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FROM STARTUP TO FINTECH GIANT: THE ENTREPRENEURIAL JOURNEY OF PAYTM IN INDIA'S DIGITAL ECONOMY

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ABSTRACT

Innovation has been a critical component for startups and entrepreneurs to survive in the competitive market. This paper explores the evolution of Paytm, a digital payment platform that has grown to become one of the largest fintech startups in India. The study examines the various innovations that Paytm has introduced over the years, such as its e-wallet, mini-apps, and point-of-sale devices, and how these innovations have contributed to its success. The research explores how Paytm has used technology to create a seamless digital payment ecosystem and how it has collaborated with other players to expand its reach. The paper also analyses the competitive landscape in which Paytm operates and the challenges it faces. The study relies on secondary data obtained from a diverse range of sources, including journals, news articles, industry reports, and academic publications. The results indicate that Paytm's emphasis on innovation and entrepreneurial initiatives has played a crucial role in propelling its growth and achievements within the digital economy. The study has implications for policymakers, investors, and entrepreneurs looking to understand the factors that drive the success of startups in the fintech industry.

Keywords: Innovation, Startups, Entrepreneurship, Digital payments, Fintech, Paytm

INTRODUCTION

Entrepreneurs are the driving force behind corporate growth and a crucial component of it. They have the capabilities and expertise to identify business opportunities, along with the resources necessary to capitalize on them and implement the necessary actions to achieve success. Entrepreneurship is the set of tasks an entrepreneur completes when starting a business. Increased national income, balanced regional growth, a better standard of life, the creation of innovation, improved welfare amenities, etc. are all benefits of entrepreneurship.

Innovation plays a crucial role in the entrepreneurial process. Innovation is the capacity to produce something fresh based on acquired knowledge. Any organisation needs innovation to thrive, so industrial companies can remain competitive by actively contributing to the development of cutting-edge technologies that aid in the creation of new products to meet shifting consumer demands. Examples of innovation and entrepreneurship include IBM, Microsoft, Flipkart, Paytm, Ola, and others.

Innovation and entrepreneurship have become more accessible because of the digital technologies. Digital innovations typically cost less to commercialise than traditional technologies. Traditional innovations need a lot of investment to be scaled up. On the other hand, many digital innovations can be scaled up at a low cost. As a result, in the digital world, innovators are frequently perceived as evolving into business owners. The once-sharp distinction between innovators and entrepreneurs has significantly diminished.

The primary topic of discussion is Paytm, the largest and most innovative payment gateway in India founded by Vijay Shekhar Sharma. Paytm, as a dominant e-commerce entity in India, has dramatically transformed

how individuals transact for products and services. It has brought about a major shift in the Indian economy by making it easier for entrepreneurs to start their own businesses. Paytm's innovative solutions have made it easier for small business owners to accept payments from customers, manage their finances, and keep track of their sales.

REVIEW OF LITERATURE

Senthil (2019)¹ The use of digital wallets loaded with coupons and offers has ushered in a new era of payment systems. Thus, a new payment app called Paytm was launched in order to relieve individuals of their worry. It can be assumed that Paytm adoption will expand significantly in the years to come.

Dhanalakshmi, K. and Sharath Sinha, B. (2018)² In their research focussed on Paytm's evolution, funding sources, revenue sources, Paytm's SWOT analysis, etc. It was determined that Paytm is one of the best mechanical innovations of the twenty-first century, and the services offers by Paytm assist the users to make better use of their time with an advantage of simple to use.

Venkatesan, T. (2018)³ reports that users of Paytm are experiencing concerns with the user interface and security. This document elaborates on the importance of digital wallets for banks, consumers, & businesses.

