

Digital Payments Adoption in India, 2020



Foreword

COVID-19 has imposed significant limitations on people's lives. The lockdown period in India, lasting few months of 2020, has altered how India pays, driven by lifestyle changes. While the top and middle segment household people were largely at home, the bottom segment faced numerous challenges in fulfilling their needs. Across the spectrum, people were finding ways to live, work, transact and discovering the uses of digital transactions.

A persistent underlying digital DNA to government programs such as Digital India, Jan Dhan Yojna, PM SVANidhi scheme for street vendors, DBT release, mandating NETC FASTag for tolling, etc. further brought problem solving to the grass roots. The government's significant benefits outlay also needed to reach the right target segment. RBI set the enabling tone by releasing guidelines on V-KYC, contactless payments, offline payments, recurring payments on cards and UPI, standardization of QR and expanding BBPS categories. Banks, Fintechs, Payment providers and Business Correspondents played a strong role by fast tracking their digital initiatives and innovating at pace to address the gaps for consumer and merchants.

UPI volumes dipped and soared as word spread through family, friends and campaigns, RuPay cards volumes picked up even in remote PIN codes that had hitherto remained silent, e-com card payments boomed and AePS, Aadhaar enabled payments, was providing the backbone for people to have access to their funds as they needed it.

With this backdrop, PRICE (People Research on India's Consumer Economy & Citizen Environment), an independent, not-for-profit research centre in partnership with NPCI conducted a research on Tracking Digital Payments Awareness, Adoption and Use Behaviour of Households. The report provides interesting insights.

The awareness and adoption of digital payments has increased and benefits associated with it e.g. Safety, Convenience, Instant payment were the key triggers. 36% households surveyed used digital payments for the first time during lockdown, and we were delighted to have an affirmation of the universal nature of the adoption across all segments. The humble SMS has held its own and reiterated how integral SMS communication is to deliver confidence and safety to the user. It becomes clear that people are digital-ready and the supply-side needs to continue to address the barriers to adoption.

NPCI has picked up the cues with the ecosystem drive towards UPI awareness, contactless card payments, led by RuPay NCMC contactless cards (National Common Mobility Card), expansion of NETC FASTag to state tolling and BBPS across categories. This stays underpinned with the safety and awareness agenda.

The report is concise and sharp, hope you find it relevant and meaningful. Do connect back with us for further conversations and insights on how we can deepen India's digital footprint.

Regards
Praveena Rai
COO, NPCI

About NPCI

With a vision to be the best payments network globally and mission to touch every Indian with one or other payments services, NPCI, the powerhouse of payment systems in India is committed towards driving the digital India serving all Indians.

Established in 2008, under patronage of the Reserve Bank of India and the Indian Banks Association, NPCI has embarked on a mission of touching every Indian through its varied range of digital payment products like **UPI, BHIM, RuPay, NETC, AePS, BHIM Aadhaar, Bharat BillPay, NFS, NACH, CTS, IMPS** and to facilitate safe and secure digital payments. These products help in:

- ▶ Person to Person money transfers.
- ▶ Person to Business, such as kirana stores, petrol stations, recharges, e-commerce, retail.
- ▶ Business to Business, such as Retailer to Supplier or Distributor.
- ▶ Business to Person as salaries, reimbursements, refunds, claims.
- ▶ Person to Government, such as tax, public transit, public distribution services. utility.
- ▶ Government to Person, in the form of direct benefit transfer payments of various central and state government social security schemes.

About PRICE

(People Research on India's Consumer Economy & Citizen Environment)

PRICE is an independent, not-for-profit research centre, a 'think tank' and 'facts tank' engaged in building and disseminating seminal knowledge and insights about India's Macro Consumer Economy and Citizen's Environment, for use in formulating public Policy and in shaping business strategy.

Authors

- ▶ **Rama Bijapurkar**
Management Consultant and Professor of
Management Practice, IIM Ahmedabad
- ▶ **Praveena Rai**
Chief Operating Officer, NPCI

- ▶ **Dr. Rajesh Shukla**
Managing Director & CEO, PRICE
- ▶ **Vikas Sachdeva**
Sr. Lead-Marketing, NPCI

About the Research

Objective of the Study

To understand the digital payments awareness, adoption and use behaviour of households.

Target Group

- 5314 households covering 25 states pre divided into Bottom, Middle, Top income states based on government data and sample drawn from each
- With person “mostly doing banking and payment related work for the household”, covering rural and urban chief wage earners of households
- Carefully constructed sample drawn from a proprietary sample frame of 35,000 households taken from 2016 survey of one lakh households

The households are divided into three groups, the Bottom (40%), Middle (40%) and Top (20%)

Sample households	Rural/Urban Split (%age of households living in respective areas)		Average Income* of household/yr (₹)
	Rural	Urban	
Bottom (40%)	80%	20%	₹ 1,10,000
Middle (40%)	60%	40%	₹ 1,80,000
Top (20%)	45%	55%	₹ 3,60,000

The respondents were the persons in the households looking after all financial matters and banking for the household, usually though not always the chief wage earner of the household.

