



“A STUDY ON PRODUCTION AND OPERATION AT PAYTM PAYMENTS BANK”

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Abstract

India’s payment landscape has transformed over the last decade driven by the innovations in mobile payments and payments infrastructure, the government’s vision to transform India into a cashless society, high consumer and merchant acceptance, and regulatory support. Digital payments continue to scale rapidly due to the increasing user preference of transacting through their mobile phones for bill payments, in-store payments and for money-transfer, combined with growth of digital commerce and services.

We provide payment services to consumers and merchants, allow merchants to grow their business using Paytm’s consumer traffic, and provide financial services, particularly lending (through our financial institution partners) to both consumers and merchants.

Keywords: Production and Operation, Paytm Payments Bank



Introduction about Paytm Payments Bank

India's Payments Banks are a new set of differentiated banks introduced by the Reserve Bank of India (RBI) with the aim of extending deposit and payments services to millions of unbanked and underbanked Indian citizens.

Paytm Payments Bank (PPB) is India's only mobile-first bank with zero balance and zero digital transaction charge accounts and has become one of the most popular payments banks in the country. Paytm Payments Bank infrastructure services a customer base of over 42 million savings accounts. This exemplary growth has been the outcome of the bank's vision, philosophy, and its flagship product — the PPB savings account.

To fully appreciate Paytm Payments Bank, it is important to understand how it fits into the broader story of Paytm and India's digital ambition, young demographics, and financial inclusion objectives. The PPB vision is to create a better life for digitally save young Indians, the unbanked, and the underbanked through a digital ecosystem.

However, the bank believes that financial inclusion is not just about having a bank account — it is about creating an ecosystem that enables and encourages people to use financial instruments in their everyday life. Paytm and other entities within the family play an important role in delivering that vision.



YEAR FOUNDED	Received license in August 2015 Launched in May 2017
CORPORATE STRUCTURE (SELECTED HIGHLIGHTS)	<p>Paytm is one of the largest digital payments and commerce platforms in India, owned by One97 Communications Limited (OCL). OCL owns the Paytm brand and the app, as well as all merchant relationships.</p> <p>Paytm Payments Bank is a separate entity in which Paytm founder Vijay Shekhar Sharma holds 51% share, One97 Communications holds 39%, and 10% is held by a subsidiary of One97 and Sharma. PPB owns all the financial instruments, including the wallet and savings accounts, payment processing, and relevant licenses, such as UPI.</p> <p>Other entities include Paytm Mall, the e-commerce app, and Paytm Money for investments</p>
SELECTED INVESTORS (PAYTM)	Ant Financial, Berkshire Hathaway, SAIF partners, Softbank
ESTIMATED VALUATION (PAYTM)	Over US\$10 billion
GEOGRAPHICAL PRESENCE	HQ in Noida, India Physical outlets throughout the country
REVENUE (PPB)	US\$100 million
EMPLOYEES (PPB)	Over 1,000
OTHER KEY METRICS	42 million savings accounts (PPB) 320 million registered users (Paytm) Building a network of 100,000 banking outlets across India
RELEVANT TECHNOLOGIES AND VENDORS	Infosys Finacle — core banking product One97 — technology service and payments gateway



Literature review

- Vineeth and Geetha (2017) depicted the usage perception of Paytm in Ernakulam district. They suggested that the development technology lead to the growth of Paytm in India. And Paytm has a role in the digital economy. Most of the paytm customers are frequently transacted with paytm. The paper concluded that most of the customers are using paytm for making payments rather than other transactions. Paytm is widely used for making payments. Easy payments are the ultimate feature of Paytm.
- Abhijit and Harmeet (2017) analyse the usage of Paytm digital wallet. Increased usage of smart phones resulted in the growth of different payment apps. The study tried to find out various problems faced by Paytm users. Most of the users are satisfied with the service of Paytm. It is the most customer friendly interface. Within a short period, Paytm captured attention of more customers by its unique services. Nowadays customers are using online platforms for making transactions because of lack of time, it also facilitates the use of digital wallets which can be linked to individual bank accounts.
- Pranjal and Ashu (2017) elaborated e-commerce platform of Paytm and the study narrated the scope of Paytm payment bank. The new India is tech oriented and it turn towards fully digitization. Paytm is one of the top 7 ecommerce companies in India to have billion-dollar. The paper concluded that Paytm's new banking interface can be the most bonafid banking technique to both rural and urban customers.
- Ghuman (2016) described about historic details and current status of Paytm. Paytm started its business from a mobile recharge company to become India's largest digital marketing company. The vivid services of Paytm attract more customers. At present it has more than 100 million customers. Large customers base make Paytm different from other applications as even the small shops are now using paytm for dealings.



