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A Study of Demonetarization and Key Macro Environment Forces on Paytm Mobile Wallets

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ABSTRACT

The Indian Government's Digital India vision on information, communication and entertainment sectors, ICE, has been witnessing an unprecedented growth in the Internet penetration in India. In a move to promote cashless transactions, the government has asked NITI Aayog. In the wake of the government has embarked on strategy to push digital transactions, mobile phone based payments are becoming an important means of transactions. The two key drivers of digital payments–mobile phones and internet users in India. To date, India has about 1.0 billion mobile phone subscribers and 300 million internet users, ranking second on both metrics globally. Factors which could determine market leadership in open wallets for long run are-strong data base of consumers and merchant profiles a differentiated way for money to move faster, a method to mend completely broken credit system in India, a unique insight into a person's credit profile and importantly the users digital economic profile can form the basis of credit evaluation for banks in future.

Paytm, is India's largest digital goods and mobile commerce platform with over 220 Million registered users. Paytm is an acronym for 'payment through mobile'. The paytm brand name therefore, suggests a behavioural segmentation and product category positioning marketing strategy. A perceptual mapping earns high scores for paytm on both the critical dimensions of High Awareness and High Acceptability.

KEYWORDS: Cash, Demonetisation, Digital, Indian Government, Payments, Paytm, Wallet

1. INTRODUCTION

The ongoing digital and technology revolution in India coupled with several progressive regulatory changes has revolutionised digital payments in India. The number of internet users in India is set to double in the next 5 years from about 300 million today to 600 million in 2020. With a population of over 1.25 billion, India accounts for roughly 18 percent of the global population. About half of the 600 million internet users are expected to transact using digital payment methods. It is estimated that the total payments via digital payment instruments will be in the range of US$ 500 billion by 2020. India represents one of the largest market opportunities for digital payments**.**

The two key drivers of digital payments–mobile phones and internet users are already well established in India. To date, India has about 1.0 billion mobile phone subscribers and 300 million internet users, ranking second on both metrics globally.

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MOBILE MARKETING DEFINITION: "A set of practises that enables organizations to communicate with and engage with their audiences in an interactive and relevant manner and with any mobile device or network."

THE MOBILE PAYTM WALLETS

1) Basic Wallet: This is the default wallet service provided for each registered user. The limit for this wallet is ▪ 20,000 per month.

2) Prime wallet: KYC, Know Your Customer: This system has been mainly introduced focusing on the small merchants. The KYC customers will get the cap limit of Rs 1 lakh per month. Only ▪ 75,000 can be moved to bank and remaining Rs. 25,000 has to be used for wallet purchases and other wallet transactions.

3) MID customers: This is the **"Merchant Identifier"** that is issued by **Paytm** to the Merchant. This is unique for each merchant that integrates with **Paytm**. This service is for big retail merchants dealing with huge amount of transactions per month. Here there is no limit and the

ECONOMIC FORCES- GOVERNMENT & PAYTM

The Indian Central Government has already taken several notable policy initiatives in the creation and nurture of a favourable social and economic eco-system. India is slowly but surely embracing the digital wallet. Current Reserve Bank of India (RBI) rules have a ▪ 10,000 ($114) cap on such mobile friendly payment options with acquiring complete "know your customer" (KYC) details.

KEY PAYMENTS & TAX CHARGES- ENVISIONED

- Digital payments for buying petrol and diesel will get a 0.75 per cent discount. Payments through digital mode availing services such as catering, accommodation, and retiring room in railways will get five per cent discount.
- Suburban railway network shall provide an incentive by way of giving a discount of up to 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means.
- Buying general, life insurance policies and renewal premiums from PSU insurers' websites will attract 10 per cent and 8 per cent discount, respectively.
- Two Point of Sale (PoS) machines will be given to villages with a population of 10,000 people. One lakh villages will be selected for this scheme.
- No service tax will be charged on all digital transaction upto ▪ 2000.
- For payments at toll plazas on national highways using RFID card/Fast Tags, a discount of 10% per cent will be available to users in the year 2016-17.
- Public sector banks are advised that merchants should not be required to pay more than ▪ 100 as monthly rental for PoS terminals/Micro ATMs/mobile POS. This is aimed at bringing small merchants on board the digital payment eco-system.
- Passengers buying railway tickets online shall be given free accident insurance cover of up to ▪ 10 lakh.
- The Central government through NABARD will also support rural regional banks
- and cooperative banks to issue **"Rupay Kisan Cards"** to 4.32 crore Kisan Credit Card

