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Market Watch

Digital payments bounce back to pre-Covid levels

BY ASHWIN MANIKANDAN, ET BUREAU | UPDATED: JUN 30, 2020, 10.08 AM IST

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Mumbai: [Digital payment transactions](#) through the Unified Payment Interface (UPI), cards and mobile wallets have made a near V-shaped recovery this month. Volumes had plunged nearly 60% in April after a countrywide lockdown to arrest the spread of the [Covid-19 pandemic](#).

UPI, operated by the [National Payments Corp](#) of India (NPCI), processed 1.23 billion transactions worth Rs 2.41 lakh crore until June 28, the most value recorded by the channel in a month, [Reserve Bank of India](#) (RBI) data showed. The monthly volume in April was 990 million amounting to Rs.1.5 lakh crore, recording the sharpest month-on-month fall on the platform since it became operational in 2016.

The UPI increase is due to consumers increasingly paying utility and shopping bills through contactless modes, experts said.

“Covid-19 has accelerated the shift to digital,” said Ambarish Kenghe, senior director, product, Google Pay. “It’s been a V-shaped recovery after volumes had fallen in April.”

Google Pay, the UPI leader in India, has seen bill payments and online recharges surge 180% on its platform in the months following the initial lockdown, he said. India imposed a nationwide lockdown at the end of March and easing of curbs started in early May.

Walmart-owned payment company PhonePe also said volumes had recovered. “Payment volumes for June are back to pre-lockdown levels,”

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said Karthik Raghupathy, vice president, strategy and business development, PhonePe. “This is driven both by the fact that offline and online merchants across most parts of the country have now opened up.”

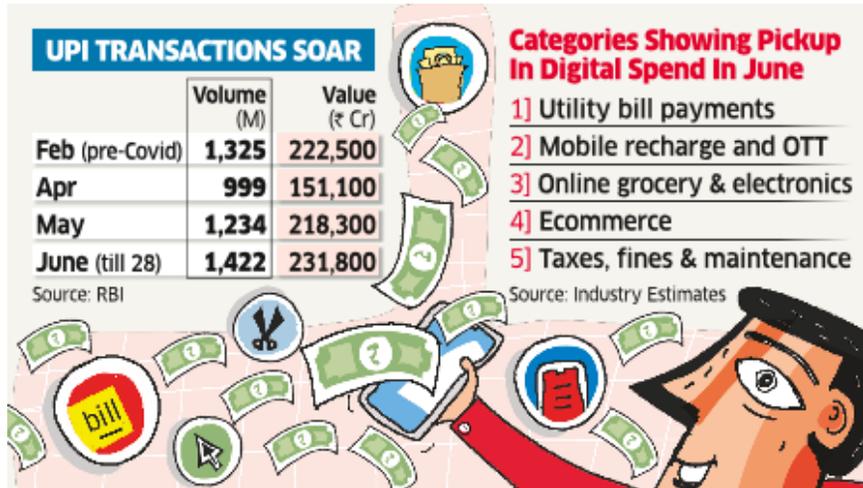
Separately, card-based transactions are also recovering with volume and value processed by top banks seeing a gradual revival to pre-Covid scale.

Credit Card Payouts Up

Axis Bank, [Kotak Mahindra](#), [RBL Bank](#) and [SBI Cards](#) said card-based transactions have returned to about 70-80% of pre-Covid volumes.

While the recovery has been sharper for payment by credit card, with a sizable chunk of it taking place online, debit card payments have also grown from May to June.

The catalyst for recovery has been the opening up of ecommerce for non-essential goods and a digital shift in spend-heavy sectors such as



entertainment and education, said executives monitoring these trends at top banks. However, spending in segments such as aviation, fuel, movies and dining remain subdued since people are traveling less and cinema halls and restaurants remain closed.

“There has been a sharp surge in payments to OTT (over-the-top) and education platforms,” said Deepak Sharma, president and chief digital officer at Kotak Mahindra Bank. OTT refers to services such as Netflix.

“We have also seen an increase in retail spends on ecommerce platforms in June, which is contributing heavily to our volumes,” said Vishwas Patel,

CEO of CCAvenue, a leading payment gateway. “This could be because of pent-up demand.”

Full Recovery to Take Time

The trend reflects a gradual revival in consumer sentiment but full recovery could still be some time away, experts said.

“While the recovery in digital payment trends going from April to June has been positive, one has to account for the fact that the sector was growing sharply before the pandemic,” said Sanjeev Moghe, EVP, cards and payments, [Axis Bank](#). “The sector was recording 25-30% annual growth. By those calculations we are still 35% away from where we would have been.”

Those managing offline digital payments at stores in the country echoed such concerns. Volumes being processed by payment companies at physical outlets remained nearly 50% down from pre-Covid levels.

“About 75% of stores managed by us are now open,” said Rajeev Agrawal, CEO, Innoviti, which deploys point-of-sale units. “While food and grocery payments are almost at pre-Covid levels, segments such as fashion, apparel and entertainment remain massively impacted especially in metro cities.”

Demand for pharmaceuticals and electronic goods especially in tier 2 and tier 3 cities have largely contributed towards the slight recovery observed on its platform in June, he said. Innoviti’s PoS machines power digital payments at more than 20,000 stores across the country.

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