Asia Pacific Accreditation Cooperation Incorporated (APAC) (2018)⁴, In study it is stated that two out of every five consumers experience difficulties using and withdrawing cash, including not having enough cash on hand (40%), long lines at banks and ATMs (39%), dysfunctional ATMs, and a lack of nearby ATMs (36%). Because of highly developed and increasingly powerful smartphones, consumers are used to having rapid access to the majority of goods. Consumers now have lower tolerance for long lines and dysfunctional ATMs as a result of this innovation's shift in mindsets and heightened expectations. Asia now has many opportunities to innovate in digital payment because of expanding internet access.

Klapper, L., World Bank, USA (2017)⁵ In her article "How digital payments can benefit entrepreneurs." found that Digital payments able to enhance an businessman's profitability by doing financial interactions with users, and governmental bodies convenient, secure, & cost-effective. Providing salaries digitally is not only safer and more economically efficient for employers, but it also benefits employees. The findings suggest that a robust financial infrastructure, inclusive of access points like mobile phones, is essential to facilitate digital payment systems.

Ghuman et al (2016)⁶ The study covers Paytm's recent development as well as its current environment. One97, the parent firm of Paytm, began as a mobile recharge business before growing to become the largest e-commerce company in the nation and establishing its own payment bank. It was able to get to the base of the consumer market because of its broad expansion. Customers of the business come from both rural and urban areas. Company serves more than 100 million customers. They have about 13,000 active employees and have raised \$1.83 billion in total.

Lala Popa, I., Preda, G., Monica, B. (2010)⁷ The study emphasizes innovation as a concept of innovation, organizational innovation, and marketing as innovation. It was found that the field of innovation is very diverse. For many organizations, the capacity for innovation and the development of new ideas has gained significance. Innovation has become a source of competitive advantage as a result of intense global competition and technological advancement.

NEED FOR THE STUDY

The study is needed to understand the elements that make Paytm an innovative and enterprising organisation in the fintech sector. Additionally, the study will examine the Paytm and its innovation's influence on the other competitors in the industry. This study can make some suggestions for other businesses hoping to replicate its success.

RESEARCH GAP

Although there are some studies on entrepreneurship and innovation in the fintech industry, not much research is being done on Paytm's entrepreneurship and innovation in the Indian context. Therefore, the current research aims to delve into and shed light on the key factors that contribute to the triumph of entrepreneurial projects in India's fintech industry, using Paytm as a case study.

OBJECTIVES

The objectives of the paper are:

1. To present evolution of the Paytm company from a mobile recharge platform to Paytm payments bank.
2. To identify the number of innovative initiatives taken by Paytm and its impact on its growth.
3. To examine the major competitors for Paytm in each innovative service offered by the them.

RESEARCH METHODOLOGY

The research relies on secondary data gathered from a variety of sources, including books, magazines, scholarly journals, newspapers, online research studies, websites, and so forth to understand the evolution of Paytm, Innovations and its impact on the growth since its inception.

EVOLUTION OF PAYTM

“Paytm (acronym for “pay through mobile”) is an Indian multinational financial technology company, that specializes in digital payments and financial services.”

Investors	Year	Amount (\$)
SAIF Partners, Silicon Valley Bank	2007	8.3 million
Sapphire Ventures	2011	10 million
Alibaba Group	2015	213 million
Alibaba, Ant Financial	2016	471 million
Soft Bank	2017	1400 million
Berkshire Hathaway	2018	357 million
Alibaba, Ant Financial	2019	1000 million

