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paytm: accelerating growth through diversification[[1]](#endnote-1)

Shernaz Bodhanwala and Diganta Chakrabarti wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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“I think [digital] wallets have no future. There is not enough margin

in the payment business for the wallets to have a future.”[[2]](#endnote-2)

Aditya Puri, managing director and chief executive officer of HDFC Bank Limited

Aditya Puri’s opinion about the digital wallet (also called “mobile wallet” or “e-wallet”) business model set up an interesting question about the future of Paytm Payments Bank Limited (Paytm), the leader in the e-wallet business in India, which had reported a loss of more than ₹15,485 million[[3]](#endnote-3) for financial year (FY) 2015–16.[[4]](#endnote-4) The question became even more significant when Paytm started its long-awaited payments bank operation, the third of its kind in India, on May 23, 2017. Interestingly, less than two months after its launch, Vijay Shekhar Sharma, founder and chief executive officer (CEO) of Paytm, said, “In the next three years, we’re going to be bigger than the biggest traditional bank in India.”[[5]](#endnote-5) In May 2017, Paytm had been valued at US$7 billion, making it the second-most-valuable start-up in India.[[6]](#endnote-6)

Despite Sharma’s optimism about the future of Paytm’s new venture, India’s central banking institution, the Reserve Bank of India (RBI), expressed serious concerns about the existing health of the country’s banking system.[[7]](#endnote-7) India had witnessed two major developments that it was still struggling to come to terms with: a demonetization exercise in November 2016, and the introduction of the uniform Goods and Services Tax (GST) on July 1, 2017. Both these efforts were directed toward controlling India’s informal economy (unorganized sectors) and tax evasion. Overall, the country’s economy was causing further concerns; its growth rate had slowed to 6.1 per cent in the last quarter of FY 2016–17 (compared to 7 per cent in the preceding quarter).[[8]](#endnote-8) Even though the central government expected a recovered growth rate of 6.75–7.5 per cent for FY 2017–18,[[9]](#endnote-9) the slowdown raised doubts about the viability and sustainability of the online payments industry, in which Paytm was a major player.

In the highly competitive and crowded banking sector in India, could Paytm create a strong position for itself? What were its plans for survival and growth in the future? Had India’s demonetization exercise created short-term, temporary gains or long-term, sustainable gains for firms like Paytm? Now in 2017, would Sharma be able to steer Paytm toward continued success in India’s complex business landscape?

COMPANY OVERVIEW

Sharma, born in 1973, founded Paytm’s parent company—One97 Communications Limited (One97), India’s leading mobile Internet company, which owned the flagship brand Paytm—in 2000.[[10]](#endnote-10) In its initial days, One97 offered live astrology services for a global system for a mobile operator in Delhi.[[11]](#endnote-11) One97 successively provided many more value-added services to mobile phone subscribers, such as SMS-based applications and businesses, music messaging, voice-based gaming, subscription-based content services, ringtones, recharge services, and many more service offerings, including the launch of Paytm, India’s biggest online mobile recharge portal.[[12]](#endnote-12) Paytm Mobile Solutions Private Limited, incorporated in 2009, was primarily engaged in the business of managing a mobile commerce platform.

Headquartered in New Delhi, One97 had more than 4,500 employees; regional offices in Mumbai, Bengaluru, Pune, Chennai, and Kolkata; and a global presence in Africa, Europe, the Middle East, and Southeast Asia.[[13]](#endnote-13) The firm was backed by marquee investors like Alibaba Group Holding Limited (Alibaba), Ant Financial Services Group (AliPay), SAIF Partners, MediaTek Inc., Sapphire Ventures, and Silicon Valley Bank.[[14]](#endnote-14) Further, in the second quarter of 2017, in an otherwise financially tight market, Sharma was able to raise US$1.4 billion as equity infusion from SoftBank Group Corp.[[15]](#endnote-15) However, recovering from the ₹15,485 million loss posted by Paytm in FY 2015–16 was a daunting challenge for Sharma and his team (see Exhibit 1).

