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Consumption through lens of spending

The Indian economy recently got a big structural booster dose through GST 2.0. This is likely to be a major support towards stimulating private consumption demand. Government in their recent press release has estimated a Rs 20 lakh crore boost in consumer spending due to the GST benefit. Since the timing of GST is finely aligned with festival period and supportive macro fundamentals in terms of a benign headline inflation, better sowing and a supportive monsoon, we expect household spending to get a major push.

In this note, we look at the digital payment statistics especially those media catering to retail payments such as UPI, debit and credit cards. The festival days from Dussehra to Diwali have been earmarked every year and adjusted to calendar days for maintaining similar base. Some key findings are:

1. UPI has emerged as the most popular choice of payment instrument.
2. There has been considerable improvement in payment statistics, especially UPI in the current festival period speaking of frontloading of spending.
3. The merchant category wise UPI data of Sep'25 also shows pick up in payments value of major consumer goods categories such as men's and women's clothing outlets, online marketplaces, electronics and beauty and barber establishments and liquor shops. Similar trend is also visible when we look at the average spending per transaction.

Oct'25 data is expected to provide more clarity as the significant impact of GST rate cut benefit will be visible.

What payments data convey?

RBI's daily payment statistics gives an interesting perspective of consumption from the point of view of spending. Ceteris paribus, it is not a holistic approach as there may be small to mid-value repeated transactions. However, the volume of transactions, especially during festival months, reflects some momentum in consumption demand. For this exercise, we have taken the recent festivals from Dussehra to Diwali period. The period has been adjusted to discount for any loss of days. Each calendar year, the corresponding period is mapped and accordingly the payments daily data have been cumulatively considered. **Fig 1.** shows the growing popularity of UPI as a mode of payment. Through this mode, the pickup has been significant. It went up to Rs 17.8 lakh crore compared to Rs 15.1 lakh crore in the same period of previous year.

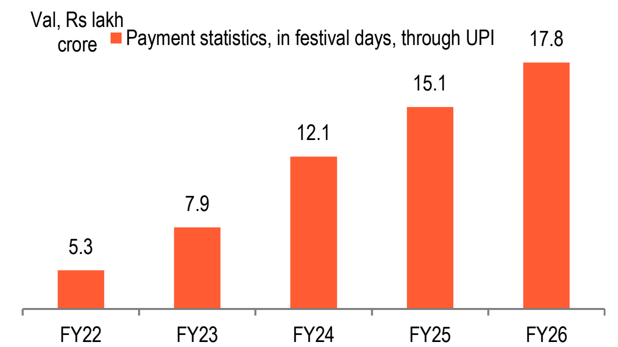
Other major modes of retail transactions such as debit card and credit card statistics have also been included to arrive at the total payment statistics shown in **Fig 4**. The purpose of considering these three modes of payment is because of their popularity in retail spending rather than accounting for the ones which are built for the purpose of utility driven transactions and bulk payments such as salaries and subsidies. In fact, in Sep'25, UPI witnessed a seasonally unadjusted MoM increase of 2.6% in value terms. Here structural factors such as income tax benefits given in the Budget and building up of household's expectation parameter on account of GST cut, also attributed towards higher spending.

Debit card values have picked up during the festival months though UPI has been more of a preferred choice for consumers. The payment in value terms through debit card during this festival month went up to Rs 65,395 crore compared to Rs 27,566 crore in the same period of previous year. For transactions through debit cards, there has been a decelerating trend, barring the current year. For credit cards, some cautious pruning down is witnessed in the current period.

Taking the cumulative value of popular modes of retail payment, the current festival period shows an upbeat transaction statistic and can be taken as a signal of consumption revival in this quarter.

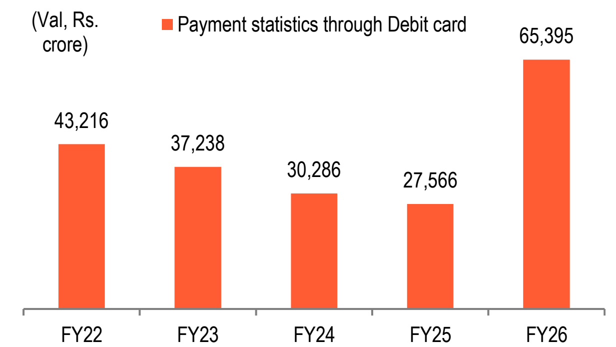
A caveat here when evaluating these datasets is the usual seasonal increase and the repeated transactions not directed towards consumption or just as transfer of balances to accounts.

Figure 1: UPI statistics showed festival-driven upbeat



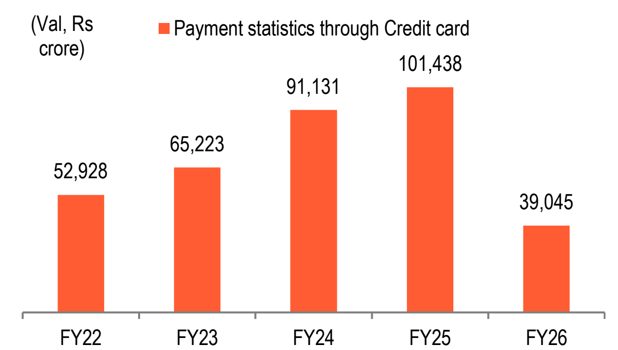
Source: RBI, Bank of Baroda Research, Note: * Festival days comprise of Dussehra to Diwali