Source: Prepared from Money Control Research

- ✓ In 2000, Vijay Shekhar Sharma invested Rs 8 lakh to launch One97 Communications, the company that owns Paytm. He went on to ultimately establish the Noida- predicated Founded in August 2010 with an initial investment of US \$2 million, Paytm started as a platform for prepaid mobile and Direct-To-Home (DTH) recharges. It later expanded its services in 2013 to include data-card, mobile, and landline bill payments. Founded in August 2010 with an initial investment of US \$2 million, Paytm started as a platform for prepaid mobile and Direct-To-Home (DTH) recharges. It later expanded its services in 2013 to include data-card, mobile, and landline bill payments and fintech start- up in lower than a decade.
- ✓ Paytm's parent company, One97 Communications Ltd., received its 1st investment in 2007 from venture capital firm SAIF Partners for \$8.3 million. Later in 2011, Sapphire Ventures invested \$10 million in the company.
- ✓ Paytm launched its e-wallet service, the Paytm Wallet, in January 2014. The service quickly gained popularity as a payment option for Indian Railways and Uber. Paytm then expanded its services to include e-commerce deals and promotions and bill payments for education fees, metro, electricity, gas, and water. By August 2015, Paytm's registered user base grew from 1.18 crore to 10.4 crore, and its travel business reached a GMV of over \$500 million per year. In 2015, Alibaba Group's affiliate Ant Financial Services invested \$213 million in Paytm, as part of a strategic agreement, the investor acquired a 40% stake in the company.
- ✓ Moreover, in 2016, Paytm introduced services for booking film, event, and amusement park tickets, as well as flight tickets, and it also launched the Paytm QR feature. laterly that time, it launched rail bookings and gift cards. On 8 November 2016, the Government of India declared the demonetisation of all ₹ 500 and ₹1,000 notes of the Mahatma Gandhi Series. After the demonetisation," Paytm Karo" came the fabulous banner that every Indian got hooked on to when it came to online shopping. Paytm started expanding its services beyond payments and shopping, and started offering fiscal services like savings accounts, credit cards, and loans. In 2016, Paytm launched its payment bank, which allowed consumers to open savings accounts and earn interest on their deposits. The bank was officially inaugurated in November 2017 by the Indian Finance Minister, Arun Jaitley.
- ✓ In May 2017, Paytm secured its most substantial investment round from a single investor– SoftBank, therefore bringing the company's valuation to an estimated\$ 10 billion. In 2017, it turned India's first payment app to cross over 10 crore app downloads. The same time, it launched Paytm Gold, a product that allowed users to buy as little as ₹ 1 of pure gold online. It also launched Paytm Payments Bank and ‘Inbox’, a messaging platform with in- chat payments.[16]
- ✓ In August 2018, an investment of \$357 million was made by Berkshire Hathaway for a 3-4% stake in Paytm. However, it was clarified that Warren Buffett, the company's most well-known figure, was not involved in this transaction. By that same year, Paytm had initiated a system where merchants could accept payments via Paytm, UPI, and card, directly into their bank accounts without any charges. This also marked the beginning of the 'Business with Paytm' app (now renamed to Business with Paytm

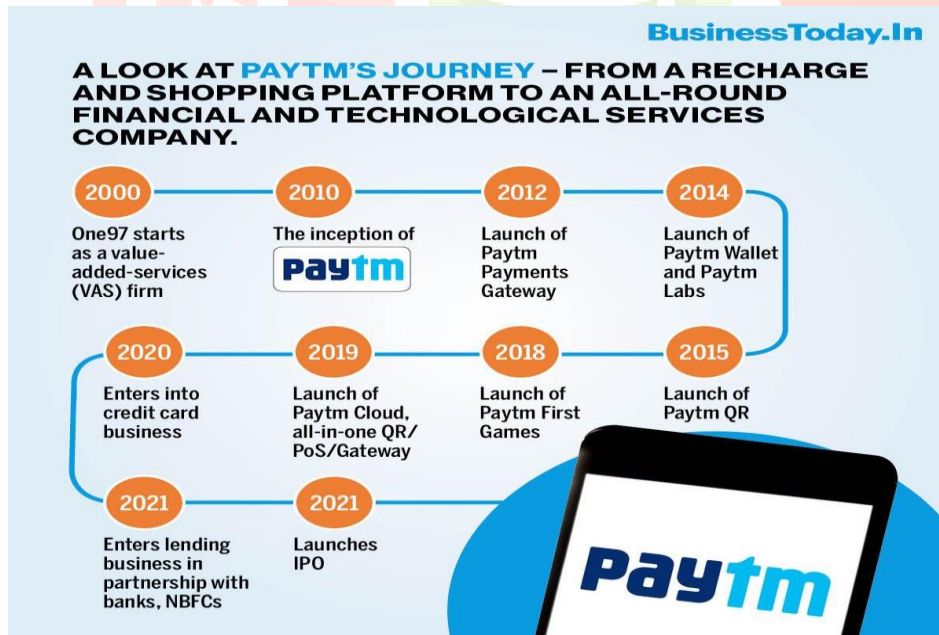
App), a platform that enabled businesses to monitor their transactions and daily deals. This led to a significant expansion of Paytm's merchant base, reaching over 70 lakh by March 2018. Paytm also unveiled two wealth management products, namely the Paytm Gold Savings Plan and Gold Gifting, aimed at fostering long-term savings. In the first month of 2018, Paytm and Alibaba Group's AGTech Holdings joined hands to introduce Gamepind, a platform for mobile gaming, which was later rebranded to Paytm First Games in June 2019. In addition, March 2018 saw the launch of Paytm Money, an investment and wealth management platform, with an initial funding of ₹9 crore.

