayU, told ANI.

All in all, India's digital economy seems to be on the up and up experts consider this trajectory to continue. In 2020, the transaction volume share in India stood at 15.6 per cent and 22.9 per cent for instant payments and other electronic payments respectively, while paper-based payments had a considerable share of 61.4 per cent. However, according to the API report, this is poised to change with share of volume by instant payments and other electronic payments expected to rise to 37.1 per cent and 34.6 per cent respectively, leaving the volume of paper-based transactions at 28.3 per cent by 2025.