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- holders, to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.
- Central government departments and PSUs will not charge transaction fees for payments made through digital means. The State governments have also been advised to follow it.

BENEFICIAL STEPS-IMPLEMENTATION

1. **UPI-** UPI or the United Payment Interface was launched by NPCI(National Payment Corporation of India) launched Digital Currency interface which enables a bank account holder to send or receive payment instantly via IMPS/NEFT to other vendors/buyers.

2. **Bank e-wallets-** Every bank has been asked to come up with a Bank wallet of its own which is linked to a user's bank account. It offers a spectrum services to send or receive money, phone recharges, utility payments etc. E-wallets like SBI'S Buddy is comparable in service to PayTM.

3. **USSD-** USSDs for banking were launched by the Government to cater to population not using Internet or smart phones. Dial *99# for various account related services including sending or receiving money.

4. **Aadhar** Linked Services- Sending or receiving money through POS terminals via aadhar linked biometric secured Bank Accounts for rural push.

5. **RuPAY** cards issued to farmers. Every year India pays nearly ▪ 300 crore towards service charges to VISA, MasterCard etc. To address this, NPCI rolled it's own payment interface called RuPAY.

LEGAL FORCES- REGULATIONS & CONTROLS

With digital transactions gaining traction, the government is mulling setting up of a separate regulator (Not under RBI) for enabling electronic payment system in the country as well as regulate transaction charges.

Online retailers like Paytm are offering special discounts to consumers to ensure that their sellers' stock is cleared before the GST tax regime. Paytm Mall is facilitating sellers on easy access to Goods and Service Tax Network (GSTN) numbers, simplifying the process of owning multiple GSTNs across states.To empower local shopkeepers, it is working to add their catalogue online for better product discovery with **Paytm Mall QR Code.**

The inflow into the wallet is from a bank account/ a credit or debit card which pre-empts the possibility of black money flowing into the wallet. There are a few players who accept cash as well, but since all the wallets are limited to 10k with out KYC, there isn’t much you can do to hide your black money, unless it is less than 10k. To upgrade your balance, you’ll have to provide your full KYC which is equivalent to opening a legit bank account. Even then the account is limited to a maximum of ▪ 1 lakh.

Each wallet maintains a wallet control account and a nodal account. These accounts are mirrors of each other. All nodal accounts are required to be monitored and corresponding Banks’ have to submit monthly reports to RBI on these nodal accounts. Also, there are only a few set of predefined set of debits and credits allowed into a nodal account. The wallet control account maintained by the company is a mirror of this nodal account (maintained by the Bank).

In urban areas, people are using payment gateways such as Paytm, Oxigen and Mobikwik. But this could attract hackers and fraudsters that seek to exploit the systems. The National Payments Corporation of India NPCI is the umbrella organisation of payments in India, plans to develop a security framework exclusively for mobile phone based payments, for banks and mobile wallets, an equivalent to Payment Card Industry Data Security Standard (PCI-DSS) framework that regulates data security for card payments across the world.

PATENT / TRADEMARK-PAYPAL AND PAYTM TRADEMARK DISPUTE

Paytm, the largest e-wallet company in India, which saw a drastic surge in users volume post-demonetization.. What is similar between the two logos is that the first syllable of both the logos is dark blue while the second syllable is a light blue. Secondly, the word 'Pay' is common to both logos.**The crucial element for the registration of a trademark is distinctiveness.**

SOCIAL FORCES

It is to an extent obvious from the move of demonetization of ▪ 500 and ▪ 1000 that e-wallet companies are going to benefit a lot. Paytm has the largest market share (39% of internet users use Paytm), and it is clear that Paytm is going to benefit the most.This is of critical significance as the market is to already set to grow significantly in the near future.