Objectives

- Paytm Payments Bank is targeting to become the world's largest digital bank with 500 million bank accounts and aims to turn into an integrated financial services company that offers everything from wealth management to share trading.
- We are unveiling our money market fund, launching our debit card and we'll have the capabilities to allow enterprises to open business accounts.
- Digital payments was our entry point, we want to become a vertically-integrated financial services company.
- Payments banks can accept deposits and remittances but cannot lend. Paytm is one of less than a dozen entities that got permits to start payments banks to bring financial services within easy reach of about a fifth of India's 1.3 billion people who do not have access to organized financial services.
- The service is part of a key push by Narendra Modi's government to broaden banking access to the unbanked and under-banked, mostly poor Indians who live in rural areas.
- The service will be the country's mobile-first bank with zero fee on online transactions and no minimum balance.

Scope:

With 12 months in operation, Paytm Payments Bank is diversifying its product scope beyond payments, aiming to rapidly scale in the merchant and consumer space.

Payment banks in India are stipulated by the regulator to reach micro businesses and low income households

Paytm Payments Bank leverages its payments on the Unified Payments Interface (UPI), which has been evolving as the mobile payments standard in India

Paytm Payments Bank needs to prove that it can monetise the platform through added services such as Paytm Money



Paytm started as a prepaid mobile recharge website in 2011, but has emerged over the last 12 months into a full-fledged digital payments play under the Paytm Payments Bank which was launched in May 2017 under a restricted banking license.

Payment banks in India are stipulated by the regulator to reach micro businesses and low income households. The bank is designed in a way to bring half a billion Indians on to the mainstream economy. It is well known that the bank wants to build scale first and continues to be in an “investment mode”.

Paytm Payments Bank aims to digitise the payments process through the entire customer consumption cycle, and build products and services for the unbanked and under banked people by radically simplifying payments processes in regards to product functionality, marketing and process automation. Furthermore, use cases drive penetration which is the key agenda. Initially, the payments bank only had a savings account and digital debit card but has begun to diversify their business model and product range.

The payments bank is ranked among the top 20 digital banks in the Asia Pacific, Middle East and Africa in The 2018 Asian Banker Top Digital Banks and FI Ranking.

1. Modularising complex financial products for the Indian market

Paytm Payments Bank follows a zero charge policy on all online transactions and there are no minimum balances required on the deposit side. The long term revenue strategy is to build products on top of savings accounts and base transactions such as current deposit account, bill payments, merchants QR payments and top up of airtime, financial services from which the company can charge a fee.

For some of these products, Paytm Payments Bank is forced to leverage on its partner ecosystem. Beginning 2018, it partnered with IndusInd Bank offering a fixed deposit account, which will automatically be created for users who have balance in excess of approximately \$1500 (INR100,000)– the regulatory threshold a payment bank can accept. Customers’ deposits cannot be issued as loans but only be invested in government securities. Paytm Payments Bank had



outstanding demand deposits worth \$502,000 (INR3.25 Cr) as of September 2017 and it aims to convert this deposit base into assets under management, starting with mutual funds, and following a similar modularised low entry pricing strategy.

The bank also is ramping up its corporate offerings such. It already offers digital food coupons that are issued by employers and has plans to introduce a salary account for employees.

