

Mobile payments

Start-ups battle big business to dominate digital payments in India

Mobile money upstarts race to sign up merchants in critical battleground for global players



Patym, accepted at this roadside stall in Mumbai, is one of India's largest mobile payments services © Punit Paranjpe/AFP/Getty Images

Stephanie Findlay 6 HOURS AGO

In the fierce battle for dominance in India's digital payments space, BharetPe stands out for focusing exclusively on the legions of small retail merchants that form the backbone of the country's economy but are largely underserved by banks.

Ashneer Grover, the co-founder and chief executive of the one-year-old payments app, has hired over three thousand sales agents to hit the streets and sign up shop owners before big tech rivals Google and Walmart-owned PhonePe get to them first.

BharatPe gives merchants a QR code that allows them to accept digital payments for free from any app operating on UPI, a payments system developed by the government that has seen meteoric adoption since its 2016 debut.

Like most other digital payments companies hoping to tap into India's mushrooming mobile money market, BharatPe is using the app as a launch pad to introduce a series of financial products as the country's 450m mobile phone users come online.

The first is offering merchants loans ranging from Rs25,000 (\$350) to Rs250,000 (\$3,500). The loans are awarded according to the amount of business the merchants do on the app and are serviced through daily deductions.

Since its launch this year, the uptake has been “amazing”, says 37-year-old Mr Grover, who previously worked at American Express and Grofers, an Indian online grocery delivery service.

“We want to be seen as the digital bank for the merchant,” he says, “We have applied [to be] a non-banking financial company and we should be getting our licence in 2019 or early 2020.”

It is testament to India’s fast-growing payments market that BharatPe, which by some estimates is valued at over \$225m and backed by US venture capital firm Sequoia Capital, has been able to rack up 1.8m merchants on the app while in competition with some of the world’s biggest companies, including Amazon and [Alibaba](#), which backs Indian start-up Paytm. Led by the charismatic entrepreneur Vijay Shekhar Sharma, Paytm has become one of India’s most valuable start-ups which is branching out from payments into banking and has launched a credit card.

Though [Paytm](#) and Walmart’s PhonePe dominate Indian digital payments with a 70 per cent market share based on app installations, according to research firm Kalagato, smaller players like BharatPe are flourishing because the sector is very underserved. The Reserve Bank of India estimates that the number of online payments will jump from the current 100m to 300m over the next three years.

India has become a central battleground for foreign companies who see the country as an important source of long-term growth. US-listed payments company PayPal described India as “critically important” and WhatsApp is poised to launch its first payments service imminently.

“The market is too big and diverse for classic oligarchic set-ups. It’s a space for multiple people to exist at least in the short to medium term while the landscape formalises,” says Vivek Belgavi, fintech analyst at PwC India.

The nascent industry has been a source of optimism against a backdrop of economic gloom.

PhonePe, the payments app owned by India’s largest ecommerce group [Flipkart](#), is in the process of expanding aggressively with the dream of becoming as ubiquitous as China’s WeChat, an app used for everything from chatting to banking to gaming.

“At this point we have 75 mini-apps on the platform,” says Sameer Nigam, PhonePe founder and chief executive, “We aspire to be as much of a daily habit in people’s lives.”

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PhonePe has emerged as a bright spot for Walmart in India, which has had to jump New Delhi’s regulatory hurdles in the ecommerce space after buying Flipkart for \$16bn in 2018. The app has rolled out financial services including digital gold and mutual funds, and has plans to launch more.

To fuel PhonePe’s expansion, Mr Nigam is in the process of raising \$1bn, which puts the value of

September report citing the company's potential beyond payments.

“Whether the Flipkart board, which is 100 per cent owner of PhonePe today, capitalises us directly or whether we spin off is the conversation that is happening,” says Mr Nigam, “But we have a firm commitment that we'll get the capital.”

New Delhi's push for the adoption of digital payments has helped the sector take off.

“The regulations today are forcing people to use digital,” says Arnav Gupta, digital analyst at Forrester, a market research company, citing a law that penalises cash transactions over Rs200,000 in a single day.

Financial technology groups have been hit with increasingly tight regulations that have slowed expansion plans, including new data localisation rules.

Still, that has not damped the enthusiasm of digital payments companies in India. Mr Grover has been on a hiring spree to build on BharatPe's success.

“The revelation for us is that these people are very happy to adopt technology as long as it benefits them,” he says.