

## **Role of Paytm in The Era of Digital Revolution**

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### **ABSTRACT**

*Paytm or Pay through mobile is India's one of the leading mobile payment platforms that specialises in digital payments and financial services. Just like any startup company, Paytm has faced many ups and downs. From its foundation year(2010) till pre- demonetisation era, the company was in its introduction stage but during the demonetisation period, the company glistened like a star with its outstanding popularity among the people with liquid money crisis who embraced the convenience and that steady growth kept marching forward until the IPO launch in November 18, 2021, where One97 Communications, the parent company of Paytm, went public with largest IPO ever offered in India with a striking gross merchandise value(GMV) of ₹13.2 lakh crore or\$170 billion with its share price of ₹2150 but it fell significantly short of expectations. From then on investors saw a blackhole instead of a star because despite a high valuation, the stock plummeted by 27% on its first day of trading and it stayed way below the belt later with almost half the price of the IPO.*

### **INTRODUCTION:**

Paytm, a digital revolutionary approach in the world of digital payment, is India's leading financial service company that offers financial solutions and digital payments to consumers, offline merchants and online platforms, founded by one of the ambitious startup businessmen, Mr. Vijay Shekhar Sharma aka VSS. One97 Communications Ltd. owns the brand Paytm. It was the revolutionary mobile wallet which needed internet connection to operate and thanks to Reliance Jio for providing it for free initially and to the Government for the push for digital payments post-demonetisation. Paytm was fuelled by Sharma's relentless drive and India's digital awakening. On November 8<sup>th</sup>,2016, Prime Minister Narendra Modi announced a demonetisation drive that would throw India's cash-reliant economy into a tailspin but there came the clear winner, an opportunistic giant, Paytm, a company that had been working payment solutions for offline merchants since 2010, flew right in. Indian economy used to be cash-based

society and with its backbone broken with liquid cash unavailable, Paytm with its mobile wallet platform was the solution for such a cash- haemorrhaged economy.

Paytm has steep incline in terms of growth and diversification and has catered the needs of the people according to the growing times. It has promoted the e-commerce business so swiftly in India that now it is the largest e-commerce company in India with its own Payments bank. Its net worth is a whopping billion dollar. Its IPO in the year of 2021, has the highest ever grossing amount of ₹18300 crore surpassing Coal India's IPO of ₹15000 crore.

But as it has grown so steadily, it did face some controversies regarding its working. Paytm is currently navigating a challenging phase marked by regulatory actions and operational hurdles. The Reserve Bank of India (RBI) imposed significant restrictions on Paytm Payments Bank Ltd. (PPBL), halting the onboarding of new customers due to supervisory concerns and requiring comprehensive IT audits on accounts of background checks resulted in privacy and security leaks of its consumers to a third-party client. This has resulted in an expected financial impact of ₹300 to ₹500 crore on Paytm's annual EBITDA mitigate these challenges, Paytm has taken several steps. The company secured a third-party license from the National Payments Corporation of India (NPCI), allowing users to link their bank accounts to Paytm for UPI transactions through partner banks like YES Bank. This shift ensures that existing UPI transactions can continue, although PPBL will no longer handle direct deposits, credit transactions, or FASTag recharges.

Despite these setbacks, Paytm's stock showed signs of recovery after an initial drop, though the long-term impact on customer retention and revenue remains a concern. Paytm's CEO is actively engaging with RBI and government officials to find a resolution, and the company is working on migration plans for its customers to other banks. Overall, while Paytm faces significant regulatory and operational challenges, its strategic adjustments and ongoing dialogues with regulators aim to stabilize and potentially revive its business in the long term.

## **LITERATURE REVIEW**

- I. In accordance with Das et al (2015) E-Commerce is growing at an unbelievable rate in India and the internet usage has skyrocketed by 9142.5 % just in 2000-2016 which implies that there is a huge scope of internet usage in the future. Also, foreign e-commerce sectors like Google, Microsoft, Facebook are investing in India. One such e-commerce Chinese company named Alibaba group has invested in a Delhi based Start-up company named Paytm.

- II. FE Bureau (2017) stated in “A Newspaper Article in Financial Express”, that RBI has opined that Digital payment companies like Paytm and Mobikwik has a fast-growing fanbase because of Demonetisation.
- III. According to Prof. Trilok Nath Shukla in “Mobile Wallet: Present and the Future” (June 2016), gave a detailed discussion of the impression of customers and retailers about the portable wallets and elaborated its working, types, advantages and disadvantages.
- IV. In the case study of e-payment Companies: Paytm and Freecharge by Ghuman et al (2016), he states the journey of Paytm from initially being just a mobile recharge company has now emerged and multi expanded into a billion-dollar company. It is Country’s largest e-commerce company and now has its own payment bank with customers from both rural and metropolitan areas.

### **1. RESEARCH GAP:**

A brief analysis of Paytm and its part played in promoting cashless economy and digital revolution of India.

### **2. OBJECTIVES OF THE STUDY:**

To analyse the role of Paytm in the digital revolution in India.

