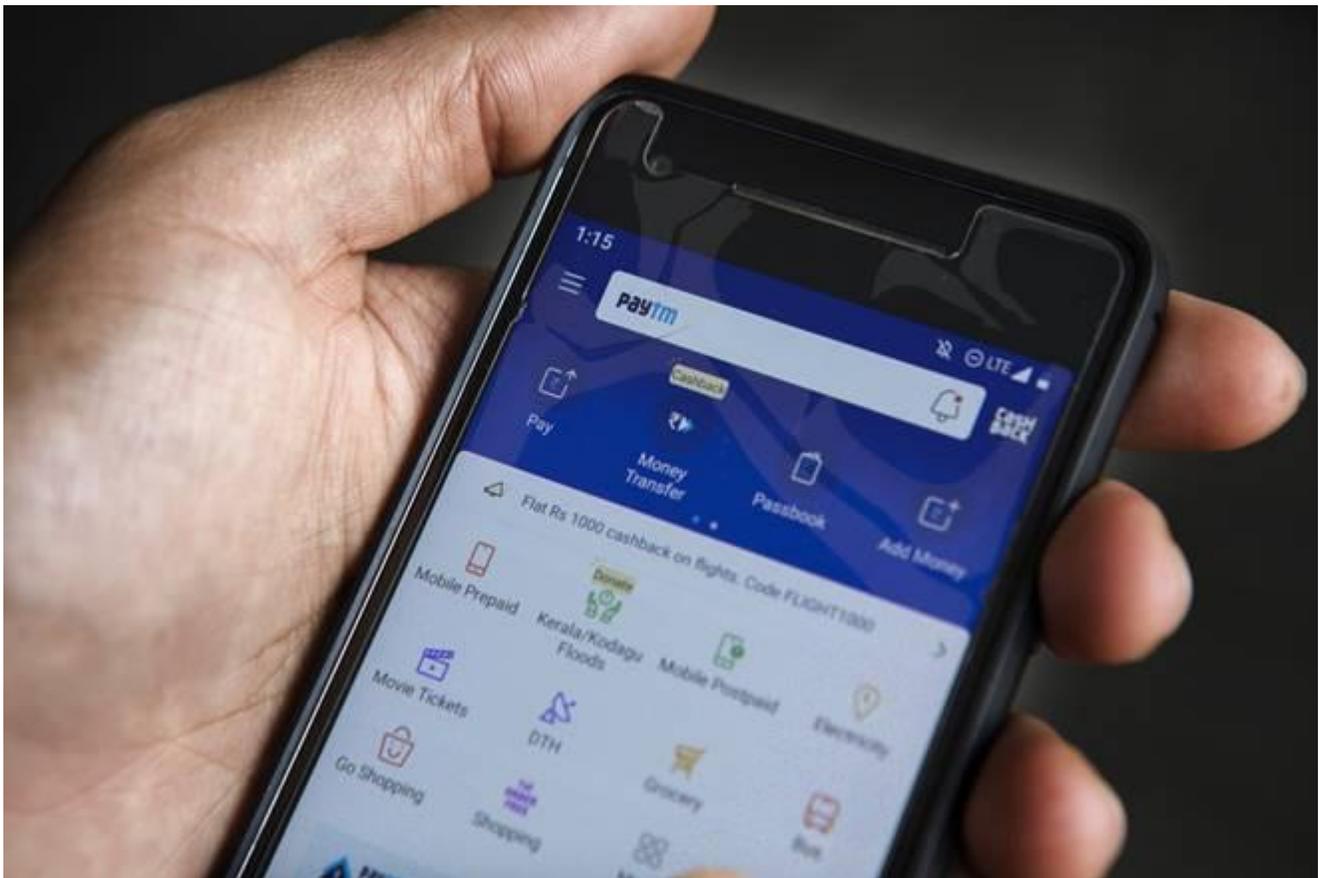


Paytm, Google Pay, others spend a fortune as India's love for cashbacks fuels a billion UPI payments

By: [Samrat Sharma](#)

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While the digital payments in India have reached a milestone in just three years, the main attraction is not their fast, reliable, and frictionless services, but the cashbacks and discounts they offer.



Cashback is the second-best attractive component for rewards after product discount globally. (Bloomberg image)

Love for cashbacks has taken UPI transactions in India beyond one billion mark but the digital payment app companies such as Paytm, [Google Pay](#), etc, had to shell out a fortune to make this happen. The advertising, marketing and promotional expenditure of the top four digital payment app companies have doubled on-year in FY19 and there's a big reason behind it. While the digital payments in India have reached a milestone in just three years, the main attraction is not their fast, reliable, and frictionless services, but the cashbacks and discounts they offer.

“Queried about what would encourage consumers to use digital payments more frequently, 42 per cent said that they wanted better rewards — discounts, incentives or cashbacks, followed by 24 per cent who saw faster and more frictionless checkout as the key motivating factor” shows data compiled by ACI Worldwide.

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The digital payment app companies seem to have clearly understood the customers' psychology in India that is the reason why cashback can be seen in almost everything that you look to buy online.

“Cashback is the second-best attractive component for rewards after product discount globally. Cashbacks are leveraged in a variety of ways. Mostly mobile wallets use cashbacks to compete with e-commerce companies to expand their footprints and competing with other digital payment modes,” DD Mishra, Sr Director Analyst, Gartner, told Financial Express Online.

Using innovative, creative, and smarter models, the cashbacks can be monetised further as it creates traction. Hence in the short term, rather than avoiding it, it should be leveraged as an important tool for tapping the opportunities in the market, DD Mishra added.

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India's payment system has changed its face since demonetisation with UPI becoming the fastest acceptance in payments in the world. “With India scaling up significantly in digitising the financial sector, UPI's current potential to transform payments seems to be immense,” Ramaswamy Venkatachalam, Managing Director – Banking and Payments, FIS, told Financial Express Online.

The luring cashbacks are undoubtedly keeping the customers glued to digital payments but the question is for how long will this process sustain and for how long the digital payment app companies will have to compromise with their operating profits to keep themselves intact on the ground.

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