

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

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Report description:

The India Payments Market size is estimated at USD 357.51 billion in 2024, and is expected to reach USD 814.43 billion by 2029, growing at a CAGR of 17.90% during the forecast period (2024-2029).

The primary factor driving the growth of the market in the region is the rising adoption of digital payments supported by government initiatives and strong growth in E-commerce, among others.

Key Highlights

- The Indian payments market is evolving from cash as the primary mode of payment and usage of debit cards being limited to cash withdrawals to the digital payments system. The Indian payment market has evolved to widespread adoption of multiple payment products and systems like Prepaid Payment Instruments (PPIs), Quick Response (QR) code, Immediate Payment Service (IMPS), real-time payment system Unified Payments Interface (UPI), and Aadhar enabled Payment Service (AePS).
- Various initiatives by the Government of India, such as digital India, are further driving the adoption of digital wallets and digital payments in the region. Also, as per Union Budget 2022-23, to boost India's digital economy, the Reserve Bank of India (RBI) will be launching the Central Bank Digital Currency (CBDC) as India's official digital Rupee, which is further expected to strengthen the Indian payments market.
- Moreover, growth in digital payments in the region has been primarily driven by factors such as the launch of new and innovative payment products by the payment companies, the rising need for faster payment modes, and a strong push from the Government and regulators toward the adoption of digital channels.
- The Indian real-payment segment continuously witnessed substantial growth over the past few years. The Immediate Payment Service (IMPS) from the National Payment Corporation of India (NPCI) drives an ever-expanding suite of API-overlay services through the UPI. The Unified Payments Interface (UPI) is a payment system that powers various bank accounts into a single mobile

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application, merging several banking features, seamless fund routing and merchant payments into one hood. It also caters to the peer-to-peer collection request, which can be scheduled and paid as per requirement and convenience. Furthermore, Buy Now Pay Later real-time payments services have been rising for the past few years in the region.

-Banks are now more focused on providing integrated solutions for payment solutions to their consumers. Digital payments systems have evolved from being viewed as a cost center for banks to a revenue center and a key parameter for customer acquisition. Many banks in the region have introduced their own digital payment app to gain more customer acquisition, such as BHIM Axis Pay, Yono by SBI, HDFC PayzApp, Pockets By ICICI Bank, etc.

-However, failed transactions are increasing with the rising number of transactions and technical declines in the region. The rise in UPI payment transactions also tests the banking infrastructure and technological systems, which are not adequately equipped to handle the surge in volumes. The Reserve Bank of India, with the NPCI, is pushing the banks to reduce technical failures and work on a real-time system for handling customer complaints.

-During the COVID-19 pandemic, India has seen lockdowns across the country and cash payments declined during this period. However, even before the pandemic, the country was moving towards a cash-free society, and the pandemic further proliferated the move. Digital payments, app-based payments, and real-time payments grew in the region to avoid the physical contact spread of the virus during the outbreak.

India Payments Market Trends

Robust Growth of E-commerce and Rise of M-commerce is Expected to Drive the Payments Market

- India's e-commerce market continues to see strong growth rates propelled by rising smartphone penetration, rising internet penetration, and increasing consumer wealth. E-commerce increasingly attracts customers from tier II and tier III cities where people have limited access to brands but have high aspirations. The rise in E-commerce is further supported by the rising use of digital payments and Buy Now Pay Later services in the region.

- Digital payments are emerging as the preferred E-commerce payment method and are further expected to retain the majority share in the coming years; local digital wallets such as Paytm, MobiKwik, and PhonePe compete with Google Pay, Amazon Pay, and others for this growing E-commerce market.

- Furthermore, real-time payment services like Buy Now Pay Later are gradually making their way as popular payment checkout solutions as an alternative to credit cards for the E-commerce market. The E-commerce giants in the region, such as Flipkart and Amazon, offer Flipkart Pay Later and Amazon Pay Later services to the consumers in the region, further paving the way for the popularity of real-time payment services in the E-commerce market.