### **3. RESEARCH METHODOLOGY:**

The research study is an attempt at exploratory research, drawing on secondary materials for journals, periodicals, papers and media sources. The study employed a descriptive research design based on the investigations goals and objectives. This study relied heavily on publically available secondary data as this paper has secondary survey approach.

### **About the company and its working:**

Paytm is a digital payment platform based in India. It was founded in 2010 by Vijay Shekhar Sharma under One97 Communications with its headquarter in Noida, Delhi, and has since grown into one of the leading financial technology companies in the country. Initially launched as a mobile recharge and bill payment platform, Paytm has expanded its services to include online shopping, ticket booking, banking, insurance, and more.

In the Indian market, Paytm is one of the oldest digital payment app which has diversified and expanded its business over the last decade by means of collaborating and partnering with other businesses like Airtel, MTNL, BSNL etc.and by launching new and innovative products and

services. Paytm has strategized its growth over the years by initially offering Paytm wallet as a new product for the digitally late boomer India, then gradually expanding by launching Paytm Payments Bank and Paytm Insurance. It has then diversified its business by introducing innovative services like Paytm mall, Paytm gold, Paytm first Games etc.

Some services offered by Paytm:

- **Paytm Wallet:** Consumers can add money to their individual Paytm Wallets via multiple payment options, such as bank transfers and net banking with absolutely no hassle of entering OTP or a Pin number. Consumers can also use their wallets to withdraw money from ATMs. Consumers can also use their Paytm wallet to make Peer-to-Peer (P2P) or Peer-to-Merchants (P2M) payments. Railway, bus and flight ticketing, Uber payment, Bill payments, education fees, metro recharges, QR code scanning facilities etc. are some of the services consumers could avail from Paytm wallets.
- **Paytm Gold:** It is a service that lets customers purchase pure gold online for as little as ₹1.
- **Paytm Payments Bank:** Paytm Payments Bank offers savings and current accounts with a debit card, facilitating fast and easy payments. Paytm Payments Bank has issued seven million Visa debit cards through its platform in the financial year of 2021 alone.
- **Paytm Inbox:** Paytm Inbox has been developed as a full-fledged messaging platform, it allows its users with features like chatting, live location sharing, message recall, photo and video sharing and other standard features.
- **Paytm Mall:** It is an e-commerce platform and a marketplace where a consumer can purchase anything as per their need and choice.
- **Paytm First Games:** It is an online games platform where a consumer can pay for playing games as well as be rewarded with actual plastic money.
- **Paytm Insurance:** This platform provided insurance to citizens of India aged between 18-60 years old who are registered with Paytm.
- **Paytm Insider:** It is a mobile app that helps to book tickets for cricket matches, live entertainment shows and sports games online.

With a heavy competition from Freecharge and Mobikwik since their launches in India in 2010 and 2009, Paytm took into its account of all the services offered by its competitors along with diversifying newer innovative services which helped this company to thrive forward. Even

during the era of demonetisation, with heavy competition from Google pay (then known as Tez), Bhim Pay, PhonePe etc. Paytm stood out as the first payment app in India to surpass 10 crore downloads in 2017.

Though Paytm's growth catalysts received a substantial boost still the ultimate consumers and investors are in binds with the decision imposed by the RBI in 2024 and also with the company's history in disastrous stock price overvaluation with the stock price plummeting and erasing investor confidence completely.

### **Retail investor decision:**

Deciding whether retail investors should invest in Paytm (One97 Communications Limited) involves weighing various factors related to the company's financial health, market position, and broader industry trends. Here are key considerations:

### **Pros of Investing in Paytm**

#### Market Leadership:

- Paytm is one of India's leading digital payment platforms, benefiting from a large and growing user base.
- The company has diversified its offerings, including e-commerce, financial services, and digital wallets, providing multiple revenue streams.

#### Growth Potential:

- India's digital payments market is expanding rapidly, with increasing internet penetration and a move towards cashless transactions.
- Paytm's foray into financial services, such as Paytm Payments Bank and insurance, offers additional growth avenues.

#### Strategic Partnerships and Backing:

- Paytm has strong backing from investors such as SoftBank, Ant Financial (an Alibaba affiliate), and Warren Buffett's Berkshire Hathaway, providing substantial financial and strategic support.
- Collaborations with major banks and financial institutions enhance its service offerings and market credibility.

### **Cons of Investing in Paytm**

#### Financial Performance:

- Despite its extensive reach, Paytm has struggled with profitability. High marketing expenses and competitive pressures have impacted its bottom line.
- Investors should scrutinize the company's latest financial reports to understand its path to profitability.

#### Regulatory Risks:

- As a major player in financial technology, Paytm is subject to stringent regulations, which can impact its operations and profitability.
- Changes in digital payments policies and data privacy laws in India can create uncertainties.

#### Competition:

- The digital payments space in India is highly competitive, with strong players like Google Pay, PhonePe, and traditional banks offering similar services.
- Paytm's market share can be threatened by these competitors, impacting growth prospects.

#### Considerations for Retail Investors

##### Risk Tolerance:

- Retail investors should assess their risk tolerance. Paytm represents a high-growth but high-risk opportunity, suitable for those willing to endure volatility for potential long-term gains.

