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**A CASE STUDY ON EVOLUTION OF FINTECH-INDIA'S FINTECH SUPERSTAR: PAYTM**

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**ABSTRACT**

*Fintech (Financial Technology) refers to software and other modern technologies used by businesses that provide automated and improved financial services. The fast and innovative progresses such as Mobile Payments changed the way we manage our finances. Tech-savvy customers, especially millennials, expect money transfer, lending, loan management and investing to be effortless, secure and scalable, ideally without the assistance of a person or the visit of a bank. Indian Fintech companies are leveraging new technologies to address financial service-increase outreach, improve customer experience, reduce operation friction and foster adoption and usage of digital channels. India is amongst the fastest growing fintech markets in the world. Despite making it big in recent years, the industry is now setting up new goals for other countries. Fintech in India was valued at US\$65 billion in 2019 and is expected to grow to US\$140 billion in 2023 at a CAGR of 20% during the forecast period. Along with many mergers and technological outbreaks, Indian Fintech companies unravelled a new age of banking for the country's more than 63 million business and 190 million unbanked accounts, which had been at the verges of financial services.*

**Keywords:** FinTech, Paytm, UPI, Financial services.

**INTRODUCTION**

The term 'Fintech', the short form of the phrase financial technology denotes industry that is comprised of companies which use technology for efficient delivery of financial services. It is an emerging type of service in this 21st century. The new start - up companies are trying to replace the traditional transaction system with the new, effective methods by applying technology in financial sectors for mobile payments, loans, money transfers and even for asset management. Broadly, the term "financial technology" can apply to any innovation in how people transact business, from the invention of digital money to double-entry bookkeeping. Since the internet revolution and the mobile internet/Smartphone revolution, however, financial technology has grown explosively, and fintech, which originally referred to computer technology applied to the back office of banks or trading firms, now describes a broad variety of technological interventions into personal and commercial finance.

Some more examples of technology applied to the financial transactions are peer-to-peer lending, peer-to-peer payment technology, digital wallets, Block chain and mobile banking. These aim in bringing further benefits and achieving high efficiency for the financial transactions. They also help to reduce costs incurred for customers.

A big part of India's fast-growing online payments infrastructure is the United Payments Interface (UPI), created by the country's top payments processor, the National Payments Corporation of India (NPCI). UPI processed more than 2 billion transactions in October and is supported by most of India's lenders. Its open architecture allows interoperability between payments apps using the platform, which facilitates peer-to-peer money transfer. UPI is currently dominated by PhonePe and Google Pay, leaving Paytm a distant third, according to reports. The paper tries to highlight the opportunities and benefits Fintech gets to a nation like India. The benefits of fintech services are reducing operation costs and friendly users. The fintech services India is fastest growing in the world. The fintech services are going to change the habits and behavior of the Indian finance sector.

Chris Skinner, the global FinTech pundit, heralds the beginning of FinTech with the launch of Zopa, a UK peer to peer lender started in 2005. It was the first time he had heard the word FinTech. Reuters launched in 1851 and claims to be one of the oldest FinTechs in the world pre-dating the Panic of 1873, the Great Crash of 29 and the recent crisis. In reality - from “Tally Sticks to Rai Stones” - technology has been used since the dawn of civilization to facilitate trade and denote value. My view is that FinTech ‘proper’ began with the Financial Crisis of 2008. At fault were reckless banks disguising bad debt by packaging it and diversifying it with other, more healthy, financial instruments. These were known as credit default swaps (among other things).

They created systemic risk in the system, and when people defaulted, these instruments lost value, wiping billions of pounds from financial markets.

### **OBJECTIVES**

1. To know the Evolution of fintech in India and its adoption of the “fourth industrial revolution
2. To understand the Emergence of fintech tools across new frontiers such as next generation payments- Paytm
3. To provide a conceptual overview of the Fin techs and adoption of Fintech among digitally active consumers

### **NEED FOR THE STUDY**

To expose the breathtaking opportunities to make the economy stronger by getting into the shoes of Fintech to uplift the growth of exploring new age technologies Chances and challenges are equally balanced even in the fintech era but what really matters to shine in is that taking the best shade out of each innovation in a positive direction which helps in uplifting good gdp, employment and start-up through the usage of Fintech. One such super cool unicorn startup is Paytm, right from being doubted to being a unicorn project, paytm has got the best shades in surviving in an economy like India by raising billion dollars of funds and making out IPOs in recent times too.