2. The impact on financial inclusion

As of May 2018, Paytm Payments Bank had 230 million users, the majority of which are wallet customers. The bank leverages its payments on the Unified Payments Interface (UPI), which has been evolving as the mobile payments standard in India. Currently, Paytm Payments Bank owns 40% to 45% of the UPI market share.

Out of the ten million transactions done on the platform every day, roughly 58% of the accounts are from tier 2 cities, with metro cities accounting for 31%. The rest of transactions come from tier 1 cities.

There are over 7.5 million merchants that accept payment through Paytm. The goal for 2018 is to enable ten million merchants for accepting payments digitally. It is already the largest merchant acquirer in the country, given that there are only 3.1 million POS stations in the country that can accept a debit or credit card.

Customer on-boarding is digital in three steps to verify users with the 12-digit Aadhaar number that takes less than three minutes. Mobile wallet companies are required to collect full authentication documents for customers and verify them physically as stipulated by the Reserve Bank of India (RBI). Paytm Payments Bank has recently claimed that it has over 100 million KYC-registered wallets with complete and minimum KYC. On-boarding in rural areas is also done through agents who are equipped with mobile phones that act as mini bank tellers. Paytm aims to build a network of more than 100,000 agents by end of 2018, which work as banking outlets, such as small shops and merchants in villages across the country. The company eventually wants to see a Paytm banking outlet within one kilometre of every person in India.



3. Regional and global comparison

UPI India also lowered the entry barrier for international competitors such as Tez India by Google, which launched in September 2017 and had, as reported, 14 million registered users as of March 2018. Amazon has Amazon Pay and WhatsApp is expected to launch its payments platform within Facebook, which has approximately 250 million users. Then there is Money on Mobile in India which is a business-to-business-to consumer play targeting the unbanked and underbanked market.

Need of the study

The Demonetization in the year 2016 has played a key role in changing the manner how we spend our money. It has also revolutionized the banking services. This has been made possible because of a monumental change in the data tariff regime due to the entry of Jio in the telecommunication market. The 1st Narendra Modi Cabinet's policy of 'Digital India' has also paved the way for these online platforms.

The aim of this paper is to study the origination of Payments banks in India as envisioned by the "Committee on Comprehensive Financial Services for Small Businesses and Low Income Households." This committee was formed by the Reserve Bank of India in the year 2013 and headed by Nachiket Mor. The objective of the panel was to study various aspects of financial inclusion in India. The panel submitted its final report on 7 January 2014.

This paper also studies the aims and objectives of the Payments Bank, the group of customers that it seeks to serve and the various services that it provides to its customers. There has been a meteoric rise in the user base of payments banks in the last two years. There are currently seven active payment banks in India like Jio Payments Bank, Paytm Payments Bank and Airtel Payments Bank to name a few.

Since any banking services in India is not possible without the RBI's approval, this paper is also aimed at reviewing the validity of Payments Bank as per the law. It also discusses the guidelines of Reserve Bank of India regarding the payments bank.



Research Methodology:

Primary Data

- Age of Respondents of Paytm Customers
- Income and Occupation of Paytm Customers
- Awareness of Paytm Customers
- Education of Respondents
- Satisfaction of Paytm wallet Customers
- Satisfaction of Paytm Banking Customers
- Frequency of occupation with usage of Paytm wallet services
- Frequency of occupation with Frequency of usage of Paytm Banking services
- Problems or Difficulties
- Present Balance in Paytm Bank Account
- Reasons for Non-Use of Paytm Banking Services by Paytm Wallet customers.
- Amount Of money loaded in Paytm Wallet on monthly basis

Secondary Data

Secondary data is the data collected from already been use or published information like Newspaper, diaries, books, etc .In this research project, secondary source used were various text books and data books, and website of various online reports.

Technique of the analysis

- **Historical Benchmarking**
- **Payment Historic Trend**
- **Payment Analysis**
- **Payment Breakup by Payment Source & Gateways**



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