It is possible to envisage the PayTM has been inspired by the **bottom of the pyramid strategy** postulated by CK Prahalad. Assuming that people who earn less than ▪ 300 per day are likely to usually transact in cash (as opposed to cards), and would probably not even own an internet enabled device. There would be still a sizable 40–45% who are capable of owning an internet enabled device, and who used to transact with ▪ 500 and ▪ 1000 notes, that gives us a ~20–22% population base that can be targeted for acquisition. It amounts to **26–29 crore new potential users**. Even with the same market shares, **they have the ability to gain ~10–11 crore new users.** If the average profit that Paytm earns from a user in a year is as small as ▪ 50 per customer per year, that amounts a massive ~▪ 500 crore in earnings

ENVIRONMENTAL FORCES-GO GREEN WITH PAYTM TO SAVE THE ENVIRONMENT!

When you recharge through Paytm, you are NOT using paper (meaning scratch cards) and we are roughly saving an incredible 21 tonnes of paper in a year. In addition, online transactions would mean people now don't have to drive to nearby vendors or shops just to recharge their mobiles. This saves precious fuel and if we were to assume 50% of the people use their car and travel a 1km, you as Paytm customers would be saving an approximate 608333 litres of petrol. Paytm's bid to save the environment, our carbon footprint would be therefore be less.

MARKETING CHALLENGES & OPPORTUNITIES & - PAYTM

The relative advantages of mobile payments include the possibility to make purchases ubiquitously, independence of time and place, and possibility to avoid queues.

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Why lots of shopkeepers stop accepting Mobile Payment? The major reason for shopkeepers giving up Mobile payment could be the **25k/ month limit.** The limit includes the money you transfer to other Paytm wallets from your wallet and to your bank account. Practically 25K is very less. The shopkeeper, when tries to transfer his money to bank NO **interest.** Overall is not profitable as the money stuck in wallet is **Non-operating Asset. A few ways to go cashless are-UPI-Universal Pay Interface, BHIM- Bharat Interface for Money, Aadhaar Pay, a biometrics based payment system etc.**

Why People still prefer cash more than Mobile wallet? Many people find it extremely irritating to put some money aside in separate wallets. Cash is still King, cash in circulation is ▪ 1,31,81,190 crores (Source RBI; as of October 20,2017) . Cashless forms less than 5% of all Transactions in India.

Paytm has active engagement with millions by leveraging social media with their tweets, generating a powerful word of mouth communication! Now Paytm does not only depend on their franchises outlets to popularise mobile payment method. Paytm potential to maximise revenue can be in these distinctive ways–

1. **Interest on investment of customers' wallet Balance:** More the amount of money a user keeps in their wallet, richer the company gets. For example, if a user even keeps only ▪ 100 in their wallet at an average (something on which a user can't really earn significant interest), and they have 100 million users (10 crore), that amount becomes - wait for it - ▪ **1000 crore.** Even if they earn meagre 8% on interest income, that amount is ▪ **80 crore.**

3. **Customer Database:** Increase in frequency of transactions will also affect their customer database since it will get more accurate on understanding the preferences of a user and thus can recommend ads/products better. Better recommendations translates to more earnings.

4. **Coupons**: The power to say **NO** to unnecessary coupons as well as cash-backs, thereby reducing additional promotional costs.

5. **Marketplace and Recharges: A** user who transacts more with Paytm might start looking for products there as well than visit some other ecommerce site, if the deals at Paytm are good.

Presently, cash transaction accounts for 78 percent of all transactions in the country. This status quo is set to change rapidly by the implementation of demonization drive initiated by the Central Government in the near future.

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