- ✓ In March 2019, Paytm initiated a subscription-based loyalty scheme known as Paytm First. A few months later, in May 2019, it collaborated with Citibank to roll out the Paytm First credit card. Further, on November 25, 2019, Paytm secured a significant investment of \$1 billion during a funding round that was spearheaded by US-based asset manager T Rowe Price.
- ✓ In July 2021, One97 Communications, the parent company of Paytm, expressed its intention to go public by submitting a draft red herring prospectus to the Securities and Exchange Board of India. In November 2021, the company successfully launched its Initial Public Offering (IPO), raising ₹16,600 crore (approximately US\$2.4 billion) at a valuation of US\$20 billion, setting a record as the largest IPO in India's history. When the shares commenced trading on November 18, 2021, they opened at ₹1,950 on the NSE, which was 9.3% lower than the upper band of the IPO price range. By the close of the day, they had declined by more than 27% to ₹1,560, setting a record for the largest single-day drop in an Indian IPO. Over time, Paytm has transformed from a simple platform for mobile recharge into a comprehensive financial services provider, offering an extensive suite of digital payment solutions and financial services to its users.

INNOVATIONS BY PAYTM

Paytm is a prominent player in India's digital payment industry and has been instrumental in propelling the adoption of digital transactions in the country. Over the years, Paytm has introduced several innovative features to its platform, which have helped it gain a significant market share in India's digital payment space. Though it has introduced many of the innovations to its platform but some of them have got the merchant users and consumers to the platform Paytm. Some of the innovations are far frontier than their competitors and brought the success to the Paytm.

Paytm's innovations have played a significant role in driving digital payments in India. Its focus on providing a seamless and secure payment experience, along with attractive cashback offers and discounts, has helped it gain a significant market share in India's digital payment space. With the introduction of new features and services.



Source: *BusinessToday.in*

PAYTM PAYMENT GATEWAY (2012)

Paytm Payment Gateway was launched in 2012, as a subsidiary of Paytm, firstly started as mobile recharge & bill payment platform. Over the years, Paytm Payment Gateway has evolved into a full-fledged digital payment platform with a range of services, making it one of the leading payment gateways in India. Initially, Paytm Payment Gateway supported only debit and credit card payments. Later, in 2014, Paytm launched its own wallet, allowing users to store and use their funds for online transactions and Paytm also added support for net banking, and in 2016, it added support for Unified Payments Interface (UPI) payments.