Like many value-added service providers, Paytm used a simple technology-enabled mobile payment model to earn service charges that were based on a percentage of the value of transactions. Other sources of revenue for the company included commission income from mobile recharges and payments of utility bills, and one time set-up fees charged to merchants. This payments business model was volume driven and had narrow margins.[[16]](#endnote-16) One97 operated through the single brand name “Paytm,” which was used initially for the company’s e-wallet business. The company next ventured into e-commerce (“marketplace” model) business through the same brand and floated it as Paytm E-Commerce Private Limited in 2016, which ran the “Paytm Mall.” The latest foray had been to enter the payments bank business through its subsidiary Paytm[[17]](#endnote-17) (see Exhibit 2).

DEMONETIZATION: a “GAME CHANGER” FOR the INDIAN MOBILE PAYMENTS INDUSTRY

The Indian government’s emphasis on digitization with financial inclusion (in the form of initiatives like the “Prime Minister’s People Money Scheme”[[18]](#endnote-18) and the use of unique identification numbers for every citizen (known as the Aadhar Project)) was a game-changing factor for established players like Paytm. In an emergency address to the nation aired through national television on the evening of November 8, 2016, Indian Prime Minister Narendra Modi declared that ₹500 and ₹1,000 currency notes would become void from midnight on that date. Modi added that ₹1,000 notes would be permanently withdrawn from circulation, and ₹500 notes would be replaced in the following few weeks, while ₹2,000 notes would be introduced shortly. People were given until December 30, 2016, to deposit the banned currency notes in their bank and post office accounts.[[19]](#endnote-19) According to expert estimates, the November 8th announcement rendered 86 per cent of Indian currency null and void.[[20]](#endnote-20)

The Indian government promoted this radical initiative as a major step toward addressing and minimizing corruption and illegal transactions (or “black money”) in the Indian economy. Nearly 98 per cent of all economic transactions in India (by volume) were in cash.[[21]](#endnote-21) The cash in circulation to gross domestic product ratio in India was 11.8 per cent in 2015, compared to 8.7 per cent in Germany, 3.8 per cent in Brazil and in Canada, and 4 per cent in Australia.[[22]](#endnote-22) The government’s initiative was targeted at increasing India’s progress toward becoming a cashless economy, which it saw as a hallmark of more developed countries.

In the weeks following November 8th, people in every part of India faced significant difficulties in withdrawing their money from banks. Long queues outside automated teller machines (ATMs) were a common sight throughout the country, especially in large cities.[[23]](#endnote-23) Because of the severe cash crunch, both individuals and businesses had difficulty carrying out transactions, even as the government encouraged Indian consumers to move forward with more “cashless” transactions.

Paytm Seizes an Opportunity

Although the push for demonetization brought a general surge in digital modes of payment in India (see Exhibit 3), as a leader in the mobile payments business, Paytm was one of the biggest benefactors of this initiative. The company immediately used the opportunity to pursue an extensive advertisement campaign. Small businesses, shop owners, cab drivers, and many other vendors started accepting payments through Paytm’s mobile application (app).

Many online payment service providers praised India’s government for its bold move. Among them was Paytm’s chief financial officer, Madhur Deora, who said, “This is the biggest and most ambitious step ever to crack down on black money and fake currency. We stand by the government in its efforts towards taking black money out of the equation and offering a major boost to the Indian economy.” He added, “Since Paytm is fast becoming synonymous to all kinds of payments, we are happy to announce we have registered a strong surge in volume on our platform.” [[24]](#endnote-24)

Within hours of the demonetization announcement, Paytm experienced a 435 per cent increase in its overall traffic, a 200 per cent rise in the number of app downloads, a 250 per cent increase in the number and value of overall transactions, a 400 per cent rise in offline payments based on transaction value, a 30 per cent surge in the number of saved cards, and a 1,000 per cent increase in money added to e-wallets on the company’s platform.

