

India Payment Gateway - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The India Payment Gateway Market size is estimated at USD 1.21 billion in 2024, and is expected to reach USD 2.66 billion by 2029, growing at a CAGR of 17.16% during the forecast period (2024-2029).

Integrating a payment gateway has become one of the most critical aspects of any business in every industry. It allows collecting money through the customer's preferred bank without compromising sensitive data.

Key Highlights

- With the increasing internet penetration and awareness about the ease of online transactions, consumers are changing their preferences for making payments online. The hurdle-free transactions generate confidence among the users for switching to online transactions. This rapid adoption of the online payment method is fueling India's payment gateway market growth.
- Digital payment has been one of the highlights of the government's 'Digital India' initiative, and online payment platforms and services have spread themselves in the country. Post demonetization, digital transactions witnessed a tremendous increase, which led to the sudden emergence of payment gateway vendors.
- The payment gateway market in India is boosted by an increase in digital payment trends in India. Government initiatives are helping enhance the digital payment space and emphasize moving toward a cashless economy. For instance, the Digital India program is a flagship program of the Government of India with a vision to transform India into a digitally empowered society.
- As per Worldline, asset-lite technologies will emerge and establish merchant acquiring in the near future. Asset-lite refers to the acceptance of all forms of digital payments, including cards, not on traditional POS machines but merchants' mobile phones. On this technology platform, merchants using an app on their phones will be able to accept payments through QR and cards. This will further increase the adoption of digital costs all over India.
- Although the awareness and adoption of digital payments are increasing, the digital infrastructure needs to be strengthened

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further to ensure consistent reach and penetration across the Tier 2 and Tier 3 cities and rural areas. Small merchants need acceptance tools that are cost-effective and easy to enable. In many cases, it is difficult for a micro-merchant to keep tabs on different means such as wallets, UPI, and bank apps.

-Smaller cities and towns have been at the forefront of digital payments and transactions recovery amid the pandemic. According to the National Payments Corporation of India, Unified Payments Interface (UPI), transactions will see a boost due to the outbreak of Covid-19. The umbrella organization for operating retail payments and settlement systems in India said that the relevance of UPI would grow in the 'physical' world, combining the physical and digital space, in a post-COVID world.

India Payment Gateway Market Trends

Growing E-Commerce Transactions to Drive Market Growth

- The rise in e-commerce transactions is increasing the adoption of various payment gateways in India. According to the Indian Brand Equity Foundation, the Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the United States to become the second-largest e-commerce market in the world by 2034. The e-commerce market is expected to reach USD 64 billion by 2020 and USD 200 billion by 2026.

- Various government regulations are boosting the e-commerce industry in the country. In India, 100% FDI is permitted in B2B e-commerce. As per new guidelines on FDI in e-commerce, 100% FDI under automatic route is allowed in the marketplace model of e-commerce.

- As merchants and users avoid crowding in shops and neighborhood stores due to the coronavirus pandemic, merchants will start taking and managing orders digitally while requesting online payments. Flipkart-owned PhonePe and Google Pay allowed users to digitally identify neighborhood stores in a customer's locality, which were open and delivering while allowing users to pay them through their respective apps. According to the RBI, UPI transactions for April 2020 exceeded INR 1511 billion for retail payments.

- New vendors are entering the e-commerce space, which will boost the use of various payment gateways in the country. In May 2020, Reliance Industries launched an online extension of its grocery business under the JioMart brand across 200 cities. Products offered on JioMart include fruits and vegetables, dairy and baked goods, staples, snacks and branded foods, beverages, and personal and home care.

- <The surge in card transactions and other products like UPI has also been encouraging. As per RBI, the transaction value of debit cards stood at INR 6.8 trillion while the transaction value of credit cards stood at INR 7.1 trillion, registering YoY growth of 21% and 33%, respectively, in 2019 & 2020.

Favourable Government Initiatives and Regulatory Standards to Boost the Market Growth

- The RBI's March 2020 guidelines on Payment Aggregators (PAs) and Payment Gateways (PGs) are crucial to driving the growth of payment gateways in India. Besides protecting customer funds (as per the RBI's 2009 Directions for Electronic Payment Transactions involving Intermediaries), the new guidelines also express recognition of PAs as authorized entities and grant flexibility and control with operations and funds management.

- Under the new norms of RBI, neither loans nor earning interest is permissible for the escrow account. The PA's operations will constitute designated payment systems. Interest can be accumulated over a 'core portion,' computed based on the average daily outstanding balance, and transferred to a separate account, thus creating a new avenue of income for the PA.

- Also, to boost payments through home-grown real-time payment systems, the government announced the exemption of Merchant Discount Rate (MDR) charges on transactions via UPI and RuPay payment modes.

- Besides, NPCI is planning to collaborate with the income tax department of India to enable tax payments using UPI. All these

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initiatives are expected to increase the adoption of payment gateways in India.

- As per Worldline, asset-lite technologies will emerge and establish merchant acquisition shortly. Asset-lite refers to the acceptance of all forms of digital payments, including cards, not on traditional POS machines but on merchants' mobile phones. On this technology platform, merchants using an app on their phones will be able to accept payments through QR and cards. This will further increase the adoption of digital payment all over India.

India Payment Gateway Industry Overview

The India Payment Gateway Market is very competitive. The market is highly concentrated due to various small and large players. The major players in the market are PayU, Paytm, Razorpay Software Private Limited, PayPal India Private Limited, CCAvenue, BillDesk, Instamojo Technologies Private Limited, and many more. The companies are increasing the market share by forming multiple partnerships, investing in projects, and launching new products in the market.

- March 2022 - Razorpay acquired IZealant Technologies, a provider of innovative payment solutions for banks. The acquisition enables support banks with excellent tech infrastructure that enhances the payment experience for end-users. Banks are key stakeholders in the payments ecosystem. With the acquisition of IZealant technologies, both companies can build industry-first solutions for banks to create a world-class payments experience for businesses and customers.

- September 2021 - PayU acquired Billdesk, a payment gateway company. This acquisition helped PayU, the payments and fintech business of the company, which operates in more than 20 markets, emerge as the leading online payment provider globally by total payment volume (TPV). The combined entity will have a total of 4 billion transactions annually. The Prosus-backed fintech firm PayU acquired Billdesk when the Indian payments segment saw huge traction in 2021.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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