Paytm Payment Gateway has been a huge success in India, with over 16 million merchant partners and more than 1 billion monthly transactions. It became one of the most preferred payment gateways in India due to its user-friendly interface, fast and secure payments, and reliable services and also been adopted by various government entities, including the Ministry of Railways, Indian Oil Corporation, and various state governments. Paytm Payment Gateway has competition from other payment gateways in India, including Razor pay, Instamojo, and CCAvenue. Paytm Payment Gateway is continuously evolving and introducing new features to enhance the user experience. Paytm has introduced the Paytm All-In-One QR code, a feature that allows businesses to receive payments through any UPI application or digital wallet.

PAYTM e-wallet (2014)

Paytm e-wallet was launched in 2014, and it was one of the first digital wallets in India. At the time of its launch, digital payments were not very popular in India, and people were still largely reliant on cash for their transactions. Paytm e-wallet service, allowed users to store money digitally and make payments for various services.

The success of the e-wallet was largely due to the convenience it offered to users. With the e-wallet, users no longer had to carry cash or cards with them, and they could make payments easily from their phones. Paytm also offered attractive cashback offers and discounts to incentivize users to use its e-wallet service. This helped it to gain a significant market share in India's digital payment space. Paytm's e-wallet has been a major success story in India's digital payment space. Today, the company has over 450 million registered users and processes over a billion transactions every quarter. The e-wallet has also expanded to include several new services, such as a payment bank, digital credit, and a mini app store.

Though there were some competitors for Paytm's e-wallet when it was launched in 2014, as first digital wallet. The main competitors were Mobikwik-2009 and FreeCharge-2010. The company's aggressive marketing campaigns, innovations, convenience, attractive offers and strategic partnerships with merchants and service providers helped it stay ahead of its competitors.

PAYTM PAYMENTS BANK (2017)

Paytm Payments Bank was launched in May 2017 as a subsidiary of Paytm. The launch of Paytm Payments Bank was a significant step towards Paytm's goal of becoming a one-stop solution for all financial needs of its users. Paytm Payments Bank was the inaugural bank in India to operate solely via mobile, and it offered a range of banking services, including savings and current accounts, debit cards, and digital wallets. The bank's key differentiator was its focus on providing seamless and convenient banking services to its users, leveraging Paytm's existing user base of over 300 million.

Despite the competition, Paytm Payments Bank gained quick traction among users due to its attractive interest rates and zero account opening and maintenance charges. Within the first year of its inception, the bank had amassed more than 50 million savings accounts and held deposits exceeding INR 1,000 crore, equivalent to around USD 140 million.

PAYTM POS DEVICES-2017 (POS)

In 2017, Paytm introduced its Point of Sale (POS) devices with the goal of simplifying and promoting digital transactions for business owners in India. The company's POS devices quickly gained popularity among small and medium-sized businesses, who traditionally relied on cash transactions. The company offers zero transaction fees for certain merchants and has also introduced the ability to use smartphones as POS devices.

PAYTM SOUNDBOX (2018)

Paytm Soundbox was launched in November 2018, as a voice-activated device that allowed users to make transactions using their Paytm wallets, without the need for a smartphone or internet connection. The launch of Paytm Soundbox was a significant step towards Paytm's goal of expanding its reach and making digital payments more accessible to users in India. The device was aimed at users in rural areas and smaller towns, where the penetration of smartphones and internet connectivity was low.

Paytm Soundbox was a unique product in the market, and there were no direct competitors at the time of its launch. The company asserts that the acceptance of the Paytm Soundbox by Indian merchants has been nothing less than phenomenal. A new device is reportedly being acquired by a merchant every 6 seconds, leading to a

substantial base of over 6.1 million merchants currently subscribing for payment devices such as Soundbox and Point of Sale (POS) systems.

Paytm Soundbox was a revolutionary product that inspired other companies to enter the market and offer similar products, such as Phonepe's Smart POS and Amazon Pay's Alexa-based payment system.