##### Diversification:

- Investing in Paytm should be part of a diversified portfolio to mitigate risks associated with the tech and fintech sectors.

##### Long-term Perspective:

- Investors with a long-term horizon may find Paytm appealing due to its strong market presence and growth potential in a rapidly digitizing economy.
- Short-term investors might be wary of the volatility and current profitability challenges.

Retail investors considering Paytm should conduct thorough due diligence, including reviewing the company's latest financial statements, growth strategies, and market trends. While Paytm offers significant growth potential in India's digital payments and financial services landscape, it

also comes with notable risks. Balancing these factors against individual investment goals and risk tolerance is crucial before making an investment decision.

**The reasons for the downhill fall of Paytm:**

1. Paytm, like any company, has faced its share of challenges. Here are some factors that has contributed to a potential downfall:
2. **Regulatory Issues:** Paytm operates in the financial services sector, which is heavily regulated. Changes in regulations or compliance issues could impact its operations and growth potential.
3. **Competition:** The digital payment space is highly competitive, with players like Google Pay, PhonePe, and others vying for market share. Intense competition can erode margins and hinder growth.
4. **Trust and Security Concerns:** Any breaches in security or perceived lack of trust in the platform could lead to users abandoning Paytm for other alternatives.
5. **Business Model Viability:** Paytm's business model relies on a wide range of services beyond just digital payments, including e-commerce, ticket booking, and financial services. If any of these areas fail to generate sufficient revenue or face operational challenges, it could impact the company's overall viability.
6. **User Experience Issues:** As expectations for user experience continue to rise, any issues with the app or platform's usability, reliability, or customer service could drive users away.
7. **Financial Performance:** Sustained losses or inability to generate profits could put pressure on Paytm's financial position and long-term sustainability.
8. **Market Dynamics:** Economic downturns or changes in consumer behaviour could impact Paytm's business, especially if it relies heavily on discretionary spending or advertising revenue.

**Global Factors:** Events or trends in the global economy or financial markets could have ripple effects on Paytm, especially if it relies on international investments or partnerships.

However, it's essential to note that while these are potential challenges, Paytm has also shown resilience and adaptability in navigating the evolving landscape of digital payment.

But the actual controversy started on the day when PayPal filed a lawsuit on 18<sup>th</sup> November 2016 against Paytm for utilising a similar looking logo at the Indian Trademark office. That was just the beginning and then two years later in the month of May, 2018, there was a leaked video by the Cobrapost where the vice president and also the brother to the founder of Paytm, Ajay Shekhar Sharma, was found having a secret meeting with a reporter where he openly claimed that the company has extended ties with BJP and has provided the Government of India with personal data of {Paytm users in the state of Jammu & Kashmir but later on the matter was dismissed by the company and the contents were denied. The rumours have resulted in the ultimate loss of investor and consumer confidence where their security and privacy was at stake.

Paytm is not a company that is new to see problems and controversies and yet again just after 2 years in September 2020, Google Play temporarily unlisted Paytm due to violations to Play store's gambling rules and policies. Paytm claimed that Google did not give a warning or let Paytm rest its argument for its activities on cashback offers provided to the consumers whereas GPay offered similar proceedings without any hassle or repercussions. Then again after two years, on March 2022, RBI asked Paytm Payments Bank to make a limit from tuning in new customers as it was rumoured and then inspected that the company was sharing privacy related content to third party.

But the ultimate blow to the company came yet again just after two years on 31st January 2024, when RBI prohibited Paytm Payments Bank and limited its activities to such a significant level that it may lead to 20% work force of the company to be cut down on the ground that the company had improper background checks on sources of funds of its new customers and clients.

These reasons and controversies put evidence that though the company claims for its innocence but there had been some mismanagement and issues with the company governance. This has broadly impacted the confidence of its stakeholders, consumers, investors and clients as all these events were very public and open to the world and which has ultimately affected the company's future and revival.

## **CONCLUSION**

Over the years we Indians are evolving our digital senses and it was Paytm that held our hand and brought us to this digital world. This Indian Company thrived as one of the pioneering star competing global giants like Google and still holding ground in our hearts. Paytm remains a formidable player in India's digital payments and financial services landscape despite facing various challenges. Its strong brand recognition, diversified business model, commitment to innovation, financial backing, and regulatory engagement position it well to weather storms and seize opportunities in the dynamic market.



Though for every entrepreneur, client's privacy and security should be of utmost importance and Paytm has staggered a little over this policy that resulted it in having fair share of warning from the Reserve Bank of India. While the recent RBI order regarding its banking services presents a significant hurdle, Paytm has the resilience and strategic capabilities to navigate through it. By focusing on customer-centric solutions, enhancing compliance measures, and continuing to innovate, Paytm can not only overcome regulatory challenges but also sustain its growth trajectory.

Moreover, Paytm's extensive user base, merchant network, and ecosystem of offerings provide a solid foundation for future expansion and diversification. By leveraging its strengths and seizing emerging opportunities in India's rapidly evolving digital economy, Paytm is poised to continue playing a pivotal role in shaping the country's fintech landscape for years to come.

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