

India's payments space heats up as Paytm and PhonePe add new transaction solutions

Article

The news: Two of India's largest payment players, **Paytm** and **PhonePe** (partially owned by **Walmart's Flipkart**), each announced new digital solutions.

- **Paytm:** The company introduced **Postpaid Mini** to its buy now, pay later (BNPL) solution, [Paytm Postpaid](#), so customers can take out smaller loans—between INR250 and INR1,000 (**\$3.40 to \$13.50**)—that are interest-free for up to 30 days, [per](#) Mint. It also lets customers access Paytm Postpaid’s instant credit of up to INR60,000 (**\$809.40**). Both solutions can be used for utility payments and online [Paytm Mall](#) purchases. The standard Postpaid service offers a longer-term credit solution with a monthly interest rate from 0% to 3%. Paytm is also [exploring](#) an initial public offering with an estimated value between \$24 billion and \$30 billion.
- **PhonePe:** Flipkart customers can now pay for their online purchase at delivery with a scannable QR code, [per](#) Tech in Asia. Customers who initially chose to pay for their online order with cash can still opt to pay digitally with a QR code instead when the delivery arrives.

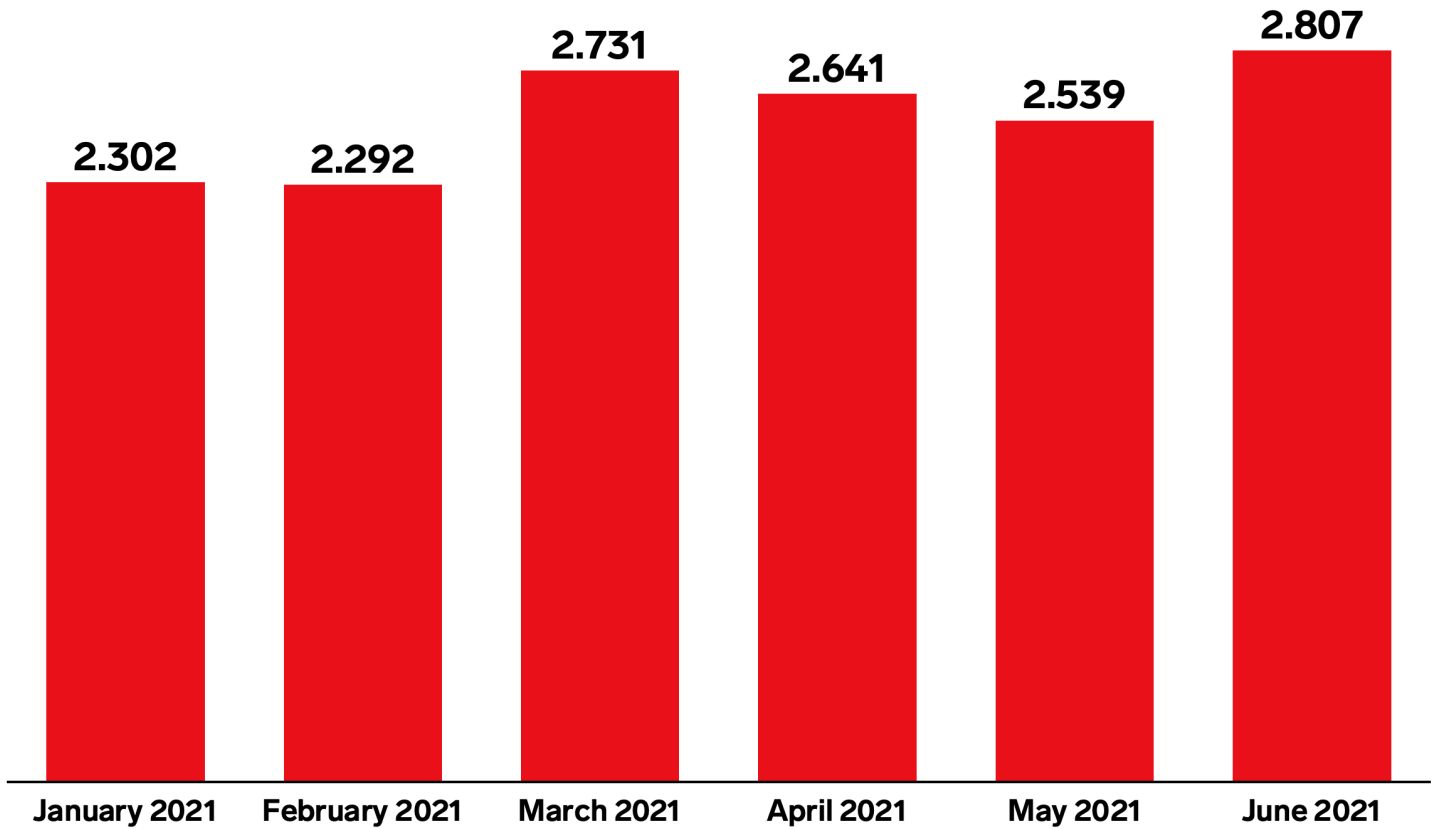
Why this matters: The pandemic accelerated India’s digitization—enlarging growth opportunities for players like Paytm and PhonePe.

- **The Indian ecommerce market is rapidly growing:** In the last year, online shopping has experienced a [swift uptake](#) in India, driven in part by COVID-19 lockdowns and other pandemic restrictions. A March 2021 [survey](#) found that **nearly half** of consumers in India preferred online shopping to in-person shopping in the prior 12 months. Helping push that trend were players like [Flipkart](#) and [Reliance Industries](#)—both of which updated their ecommerce solutions. And expanding Paytm’s payment solution can keep the momentum going by making it easier for consumers to purchase smaller-ticket items online.
- **Increasing digital payment solutions adoption:** In June 2021, the Unified Payments Interface (UPI)—India’s instant payments system that offers mobile bank-to-bank transfers—[broke](#) a new record, [hitting 2.8 billion](#) transactions in the month, up from **1.3 billion** in June last year. Recent adoption also stemmed from the pandemic, and going forward, solutions like Paytm’s and PhonePe’s can make digital payments more accessible and convenient for consumers to try and eventually adopt.

The bigger picture: Ecommerce and digital payments adoption among India’s vast population makes the country a prime location for payment players like Paytm and PhonePe to broaden their solutions—though they’ll need to compete for market share as the space heats up. For example, **Amazon’s** BNPL solution has seen [tremendous adoption](#) in India, making it a player that Paytm might want to keep an eye on if it wants its own BNPL product to dominate the market.

Unified Payments Interface Monthly Volume

billions



Note: Unified Payments Interface (UPI) is India's instant payments system that offers mobile bank-to-bank transfers

Source: National Payments Corporation of India, 2021

Methodology: This data reflects monthly UPI volume recorded by the National Payments Corporation of India as cited on its website.

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