### **RESEARCH METHODOLOGY**

The data is collected from secondary sources i.e websites, books, magazines, etc

#### ***Fintech ecosystem***

Innovation and technology have brought about a radical change in traditional financial services. The world has seen the emergence of more than 12,000 start-ups and massive global investment of USD 19 billion in 2015<sup>01</sup> in the fintech space. These innovators are utilizing tech tools to bring in seamless and innovative financial services for the banked and unbanked population. The global fintech software and services sector is expected to boom as a USD 45 billion<sup>02</sup> opportunity by 2020, growing at a compounded annual growth rate of 7.1 per cent as per NASSCOM. As of February 2021, there were 10,605 financial technology (Fintech) startups in the Americans, making it the region with the most Fintech startups globally. In comparison, there were 9,311 such startups in the EMEA region (Europe, the Middle East, and Africa) and 6,129 in the Asia Pacific region

Characteristic 	Americas 	EMEA 	APAC 
February 2021	10,605	9,311	6,129
2020	8,775	7,385	4,765
2019	5,779	3,583	2,849
2018	5,686	3,581	2,864

**Review of literature** on Fin Tech payment focused on the adoption of innovations in the developed world such as mobile payments (Slade et.al. 2015, Violeta et.al. 2019, Zhou, 2014) mobile wallets (Shin, 2009), bit coin (Jin et al., 2019), wireless finance (Kleijnen et.al 2004),mobile banking (Alalwan et.al. 2017,Pal et.al 2019, Singh et.al.2018).Critical review of UPI (Gupta et al., 2018), customer satisfaction of UPI(Chaudhari, 2019), customer awareness and perception towards UPI(Sarma, 2019) are the few studies focused on UPI, As evidenced by the literature review, enough studies have not been undertaken to understand the adoption/non adoption of UPI, which is an Indian innovation. This research intends to address this gap which is important if it is to be replicated across several other emerging countries. This study proposes a research framework to identify the key facilitators/inhibitors of consumer adoption of UPI using UTAUT -2 model with the integration of online trust(Kim & Forsythe, 2009), perceived risk (Yang, Liu, Li, & Yu, 2015,Featherman & Pavlou, 2003)personal innovativeness (Liébana-Cabanillas et.al 2015) to explain the adoption process

#### ***Indian Financial Services: Payments System: A Brief Overview***

Indian financial system has seen considerable changes in the recent past when compared to the previous decade. This is because of a number of financial innovations taking place in the sector and also across sectors. India is considered to be an epicenter of growth and have a strong regulation the evidence is the economy resilience of India during the 2008 economic crisis. And the present scenario in India propelling the growth story at a faster rate earlier the growth became stagnant as the opportunities were very minimal.

Post liberalization of Indian economy, the Fintech system development took a steady pace so as the population. With the growth in the population, the requirements and challenges also increased so as the developments in the banking and payment system. The first section of this paper deals with reviewing literature relating to evolution of Fin Techs at global level and the digital payment system followed in some of the countries such as Sweden, South Korea, Mexico and Kenya, representing

#### ***International scenario***

Further the section discusses reviews at national level covering evolution of FinTech Companies and their growth in India, evolution of digital cash, to understand the FinTech landscape in India. It also covers the recent developments that have taken place in India in the context of digitization. The review of literature done at international and national levels helped in identifying the gap in the literature which constituted the basis for selection of the current topic for the study. There are 750 FinTech companies in India and about 174 were started last year.2015manyofthemraisedbillionsandPaytmhad the major share among them. According to KPMG India their global FinTech investment tripled in 2015.In the year 2015 even

companies tried to transform digital transactions and introduced a lot new product As per Paytm, one of those 11 that got license from RBI, “people started using mobile phones to do business payments and transactions”

### ***Pillars of fintech ecosystem***

Fintech start-up firms engage in external partnerships with financial institutions, universities and research institutions, technology experts, government agencies, industry consultants and associations. Through these partnerships, they create a highly integrated ecosystem that brings with it the expertise, experience, technology and facilities of all the entities together.

### ***Fintech in India: new age banking***

India is transitioning into a dynamic ecosystem offering fintech start-ups a platform to potentially grow into billion dollar unicorns. From tapping new segments to exploring foreign markets, fintech start-ups in India are pursuing multiple aspirations. The Indian fintech software market is forecasted to touch USD 2.4 billion by 2020 from a current USD 1.2 billion, as per NASSCOM. The traditionally cash-driven Indian economy has responded well to the fintech opportunity, primarily triggered by a surge in e-commerce, and Smartphone penetration.

India's growth wave may still not be of the scale when viewed against its global counterparts, but it is stacked well, largely due to a strong talent pipeline of easy-to-hire and inexpensive tech workforce. From wallets to lending to insurance, the services of fintech have redefined the way in which businesses and consumers carry out routine transactions. The increasing adoption of these trends is positioning India as an attractive market worldwide.

Investors are coming to terms that fintech is more than just payments technology and investor interest is beginning to manifest itself in a variety of sub-segments such as investing, lending, wealth management, credit reporting among others. Traditionally and going forward, while Venture Capital firms have been early stage investors in fintech businesses, the global trend of banks and other financial institutions acquiring or investing in fintech start-ups is being witnessed in India as well. Additionally, they are developing platforms themselves for such start-ups to thrive, or are beginning to invest in such platforms.