Within a week of the demonetization declaration, Paytm released another set of promising numbers indicating a massive growth in business: “Paytm has touched a record 5 million transactions a day . . . and is on the way to process over [₹240 billion] (by March 2017), more than any other payment network in the country.”[[25]](#endnote-25) The company reported that its offline payment solutions offering was garnering support from offline merchants, and that it had signed up with more than 850,000 entities, allowing cabs, petrol pumps, and restaurants (among others across the country) to accept e-wallet-based payments.[[26]](#endnote-26) Further, Paytm noted that it had set an aggressive merchant acquisition target of 5 million merchants by the end of FY 2016–17.[[27]](#endnote-27) The firm’s name was fast becoming the new “buzzword” in India.[[28]](#endnote-28)

To curb black money and limit cash transactions, the Government of India had set an ambitious target of 25 billion digital transactions in FY 2018—up from the 9.1 billion such transactions recorded in FY 2016–2017—and expected all Indian banks to transition to digital payments by 2018.[[29]](#endnote-29) The managing director and CEO of National Payments Corporation of India (NPCI), remarked, “Almost all banks have tied up with NPCI. Our idea is to cover all banks—even the cooperative banks—within a year, say, by March 2018. All banks in the country will be a part of the digital payments system.”[[30]](#endnote-30)

the MOBILE WALLET INDUSTRY

The revolution in the mobile phone industry had yet to occur in India, and the country’s mobile communications industry was at a relatively early stage. Mobile wallets (as opposed to traditional banking-based payments) were a recent development in India (see Exhibit 4), but e-wallet transactions in India had grown approximately 20 per cent between FY 2012–13 and FY 2015–16.[[31]](#endnote-31)

India’s mobile subscription base had crossed the 1.2 billion mark in January 2017, and was projected to cross 1.4 billion by 2022.[[32]](#endnote-32) Further, the country had around 330 million Internet users by the end of 2015, a figure that was expected to experience a 20 per cent compound annual growth rate (CAGR) over the next five years.[[33]](#endnote-33) In this context, Sandeep Kataria, director–commercial of Vodafone India said, “We are democratizing data by making it more affordable and accessible. This is a key to driving usage and encouraging first-time users to come online . . . [facilitating] faster adoption of data and its better usage.”[[34]](#endnote-34) Digital disruptions had seen many Indian e-commerce businesses change their business models or fail quickly, and e-wallet businesses in the digital service space had yet to find their feet in India. M-payment services offered a low-cost means to create financial access, and use of these services was largely driven by the increase in smartphone users, low mobile tariffs, affordable handsets, and increased Internet penetration. However, this space was witnessing severe competition, with many players entering the industry (see Exhibit 5).

Paytm’s Journey from E-Wallet Services to a Registered Payment Bank

In December 2014, for the first time in India’s banking history, RBI conceptualized a new discipline of banks with a view to push financial inclusion in the country: payment banks. RBI’s objective was to bring the unbanked population of India to the formal banking channel. Payment banks were expected to leverage the rising use of mobile phone technology to target India’s migrant labourers, low-income households, and small businesses, offering savings accounts and remittance services with low transaction costs.[[35]](#endnote-35) Forty-one applicants scrambled to gain “in-principle” approval licences from RBI.[[36]](#endnote-36) In August 2015, eleven of these eligible applicants were granted appropriate licences (see Exhibit 6).[[37]](#endnote-37)

