

# Digital payments to more than double to \$135.2 bn by 2023

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**D**igital payments in India will more than double to \$135.2 billion in 2023 from \$64.8 billion this year, according to an ASSOCHAM-PWC India study.

"India is expected to clock the fastest growth in digital payments' transaction value between 2019 and 2023 with a compounded annual growth of 20.2%," said the study released on Saturday.

The study also showed that India's share of worldwide transaction value of digital payments is also set to increase from 1.56% to 2.02% in the next four years.

Among factors which led to the exponential growth in digital transactions are demonetization and discounts on mobile wallets and UPI transactions. Funding from a diverse set of domestic and international stakeholders also contributed to the growth in digital payments. The study



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stated that regulatory efforts and the early successes of wallets of non banking players (like Paytm) played a 'catalyst's role in enhancing the digital landscape in the country in the last three years, with heavy traction in the past one year.

According to the study, the key growth driver for digital

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payment would be inter-operability between the pre-paid instrument (PPI) players, whose number has reached almost 50 in India.

"Interoperability is expected to remove such hindrances and enable users to make payments at any and all digitally enabled merchant outlets without the

need to possess the same wallet platform. What makes interoperability possible today is the UPI, which allows users possessing accounts in different banks to transact with each other in real time," the study added.

The rise of digital commerce, innovation in payments technology using AI, blockchain, the Internet of Things (IoT) and real-time payments and the introduction of mobile point of sale

(POS) devices have also contributed to growth.

However, the study revealed that the digital payments industry would need to address challenges such as low margins primarily due to a cashback-driven culture, process inefficiencies like Know Your Customer bottlenecks and cyber security threats.

Recently, the Nandan Nilekani committee on digital payments had recommended that the Reserve Bank of India (RBI) and the government must target growth in the volume of digital payments by a factor of 10 in three years, leading to doubling in value relative to gross domestic product. The committee also highlighted the need to expand the acceptance infrastructure across the country and also to reduce the interchange on card payments by 15 basis points. The panel also pushed for removal of all charges on digital payment transactions for the convenience of customers.