Players	Business category	Investment Period	Deal value	Funding Rounds
Paytm	M-Wallet/Gateway	Feb, 2015	USD 890 Mn	Undisclosed Amount/Series A
Billdesk	Payment Aggregator	Mar, 2016 2012, 2006	USD 157.5 Mn (Total) USD 120 Mn USD 30 Mn USD 7.5 Mn	Undisclosed Amount
Freecharge	M-Wallet/Gateway	Feb, 2015 Sep, 2014	USD 113 Mn (total) USD 80 Mn USD 33 Mn	Series C Series B

### ***India's fintech superstar: paytm***

Paytm was founded in August 2010 with an initial investment of US\$2 million by its founder Vijay Shekhar Sharma in Noida, a region adjacent to India's capital New Delhi. It started off as a prepaid mobile and DTH recharge platform, and later added data card, postpaid mobile and landline bill payments in 2013. By January 2014, the company had launched the Paytm Wallet, which the Indian Railways and Uber added as a payment option. It launched into e-commerce with online deals and bus

ticketing. In 2015, it added education fees, metro recharges, electricity, gas, and water bill payments. In May 2021, the company is aiming to rise about Rs 21,800 crore (\$3 billion) by IPO (initial public offering). It could be the largest IPO ever seen in India. Paytm board has approved a resolution which would allot 47,042 equity shares to 60 employees under its ESOP Scheme 2008 and ESOP Scheme 2019. A big part of India's fast-growing online payments infrastructure is the United Payments Interface (UPI), created by the country's top payments processor, the National Payments Corporation of India (NPCI). UPI processed more than 2 billion transactions in October and is supported by most of India's lenders. Its open architecture allows interoperability between payments apps using the platform, which facilitates peer-to-peer money transfer. UPI is currently dominated by PhonePe and Google Pay, leaving Paytm a distant third, according to reports. UPI is just one part of Paytm's business. Deora said the start-up has more than 50% market share in the merchant payments segment and provides services in other areas, such as banking and wealth management. Reuters reported that the company also aims to have more than one million apps on its "mini app store" by the first quarter of 2021.

### ***Challenges of fintech in India***

- Fintech despite of having huge opportunities has still a tough path to walk on. Below is the probable roadblocks list in the path of Fintech enterprises it is not very easy to enter into the Indian market and perform due to the restrictive regulatory framework designed to prevent frauds.
- It acts as a huge barrier for the new entrants. They need to fulfill lot of formalities before the start of its operations itself Unbanked population, Poor infrastructure in terms of Internet Connectivity and low literacy level are the other hindrances.
- Still a huge Indian population (48 percent) does not have bank accounts which are a must for conducting online transactions.
- Even though the people have bank accounts they still face the issues of poor internet connectivity which takes more processing time to finish the transaction it is very tough to change the conservative approach of merchants and users who deal the daily transactions with cash.
- Majority of the aged people have been doing these transactions in cash from a long time and it's hard to suddenly change their old habits and introduce them to new avenues at this age Fin tech in India is deprived of lack of government support and Incentives for protecting their interests at a very basic level this demoralizes the entrepreneurs.
- They were not provided the right guidance and support to start though it is something for the betterment of the country's economy as well Like in any industry gaining investors trust is very difficult in these days for the Fin tech industry too.
- Getting the required seed capital and other investment on time is becoming very difficult and this is going to reflect negative on the operations and functioning

### ***Different Types of Fintech***

1. Lending tech (alternative lending)
2. Payments/billing tech
3. Personal finance/wealth management (Wealth Tech)
4. Money transfer/remittance
5. Block chain/bit coin (Crypto currencies)
6. Institutional/capital market tech
7. InsurTech
8. Equity crowd funding

**CONCLUSION**

Though the biggest myth is that Indians want old ways of doing things. We have been shocked by how fast digital payments took off, says the founder of Paytm Vijay shekhar Sharma. The Indian payments sector is in the midst of rapid innovation, propelled by changing consumer patterns and initiatives taken by regulatory and banking institutions. This has been supplemented by large scale adoption of mobile payments. Even the Indian government is keen on adapting to the Cashless Bharat vision and has taken noteworthy steps to achieve the goal Launched UPI (Unified Payment interface), a digital payment system for mobile-to-mobile money transfer. It enables customers to transact through an app linked with their bank accounts. The vision behind this as shared by RBI was to migrate India towards a less cash and more digital society.

In all segments of financial services there is a plethora of Fin Techs emerging in India. By observing the pace of fin techs emergence, the fact that India has enormous entrepreneurial potential cannot be denied. There are around 1500 Fin Tech startup firms operating in India, and of these, nearly half were started in the past two years. Both technically and financially the fin tech firms need to be groomed well. We can see a majority of successful startups in a payments space and it is expected the same with the other financial segments as well. The fin tech industries need to be encouraged further with different initiatives by the government and other regulatory bodies.

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