On November 23, 2016, fifteen days after demonetization, Airtel Payments Bank Limited, a subsidiary of Bharti Airtel Limited (Airtel), was the first to launch its pilot payment bank in the state of Rajasthan, with an ambitious target of a full-scale launch across India in the near future[[38]](#endnote-38)—leaving Paytm to catch up. In addition to competition from established banking and financial players (e.g., scheduled commercial banks, small finance banks, microfinance banks, non-banking finance companies, co-operative finance companies, and other financial technology firms), Paytm also faced competition from a well-networked India Post and established telecommunications players. The competition was further intensified as Airtel Payments Bank offered interest rates of up to 7.25 per cent on savings accounts to attract customers.[[39]](#endnote-39)

Many industry titans believed payment banks represented a new breed of digital transactions that could only survive if low operating cost strategies were pursued. Aman Bhargava, director (financial services advisory) at Grant Thornton India LLP, stated:

This [the use of digital transactions] calls for a new banking paradigm. The basic tenets for a successful payment bank call for high quality, low cost of delivery, regular education and incentivization of customers to make cashless transactions a part of their daily spending habits, and a robust technological framework. Essentially, the cost of transactions, for a payment bank, needs to be significantly lower (1/10th) of a traditional branch-based banking model paradigm.[[40]](#endnote-40)

Many of the payment bank licence holders had also tied up with banks as their business correspondents. Business correspondents could carry out a range of services and transactions on behalf of banks for a wider consumer base, receiving a commission for these services.[[41]](#endnote-41)

Despite the fundamental business analysis, three of the 11 payment bank licence holders—Tech Mahindra Limited, Cholamandalam Distribution Services Limited, and Consortium of Sun Pharmaceutical Industries Limited (promoted by Dilip Shanghvi, IDFC Bank Limited, and Telenor Financial Services)—dropped out of the game in the first half of 2016.[[42]](#endnote-42) Some industry stalwarts, like State Bank of India’s CEO, Arundhati Bhattacharya, felt that the payment bank business model was the core problem:

[By] design, payment banks don’t have a business model. . . . There is a big challenge on customer acquisition. Why would someone who is using a mobile banking service that is readily available be willing to migrate to a new [payment] bank? This too, given that technology, such as a unified payments system, would enable cheaper transactions through mobile phones.[[43]](#endnote-43)

Others argued that this fallout could be attributed to a lack of proper assessment when institutions applied for the banking licences,[[44]](#endnote-44) or the fact that RBI’s guidelines were too strict (see Exhibit 7).

As one of the 11 payment bank licence holders, could Paytm succeed and make money in a rather tight market that already contained established players? What strategy should Paytm pursue in order to build a sustainable business in this market?

Challenges and Expectations

The main challenge that payment banks faced was the general preference for cash transactions among Indian consumers. The penetration of debit and credit cards was very low in the country with 32.65 million credit cards and 810.87 million debit cards outstanding at the end of August 2017.[[45]](#endnote-45) Debit cards were primarily used to withdraw cash from ATMs—this activity accounted for nearly 87 per cent of the total value of debit card transactions in August 2017—and were seldom used for online transactions.[[46]](#endnote-46)

In addition to the strong cash-based culture in India, other crucial challenges that payment banks in India faced included (1) acquiring and inducing potential customers with innovative product offerings while competing with the existing business correspondents and other competitors; (2) finding qualified people who could lead and operate payment banks in India (an untested business model so far in the country); (3) finding patient, long-term investors; and (4) meeting the strict regulations regarding capital adequacy and risk exposures.[[47]](#endnote-47)

An article in the *Economic Times* reported that Paytm’s payments banking operations had incurred losses of ₹307 million between August 2016 and March 2017.[[48]](#endnote-48) In the same period, the company only managed to earn revenues of ₹24.7 million. Yet, according to another article in the *Business Standard*, Paytm did not consider the ₹307 million a loss, but looked at it as operational costs, because the costs had occurred before the payments bank started its “real” operations in May 2017.[[49]](#endnote-49)