*Household income estimate based on ice360 2016 survey of PRICE

Key Findings

- I. Digital payment adoption is now very well entrenched in India. Overall, one third of Indian households are using it in some form or the other. Heartening to note that almost a quarter of the households in the bottom 40% income group are using it as well and it has not remained a rich or well educated person’s preserve. 15% households in bottom and middle category would like to adopt digital payments.

Further, smart phone ownership is no longer a bottleneck for the adoption of digital payments. The numbers speak for themselves (Table 1).

Table 1: Status of digital payment adoption among Indian households

% of households in each income group who have...	Income groups			Total
	Bottom 40%	Middle 40%	Top 20%	
Never used it	72%	52%	39%	59%
Used in the past but stopped	4%	13%	12%	9%
Use now	24%	34%	49%	32%
Never used but would like to use	16%	14%	9%	14%
POTENTIAL USER BASE IF				
“Desire to use” are converted	40%	48%	58%	46%
“And past users brought back”	44%	61%	70%	54%
Have smart phones	57%	72%	90%	68%

User share among households who use digital payments is in the Table 2 below. This and other data we collected clearly shows UPI as the star of the digital payments product suite, with clear user perceived advantage of instant payment, though ease of usage needs to be improved.

Table 2: Digital payment methods - User share of households

% of households who do digital payments in each income group using...	Income groups			Total
	Bottom 40%	Middle 40%	Top 20%	
Paytm, PhonePe type apps	80%	79%	78%	79%
UPI	56%	45%	56%	52%
Online shopping using credit or debit card	27%	42%	44%	38%
Use Bank App	18%	41%	43%	34%

Households which are using UPI as a platform may not be completely aware about interoperability of the platform, there is a potential to create education about interoperability to increase adoption of UPI.

- II. Online banking is less well developed than payments, but has potential. As of now the usage of the mobile phone (the access gadget for internet users in India) for banking is low, lower than the availability of the mobile banking app. There is a 36% gap between smart phone ownership and digital payment users. Bridging the gap between apps downloads and usage through education represents an immediate and low hanging fruit opportunity (Table 3).

Table 3: Status of online banking

% of household in each income group who have...	Income groups			Total
	Bottom 40%	Middle 40%	Top 20%	
Have smart phone	57%	72%	90%	68%
Do digital payments	24%	34%	49%	32%
Have mobile app for bank	14%	37%	59%	31%
Use phone for banking related matters	5%	17%	30%	14%

With half of households in top segment making digital payments and have mobile banking app, the user share for UPI can be increased, Quarter of households in bottom segment are drivers of digital payments in future.

III. The banking system is also very well connected digitally to users via Aadhaar linkages and SMS facility even at the lower income groups. Familiarity with ATMs is also very high. The physical infrastructure and the digital infrastructure is in place for the next big push for online banking which can improve service levels to the lower income group especially (Table 4).

Table 4: Banking system reach by Income Group

% of households who have...	Income groups			Total
	Bottom 40%	Middle 40%	Top 20%	
Bank account	100%	100%	100%	100%
Get SMS from Bank	82%	89%	94%	87%
Showed Aadhaar Card at Bank	69%	62%	77%	68%
PSU Bank accounts	86%	73%	66%	78%
Private Bank accounts	7%	12%	13%	10%
Both	7%	15%	22%	13%
Bank Branch < 2 kms from home	53%	54%	53%	53%
ATM < 2 kms from home	58%	59%	67%	60%
Reached by Bank Mitra	54%	56%	62%	56%
Has Debit Card	68%	79%	94%	77%
Uses Debit Card for Cash withdrawal	95%	87%	100%	94%

With over 80% households receiving SMS from banks on updates about transactions in their bank account, they can make transactions with AePS (Aadhaar enabled Payment System) for Cash Withdrawal etc.

IV. Finally, the DBT delivery system has worked exceedingly well and got even better during lockdown (Table 5)

Table 5: DBT delivery to eligible households
(Base: All households who say they are eligible for DBT*)

% of households eligible for DBT who say...	Income groups			Total
	Bottom 40%	Middle 40%	Top 20%	
They received pre lockdown **	79%	86%	93%	84%
They received post lockdown	91%	83%	77%	85%
*Are you or is any member of your household entitled to DBT cash support which the government is giving to supplement your income?				
** Did you or any member of your household receive DBT cash support BEFORE/ AFTER Lockdown?				

Conclusion

There is a very strong consumer momentum in favour of digital payments and online banking driven by a very well-developed ecosystem. Consumers are also able to perceive the advantages and disadvantages of different digital payment products available, signaling a well-developed consumer environment as well.

A high-quality push towards empowering users (as opposed to extolling product features or generic advantages of digital payments), with specific “how to use” knowledge, helplines for learning as well as problem solving, and safeguard features which help the user ‘stay safe’, can make India race towards being a less-cash society. It is today well past the early adopter stage and the mainstream majority is adopting it. What is even more heartening is that the lower income group is also a part of this movement to digital.

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भारतीय राष्ट्रीय भुगतान निगम
NATIONAL PAYMENTS CORPORATION OF INDIA

1001A, B Wing, 10th Floor, The Capital, Bandra-Kurla Complex,
Bandra (East), Mumbai - 400051 • Phone: 022-40009100 Fax: 91-22-40009101

www.npci.org.in