Figure 2: … jump is also visible for debit card



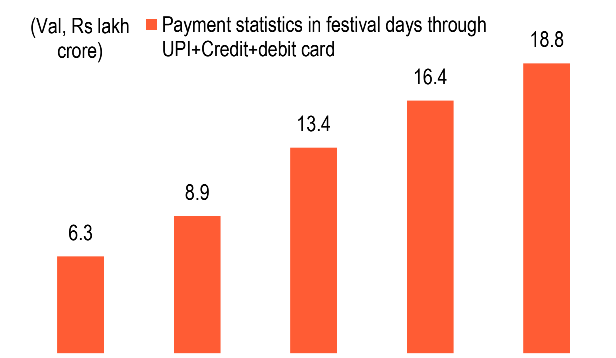
Source: RBI, Bank of Baroda Research Note: * Festival days comprise of Dussehra to Diwali

Figure 3: Credit card showed some moderation



Source: RBI, Bank of Baroda Research, Note: * Festival days comprise of Dussehra to Diwali

Figure 4: Overall payment value showed considerable momentum



Source: RBI, Bank of Baroda Research Note: * Festival days comprise of Dussehra to Diwali

Another aspect is the value of transactions in terms of average spending per transaction. Here debit card fares far better than UPI. During the festive period average spending per transaction for UPI was Rs 1,052 whereas for debit card it was Rs 8,084 and for credit card at Rs 1,932. However, one can easily gauge that small to mid-valued segment of consumption demand is likely to get a fillip looking at the spending statistics. A deep delve into merchant category classification gives interesting results.

Category wise spending of UPI data:

Sep'25 data, which can be considered as frontloading of spending ahead of festival days, clearly shows that for categories such as men's and women's clothing shops and electronic shops, the average spending/ transaction falls within the top 10 categories. The GST impact is not fully captured in the Sep'25 data. Oct'25 would give us interesting results as these categories, such as textile, some electronics items (TV, AC, dishwasher, refrigerator, amongst others) and their intermediate input witnessed significant reduction in duties.

There are clear signs of frontloading for categories such as online marketplaces, men's and women's clothing shops, electronics and beauty and barber shops and liquor shops, which has shown an increase in Average spending per transaction in Sep'25 compared to previous month.

Table 1: UPI average spending/transaction category wise

Categories above 50% growth	Avg. spending/trans. Aug-25	Avg. spending/trans. Sep-25
Cigar shops and stands	59	58
Package shops beer, wine and liquor	410	413
Online Marketplaces	638	712
Men's and women's clothing shops	1,160	1,243
Groceries and supermarkets	218	212
Fast food restaurants	**115**	**111**
Eating places and restaurants	**164**	**155**
Service stations (with or without ancillary services)	551	549
Drug stores and pharmacies	390	393
Bakeries	151	145
Dairies	253	249
Candy, nut and confectionery shops	193	184
Freezer and locker meat provisioners	314	322
Electronics shops	**1,094**	**1,217**
Beauty and barber shops	**284**	**286**
Passenger railways	512	491
Variety stores	505	534

Source: NPCI, Bank of Baroda Research, Note: Green items are witnessing increase in avg. spending/trans. compared to previous month

In value terms, the YoY data shows significant double-digit momentum. The value growth of major consumption related categories such as online marketplaces, men's and women's clothing shops witnessed significant jump in Sep'25 over Sep'24, indicating higher spending activity in these categories. Even eating places and restaurants saw a sharp double digit increase in payments transaction. The same is also visible for electronic shops, beauty and barber shops, which speaks of a strong festival related pull and likely impact of GST rate cut. This number comes even in the wake of a strong unfavourable statistical base. Thus, highly speaking of significant structural turnaround.

Table 2: UPI spending category wise, YoY picture

Categories above 50% growth	Val growth in Sep-25, YoY
Cigar shops and stands	129.8
Package shops beer, wine and liquor	98.8
Online Marketplaces	**64.0**
Men's and women's clothing shops	**68.5**
Categories recording growth between 20-50%	
Groceries and supermarkets	**36.9**
Fast food restaurants	23.6
Eating places and restaurants	**26.4**
Telecommunication services	20.8
Service stations (with or without ancillary services)	32.3
Drug stores and pharmacies	39.3
Bakeries	**29.0**
Dairies	**35.4**
Candy, nut and confectionery shops	**42.6**
Freezer and locker meat provisioners	34.7
Electronics shops	**20.8**
Beauty and barber shops	**30.6**
Passenger railways	24.3
Men's, women's and children's uniforms and commercial clothing	28.2
Variety stores	32.9

Source: NPCI, Bank of Baroda Research, Note: Green items are major consumer-oriented sectors

Summing up

- The payment statistics can be proxied as the aggregate retail consumer spending.
- It showed uptick especially in UPI category which has emerged as a popular payment instrument.
    - For the festival period from Dussehra to Diwali and tracking the payment statistics clearly shows a sharp linear jump in UPI value.
- Merchant category wise spend also throws light on double digit momentum in those categories of spend which shows the festival driven consumption push. Most items also received the benefit of a reduced tax rate under the GST 2.0 reforms.
- Oct'25 data would show better light as in Sep'25 we also had a period when purchases do not take place and are deferred. Despite this factor the spending numbers are robust.
- We expect private consumption demand to report a buoyant print in Q2. The trend will also persist in Q3.

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