Paytm began operations with its first payment bank branch in Noida, Uttar Pradesh, in May 2017.[[50]](#endnote-50) Eventually, it planned to expand its footprint beyond metro and urban areas, and to reach out to semi-urban as well as rural areas. By the end of its first year of operation, Paytm had proposed to establish 31 branches, 33 controlling offices, and 3,000 access points, and to engage about 100,000 banking correspondents to target 200 million e-wallet, current, and savings accounts.[[51]](#endnote-51) To support this expansion phase, Sharma (along with One97) had invested a further ₹600 million. Their earlier investment in payments bank operations stood at ₹2.2 billion.[[52]](#endnote-52) Sounding optimistic about the firm’s business prospects, Renu Satti, CEO of Paytm Payments Bank, said, “Leveraging the power of technology, we aim to become the preferred bank for 500 million [customers] by 2020.”[[53]](#endnote-53)

PAYTM’S ENTRY INTO THE E-COMMERCE SPACE

Even as it attempted to succeed as a payments bank, Paytm was also trying to establish itself as one of the major players in the Indian e-commerce market. The majority of this market (in the multi-product category) was occupied by e-commerce giants Flipkart and Amazon India; another prominent player in the market was Jasper Infotech Private Limited (operating under the name Snapdeal). Although the e-commerce industry had generated significant excitement at one time and was projected to reach US$100 billion in value by 2020, it had witnessed a massive slowdown in growth in 2016, when it grew just 12 per cent (as compared to 180 per cent growth in 2015).[[54]](#endnote-54) One study reported that in order to reach the projected goal for 2020, the industry would need to grow at a 45 per cent CAGR.[[55]](#endnote-55) The sudden slowdown was attributed to various internal and external factors.

On March 31, 2017, Paytm Mall reported a loss of ₹136.3 million and sales of ₹73.5 million.[[56]](#endnote-56) That arm of the business had been started in August 2016, after raising funds mainly from investor Alibaba. Paytm was relying on its innovative online-to-offline business model to emerge as a strong player in the e-commerce market. This model allowed customers to take advantage of online discounts in offline stores. Orders for the products were serviced from local brands and stores, which entered into tie-ups with Paytm Mall, offering significant advantages in terms of logistics and warehousing; at the same time, the local brands and shops benefited from exposure on Paytm Mall’s platform. This online-to-offline model had shown reasonable traction already, as reported by several sources.[[57]](#endnote-57)

In the future, Paytm Mall planned to focus on the fast-moving consumer goods (FMCG) segment, where it was hoping to achieve growth of 600 per cent, and to invest ₹500 million on sales training, marketing campaigns, and supply chains.[[58]](#endnote-58) To cash in on the festive season of Diwali in India, Paytm Mall offered an estimated ₹5.01 billion in cashback rewards; for example, the company offered a discount of ₹15,000 on the iPhone8 and the iPhone8 Plus.[[59]](#endnote-59) While these deep discounts would clearly result in losses, the company was looking at them from a long-term perspective and hoped to recoup the discounts in increased sales. Amit Sinha, chief operating officer at Paytm Mall said, “At present, less than 1 per cent of total FMCG sales in India take place online . . . which offers [us a] unique opportunity. We want to be the platform our consumers use to shop [for] daily needs.”[[60]](#endnote-60)

Stretched too thin?

Many observers wondered whether Paytm was simultaneously entering too many businesses and stretching its resources too thin.[[61]](#endnote-61) Even as Sharma exuded confidence about successfully leading the company to its next stage of growth, questions remained about whether it was a realistic target to achieve growth in all three of Paytm’s major businesses (e-wallet, payments bank, and e-commerce).