- Moreover, the region has witnessed a rising trend in the adoption of mobile commerce in the past few years. Online retailers in the region are their growing reach in towns and cities beyond metros is driven by increased usage of mobile internet. Increased ownership of smartphones is helping more Indians access shopping websites quickly on their phone. Further supported by the variety of payment checkout solutions available such as UPI, Phonepe, Paytm, and Amazon Pay on their mobile.

- Furthermore, many leading banks in the country, such as SBI, HDFC, ICICI, AXIS, etc., offer customer-friendly online shopping credit card deals ensuring value addition. Many banks in the region have tie-up with E-commerce giants to provide credit cards, which provide excellent value addition on online shopping, such as Flipkart Axis bank credit card, ICICI Amazon Pay credit card, HDFC Regalia credit card, Etc. These type of credit cards offers discounts and rewards for online shopping to the credit cardholders, further boosting the use of credit cards for online shopping in the region.

Real-Time Payment Systems segment are expected to gain significant traction

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- UPI has proven to make the lives of many Indian users much easier. UPI is a popular real-time payment method that allows users to transfer funds from one bank account to the other instantly. There are several benefits associated with the UPI payments system, such as hassle-free online payments anywhere, a safe and secure mode of money transfer, and Users can make payments by scanning QR codes. These factors resulted in the dramatic rise of the UPI payments system as a preferred payment system in India.
- Some unique aspects of UPI payment include decoupling the funding source's payment address, further growing its adoption among Indian consumers. A UPI ID relates a merchant or an individual to their bank account and removes the need to share bank account details while initiating a fund transfer. Users can easily reassign the payment address to another bank account at any time without the hassle of informing their transacting parties, and thus UPI redefines customer relationships with banks.
- Moreover, almost every bank allows UPI transactions through mobile applications, and the UPI Payment system enables individuals to request money from any other individual, which is not an option with other payment systems like IMPS and NEFT in the region. Further, boosting the growth of the UPI payment system in the Indian payments market.
- Further, UPI is offering benefits not just for banks but also for non-banks. For instance, non-banks in India need to connect with only one sponsor bank to access UPI's central API to transfer and receive money through all UPI participating banks on the system. For example, Google Pay or Amazon Pay in India can instantly initiate a fund transfer request to and from any UPI participating bank. However, the scenario is different for fund transfers in other countries. This openness has made India's payment system a favorite destination for some of the largest technology companies in the world.
- Furthermore, the UPI payment system is further increasing mobile payments by becoming a single user interface for all of an individual's bank accounts, eliminating the need to download multiple banking apps. Most banks and non-banks have adopted the UPI payment system. For instance, as per NPCI data, the number of banks that were live on UPI increased from 220 in April 2021 to 316 in April 2022.
- All of the aforementioned factors are further expected to drive the demand for the UPI payments system in the region over the forecast period.

India Payments Industry Overview

The Indian payments market appears to be moderately consolidated as few of the players currently dominate the payments market. Major players in the Indian payments market are offering well-developed digital payments solutions, adopting strategies like acquisitions and partnerships to expand their reach to more consumers in the region. Some of the major companies in the payments market are Visa Inc., Mastercard Inc., Phonepe Pvt Ltd. (Flipkart Internet Pvt Ltd), Google pay (Google LLC), and Rupay.

- March 2022 - Fintech unicorn Razorpay announced its acquisition of IZealant Technologies, a leading Fintech startup that provides payments technology solutions for banks, for an undisclosed amount. The acquisition of IZealant will further strengthen Razorpay's banking solutions arm, helping it to build innovative payment banking technologies for partner banks.
- March 2022 - HDFC Bank announced refurbishing its PayZapp app and launching it as a complete payments app called PayZapp 2.0 on the latest digital technology platform. The bank believes this app will leverage its existing strengths, such as its 60-million-strong debit and credit card franchise. Unlike its earlier version, PayZapp 2.0 will have Unified Payments Interface payments enabled. It will include a range of payment options, including modes like tap and pay to transact at all merchant establishments with the required enablement.
- May 2022 - India's one of the largest private lenders, HDFC Bank, plans to launch a digital platform for merchants between June and September, which will allow them to accept online and offline payments on the lines of China's Alipay. It will enable a small Kirana store to be the local Amazon for its catchment area.

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