PAYTM POSTPAID SERVICE (2019)

Paytm launched Paytm Post-paid in 2019, which is essentially a digital credit offering, that allows users to make purchases without having to pay upfront. It is a Pay Later service (BNPL- Buy Now, Pay Later) that is integrated into the Paytm app, offering users the option to pay for their purchases at a later date, with interest charged on the outstanding amount. The interest rates for Paytm post-paid range from 0-3%, depending on the user's credit score. The post-paid service provided by Paytm, in partnership with its Non-Banking Financial Company (NBFC) partners, allows users to avail credit for various transactions. These include making purchases, paying bills, recharging services, and booking tickets, among others.

The surge in digital lending on Paytm's platform has been significantly propelled by post-paid loans. The company has seen robust growth in registrations of new users, with the total registered user base surpassing 6 million. This expansion has been fueled by a rising rate of user adoption, and more than 15 million online and offline businesses now accept Paytm post-paid.

The success of Paytm post-paid has prompted other digital payments companies to enter the market with similar offerings. Other companies, such as Lazy Pay and Simpl, offer similar digital credit services to users, and have been expanding their user base in India.

PAYTM MINI APPS (2020)

Paytm Mini Apps was launched in October 2020, as a part of Paytm's initiative to promote Indian developers and app makers. The service aims to provide Indian app developers with a platform to reach Paytm's large user base and increase their app's visibility. Paytm Mini Apps are tailor-made mobile websites that offer an application-like experience without the need to download the actual app, thereby saving internal phone storage and centralizing all such apps in one place. This has proven to be a boon for developers, as Paytm offers free listing and distribution for Mini Apps. Paytm Mini Apps has been a major success for Paytm, with over 500 app developers and more than 1,000 mini apps integrated into the Paytm app. Over time, Paytm has successfully incorporated prominent market leaders Paytm has integrated major brands like Domino's, McDonald's, Ola, Rapido, 1Mg, Net meds, Decathlon, and Bewakoof into its Mini Apps platform. They have leveraged this platform to implement attractive promotional offers and gain valuable business growth insights, the arrangement has proven to be mutually beneficial for both the developers and the high-profile brands involved.

Paytm Mini Apps streamline the way you interact with your everyday apps. This approach smartly optimizes the storage on your smartphone while enhancing the efficiency of services & applications provided through the platform. Through the Power of Mini Apps, the users can make online food orders, online shopping, play online games, order healthcare products, medicines, book travel tickets, hotel bookings etc.

PAYTM UPI Lite (2023)

Paytm has launched UPI Lite, a convenient on-device feature that facilitates quick and hassle-free small-value instant transactions. Paytm recently became the pioneer in launching UPI Lite payments, which enable transactions up to ₹200 without the need to enter a PIN. UPI Lite allows adding a maximum of ₹2,000 twice daily, totalling a cumulative daily usage limit of ₹4,000.

This feature guarantees rapid processing of regular small-amount transactions, even at peak times, without any hiccups. UPI Lite simplifies digital payments, making financial management faster and easier. Due to its design aimed at reducing the burden on bank systems for small transactions, the success rate of payments through Paytm's UPI Lite is significantly high. To utilize UPI Lite, users must load funds into their UPI Lite Account from their linked bank account.

At present, the newly launched platform exclusively caters to nine specific banks, namely Canara Bank, Central Bank of India, HDFC Bank, Indian Bank, Kotak Mahindra Bank, and State Bank of India.

Conclusion:

This study of Paytm highlights the significant role of innovation in the success of a startup. Paytm's journey from a simple mobile recharge platform to a digital payment's giant is a testament to the importance of adapting to changing market demands and leveraging technology to create new opportunities. Through its various innovations such as Paytm Wallet, Mini Apps, and POS devices, Paytm has disrupted the digital payments industry in India and paved the way for a cashless future. As the digital economy keeps expanding, it becomes vital for startups and entrepreneurs to place a high priority on innovation and technology adoption in order to remain competitive and meet the evolving needs of consumers.

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