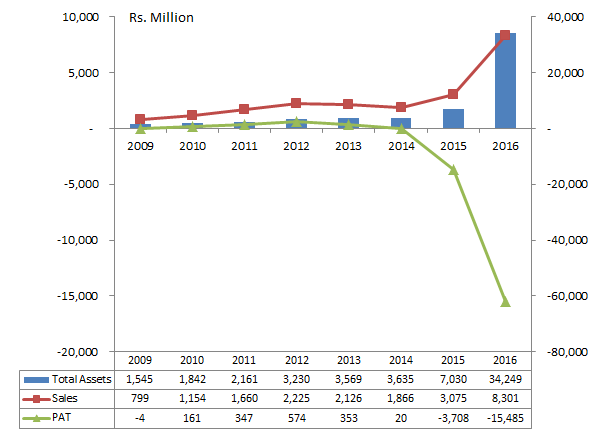
As Paytm planned to expand its customer base fivefold from 120 million (reported in June 2016) and emerge as a serious challenger to Amazon and Flipkart in the e-commerce business, it was working on recruiting top talent from premier engineering and management institutions in India. In an interview with the *Economic Times*, Sharma commented:

We plan to invest [₹100 billion] over the next three to five years towards our commitment to promoting financial inclusion and enabling half-a-billion Indians to join the mainstream economy. We have to do a good job of tech and distribution to make it possible. We don’t have to fight with banks to win. We are in nearly a blue ocean when we see our target customers and businesses. Traditional banks and financial institutions are complementary and partners in our business.[[62]](#endnote-62)

Further, Paytm had made many investments to support early-stage start-up ventures, such as auto-rickshaw service aggregators, hyperlocal delivery firm Jugnoo, Delhi-based consumer behaviour prediction platform Shifu, local services start-up Near.in, online-to-offline deals start-up Little, a consumer lifestyle deals marketplace, logistics management company LogiNext, and online ticketing and events platform Insider.in, among others.[[63]](#endnote-63) Its most recent investment was QorQl, an online start-up in the health care segment.[[64]](#endnote-64)

Cash transactions dramatically decreased following the demonetization exercise,[[65]](#endnote-65) and the digital payments industry saw increased consolidation.[[66]](#endnote-66) The future of the e-wallet and payments bank industry remained unknown, and it was unlikely that all the existing players would thrive. Paytm needed to make smart decisions in this rapidly evolving business space. Against strong competitors and an uncertain environment, how could Sharma and his team improve Paytm’s performance and maintain its success?

Exhibit 1: Financial Information for One97 Communications Limited 2009–2016



Note: PAT = profit after tax; sales and profit after tax are shown on the primary axis and total asset balance is shown on the secondary axis.

Source: Created by the case authors based on One97 Communications Limited’s financial data for FYs 2009 to 2016, obtained from Prowess, Centre for Monitoring Indian Economy, accessed November 12, 2017, https://www.cmie.com.

Exhibit 2: COMPANIES OPERATING UNDER SINGLE BRAND NAME “PAYTM”

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **Year of Incorporation** | **Business** | **Status** |
| One 97 Communications Limited | 2000 | Parent company | Unlisted public company |
| Paytm E-commerce Private Limited | 2016 | E-commerce | Private company |
| Paytm Entertainment Limited | 2017 | Entertainment | Unlisted public company |
| Paytm Financial Services Limited | 2017 | Financial services | Unlisted public company |
| Paytm Mobile Solutions Private Limited | 2009 | A telecommunications company that manages a mobile commerce platform called PayTM | Private company |
| Paytm Payments Bank Limited | 2016 | Payments bank business | Unlisted public company |

Source: Ministry of Corporate Affairs (MCA), Government of India, MCA Services, Company name Lookup database, Accessed March 02, 2018, http://mca.gov.in/mcafoportal/viewCompanyMasterData.do

