

Smaller cities pip metros in debit card usage post demonetisation

Most new transactions are for less than Rs 300; card deals across India grew more than 133% in second week of demonetisation

Anita Babu | Bengaluru November 26, 2016 Last Updated at 23:09 IST



India is

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witnessing higher usage of debit card transactions, with the majority coming from tier-2 and tier-3 cities since the last fortnight, when the country withdrew 500- and 1,000-rupee notes as legal tender.

Most of the new transactions are for less than Rs 300, says Innoviti, a payments firm backed by N R Narayana Murthy's Catamaran Ventures. Innoviti, which provides the payment backbone for firms such as Titan, Reliance Retail and Indigo Airlines, claims it processes 20 per cent of India's card payments.

The overall growth in card transactions across India has soared more than 133 per cent in the second week of demonetisation, showing a sustained growth in digital payments, despite a slight revival in circulation of cash. In fact, lack of enough liquid cash has resulted in a sustained behavioural change towards increased digital payments among consumers across India.

The average transaction value, however, continues to remain lower at 24 per cent compared to the pre-demonetisation base, though slightly better than the first week (32 per cent) of demonetisation.

While debit card swipes were up 1.69 times on average in tier-I cities, they doubled in tier-2 cities and rose 2.5 times in tier-3 cities.

Interestingly, card transactions in tier-2 and -3 cities have soared more than 150 per cent, and have surpassed usage growth in tier-1 cities. Overall card transactions in non-metro cities have been more pronounced and have been driven by an increasing number of existing debit card users who were earlier using the cards only to withdraw cash from ATMs, according to Innoviti. It has tracked more than three million transactions across 700 cities in the country.

In addition, Venture capital firm Sequoia Capital India's managing director Shailendra Singh had on Friday estimated that about 1.5 million cards users are debuting everyday in India currently. "Based on analysis at @pinelabsindia (Nov 9-15 data) we est 1.5M+ daily NEW debit/credit cards (mostly debit) making 1st retail pymt on card," Singh tweeted on Friday, based on data from Pine Labs India, a payment solutions firm in which the venture capital firm has invested in.

"In smaller tier-2 and -3 towns, the shift to card is even more sharply visible than tier 1 -- as these were more heavily cash-skewed previously and are probably facing a relatively even more acute cash crunch in comparison to tier-1," said Rajeev Agrawal, co-founder and chief executive officer of Innoviti.

Among metros, Delhi showed the largest jump in card transactions -- from 132 per cent in the period between November 9 and 15, to 155 per cent during November 16-22. Interestingly, many metros like Hyderabad (111 per cent), Ahmedabad (113 per cent) and Pune (103 per cent) saw card transactions more than double from the pre-demonetisation average.

The second week of demonetisation also saw merchant establishments allowing low-value card transactions in the range of Rs 300. The government had, on Wednesday, waived off transaction charges on debit cards to further increase digital and cashless payments. This may have led to the spike in increased number of low-value deals as merchants, who may earlier have discouraged card usage, are now actively encouraging them -- especially in food and grocery segments.

Interestingly, this has resulted in an increase in card payments across categories including restaurants (210 per cent), electronics (193 per cent), supermarkets (186 per cent) and entertainment (155 per cent). During the first week of demonetisation, this was driven more by immediate-consumption categories like restaurants, cinema/entertainment and liquor.