Exhibit 3: Post-DemonetiZation Growth in Digital Modes of Payments

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Category** |  | **Nov. 2016** | **Dec. 2016** | **Jan. 2017** | **Feb. 2017** | **Percentage Change** |
| National Electronic Funds Transfer | Volume | 123 | 166 | 164 | 148 | 20.4 |
| Value | 8,808 | 11,538 | 11,355 | 10,878 | 23.5 |
| Average ticket size (₹) | 71,583 | 69,376 | 69,159 | 73,397 | 2.5 |
| Cheque Truncation System | Volume | 87 | 130 | 118 | 100 | 15.3 |
| Value | 5,419 | 6,812 | 6,618 | 5,994 | 10.6 |
| Average ticket size (₹) | 62,236 | 52,395 | 55,873 | 59,677 | −4.1 |
| Immediate Payment Service | Volume | 36 | 53 | 62 | 60 | 65.2 |
| Value | 325 | 432 | 491 | 482 | 48.5 |
| Average ticket size (₹) | 8,982 | 8,183 | 7,870 | 8,071 | −10.1 |
| Unified Payments Interface | Volume | 0.3 | 2.0 | 4.2 | 4.2 | 1,346.1 |
| Value | 1 | 7 | 17 | 19 | 2,001.2 |
| Average ticket size (₹) | 3,150 | 3,565 | 3,995 | 4,577 | 45.3 |
| Unstructured Supplementary Service Data | Volume | 0.007 | 0.102 | 0.314 | 0.225 | 3,091.9 |
| Value | 0.007 | 0.104 | 0.382 | 0.357 | 4,789.4 |
| Average ticket size (₹) | 1,037 | 1,015 | 1,215 | 1,589 | 53.2 |
| Debit and Credit Cards at Points of Service and Card Transactions of Four Banks | Volume | 206 | 311 | 266 | 212 | 3.3 |
| Value | 352 | 522 | 481 | 391 | 11.1 |
| Average ticket size (₹) | 1,714 | 1,679 | 1,812 | 1,844 | 7.5 |
| Post Paid Instruments (PPI)\* | Volume | 59 | 88 | 87 | 78 | 32.8 |
| Value | 13 | 21 | 21 | 19 | 41.9 |
| Average ticket size (₹) | 224 | 242 | 241 | 239 | 6.8 |

Note: Volume is in millions of transactions; value is in ₹ billions; \*PPI issued by eight non-bank issuers for goods and services transactions only.

Source: Created by the case authors based on Reserve Bank of India, *Macroeconomic Impact of Demonetisation: A Preliminary Assessment* (March 10, 2017), 40, accessed October 15, 2017, https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/MID10031760E85BDAFEFD497193995BB1B6DBE602.PDF.

Exhibit 4: Non-Cash Payment Transactions IN INDIA, FY 2016–17 (%)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **RTGS** | **CCIL** | **Cheques** | **Others** |
| Non-cash payment transaction by value | 56.0 | 34.0 | 7.0 | 3.0 |
| Non-cash payment transaction by volume | 5.0 | 0.3 | 39.0 | 55.7 |

Note: RTGS = real-time gross settlement; CCIL = Corporation of India Limited; “Others” includes national electronic funds transfer, mobile banking, and prepaid instruments.

Source: Created by the case authors based on RNCOS Business Consultancy Services and the Associated Chambers of Commerce and Industry of India (ASSOCHAM), *M-Wallet: Scenario Post Demonetisation* (New Delhi and Noida: RNCOS and ASSOCHAM, 2016), accessed July 15, 2017, www.assocham.org/upload/docs/M-Wallet\_Report\_press.pdf.

Exhibit 5: DOMINANT Players in India’S E-WALLET SEGMENT

|  |  |  |  |
| --- | --- | --- | --- |
| **E-Wallet** | **Industry** | **Company** | **Mobile Platform** |
| Paytm | Private | One97 Communications | Android, iOS, Windows Phone, Ovi, Blackberry |
| MobiKwik | Private | One MobiKwik Systems Private Limited | Android, iOS, Windows Phone |
| Oxigen Wallet | Private | Oxigen Services India Pvt. Ltd. | Android, iOS, Windows Phone |
| Citrus Wallet | Private | Citrus Pay | Android, iOS |
| ItzCash | Private | Itz Cash Card Ltd. | Android, iOS |
| Freecharge | Private | Snapdeal | Android, iOS, Windows Phone |
| Axis Bank Lime | Banking | Axis Bank | Android, iOS, Windows Phone |
| Airtel Money | Telecommunications | Airtel | Android, iOS |
| ICICI Pockets | Banking | ICICI Bank | Android, iOS |
| Jio Money | Telecommunications | Reliance | Android, iOS, Windows Phone |
| mRupee | Telecommunications | Tata Teleservices Limited | Android, iOS, Windows Phone |
| SBI Buddy | Banking | State Bank of India | Android, iOS |
| Vodafone M-Pesa | Telecommunications | Vodafone | Android, iOS, Windows Phone |
| HDFC PayZapp | Banking | HDFC Bank Limited | Android, iOS |

Source: Created by the case authors based on “List of E-Wallet Companies in India,” PM Jan Dhan Yojana, 2016, accessed November 28, 2017, http://pmjandhanyojana.co.in/list-e-wallet-companies-india.

Exhibit 6: Winners of “In-PrinciplE” PaymentS Bank Licence

|  |  |
| --- | --- |
| **Companies** | **Promoters/Investors** |
| Aditya Birla Nuvo Limited | Aditya Birla |
| Airtel M Commerce Services Limited [now Airtel Payments Bank Limited] | Sunil Bharati Mittal |
| Cholamandalam Distribution Services Limited | Murugappa Group company |
| Department of Posts | Indian Government |
| FINO PayTech Limited | ICICI Bank, International Finance Corporation, LIC, Union Bank, Corporation Bank, ICICI Lombard, Intel Capital, Black Stone Group, HeadLand Capital Partners, Indian Bank |
| National Securities Depository Limited | Industrial Development Bank of India, Unit Trust of India, National Stock Exchange of India |
| Reliance Industries Limited | Mukesh Ambani |
| Consortium of Sun Pharmaceuticals Industries Limited, IDFC Bank Limited, and Telenor Financial Services | Dilip Shantilal Shanghvi |
| Paytm Payments Bank | Vijay Shekhar Sharma |
| Tech Mahindra Limited | Mahindra & Mahindra Limited |
| Vodafone m-Pesa Limited | Vodafone |

Source: Created by the case authors based on Reserve Bank of India, “RBI Grants ‘In-Principle’ Approval to 11 Applicants for Payments Banks,” press release, August 19, 2015, accessed July 27, 2017, https://rbi.org.in/scripts/BS\_PressReleaseDisplay.aspx?prid=34754.

Exhibit 7: RBI Guidelines for Payments BankS

**Small ticket deposits only**: Payment banks can currently raise demand deposits up to a maximum of ₹100,000 (US$1,667).

**Scope of activities**: Payment banks are restricted from lending funds, including the issue of credit cards, and from distributing simple financial products like mutual funds and insurance products. Payment banks can act as a business correspondent of another bank, subject to RBI guidelines, and offer payments and remittance services through various channels.

**Stricter investment norms to safeguard liquidity risk**: 75% of demand deposit balance to be maintained in securities for maintenance of statutory liquidity ratio with RBI, and another 25% can be maintained as demand and time deposits with scheduled commercial banks.

**Product sanctions**: RBI intervention and approval necessary for the product offerings by payment banks.

**Promoter’s contribution and capital requirement**: Minimum paid-up equity capital of payment bank shall be ₹1,000 million, and promoters are required to hold at least 40% of the paid-up equity capital for the first five years from the commencement of business. Foreign shareholding in payments bank would be permitted according to RBI’s foreign direct investment policy.

Source: Reserve Bank of India, “RBI Releases Guidelines for Licensing of Payments Banks,” press release, October 6, 2016, accessed August 25, 2017, https://rbi.org.in/scripts/NotificationUser.aspx?Id=10635&Mode=0.

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