



Ian Pollari

KPMG Australia

Brett Watson

KPMG Australia

Paytm: Solving problems to create opportunity

If you own a smartphone and spend any time at all in India, there's a good chance you have the Paytm app on your home screen. Most people living in India do: they use it for everything from buying groceries and paying school tuition fees through to selecting insurance products and getting loans.

Adoption rates have been amazing – even by today's standards. The company was founded less than a decade ago. Yet today, more than 7 million merchants across India use its QR code-based mobile payment system. The app has been downloaded more than 100 million times; the number of registered users has jumped from just 11 million in 2014 to more than 420 million today. Revenues soared to US\$480 million in 2018.

Finding the source of the pain

Paytm's core business has always revolved around payments. But the company sees itself more as a 'problem solver' than a bank or a tech firm.

“Our approach is to identify the pain points for customers and then solve them really, really well – better than anybody else can,” said Harinder Takhar, former CEO of Paytm in India and current CEO of Paytm Labs Inc. Toronto, Canada.

The first pain point the company solved for India's consumers was around pre-paid mobile top-ups: Paytm allowed customers to top their accounts up instantly on their phones rather than going to a store, buying a top-up card and struggling with an extraordinarily long password. That allowed it to build brand awareness and a loyal customer base.

Fixing the system

The company's next objective was much more ambitious – to make India's payment system more inclusive, more efficient and more reliable. It was an audacious goal.

When the company was founded, the vast majority of India's population had no access to formal banking services at all. Those that did have bank accounts often struggled to use the instruments available to them. Less than 2 percent of the population had a credit account. Cash and cheques were the norm.

Harinder and Vijay Shekhar Sharma (Paytm's founder) realised this was a problem they could help solve. In 2014, the company introduced the Paytm Wallet. “Allowing customers to store money in their virtual wallet meant that Indian consumers could now make transactions using digital money,” noted Harinder. “It was a game changer.”

A super-app in the making

Over the next few years, Paytm added dozens of new use cases for its technology. Paytm's mobile payment platform was, for a time, the only payment method accepted by Uber in India. It partnered with a wide range of transport, utility and entertainment companies to create digital payment systems. And it launched an e-marketplace where customers can find almost any item or service available in India, often at a discounted rate.

“Our typical customer comes to us because of a needs-based reason – they need to take a bus or pay a bill – but over time, they start to discover that we can actually help them solve a much wider range of needs, from paying their kids' tuition fees through to finding a great deal on an item they really need,” added Harinder.

Users of Paytm's app have access to a stunning array of goods and services. At last count, the platform boasted more than 15 million merchants across more than 200 different categories of service.

Many of those categories involve what is traditionally seen as financial services. For example, Paytm offers customers the ability to insure a wide range of purchases – including bus trips and movie reservations. It has a 'fractionalised asset ownership' product that allows customers to pay as little as 1 rupee for a fraction of a stock or asset. Its Paytm Gold Savings provides customers with a long-term savings vehicle.

Creating markets

While it may seem as if Paytm is taking on the traditional banking system, it is not. In fact, as Harinder is quick to note, Paytm is providing a pivotal intersect between India's population and the established banking order.

"We see Paytm as a way to bring half a billion unbanked Indian consumers into the formal banking system," noted Harinder. "People who work in the informal economy or in rural areas have pretty much the same financial services needs as everyone else. But they are often left out of the system because they are not on anyone's radar."

Indeed, given its rapid rate of growth and adoption in India, the app is quickly becoming the top distribution channel for financial services in the country. Through the merchant store, users can access a wide range of traditional financial products, from home and life insurance policies through to investment assets and products.

"We help our users discover the products and services they need," added Harinder. "The traditional banks and insurers love the fact that we have access to people they simply could not reach before."

Driving customer acquisition

Yet Paytm's goal is not just to sell products to users. It's also to help users achieve their own goals. That often means helping them establish themselves in the mainstream economy.

In a cash economy, small businesses and merchants are often overlooked by the traditional banks due to a lack of reliable records and credit history. Paytm helps to solve that pain point by using its technology to create a robust and reliable view of its business users – their cash flows, their customers, their daily balance sheet status and so on. And they use that view to help the business establish their credit-worthiness.

"More often than not, we'll then help that merchant find a bank that wants to work with them based on the data we have collected," added Harinder. "We are helping banks acquire new, credit-worthy business and personal customers that simply didn't exist in the mainstream economy before the digitisation of payments."

Out of India

So what is Harinder – Paytm's first CEO and long-time friend of founder Vijay Shekhar Sharma – doing at Paytm Labs in Canada? Solving more pain points, of course.

The company has been looking for opportunities to use its technology to address payment opportunities outside of India. Last year, the company partnered with Japan's Softbank and Yahoo! Japan to launch a new digital payment system in Japan.

“When we launched PayPay in Japan, about 87 percent of personal retail transactions were happening with cash,” said Harinder. “Japan is such a large economy with significant consumer spending. The opportunity to apply our technology to help solve that problem was obvious.”

Paytm also sees significant opportunity in Canada where the organisation has already developed a consumer app and is now investing into its merchant-acquiring capabilities to create more value for customers. The Lab in Canada is also where Paytm develops and tests many of its investments into new technologies.

Capital and commendations flow

Paytm's ability to solve problems with technology has made it a darling of technology investors and pundits. The company has won the [FT Future of Fintech Award and Forbes' Outstanding Startup of the Year Award](#). Paytm's founder was featured in Time's 100 Most Influential People (2017) and Harvard Business Review did a case study about Paytm titled [Paytm: Building a Payments Network](#) (2017).

China-based Alibaba Group and Japan-based SoftBank have both made significant investments into Paytm over the past 10 years. So, too, have Western investors such as Sapphire Ventures and Berkshire Hathaway. As of the start of last year, the company was valued at more than US\$10 billion.

“Investors like that we solve problems. And, since we do it better than anyone else, our customers keep coming back,” noted Harinder. “We still have significant room to grow in our home markets and a world of amazing opportunities overseas.”

Ready to partner

From his vantage point, Harinder is confident that the current state of disruption in financial services will continue for the foreseeable future.

“Consumers clearly expect the way they discover and use financial services to fundamentally change,” he noted. “We can't expect things to continue to happen in the same old ways. As an industry, we need to keep up with expectations.”

Harinder sees Paytm as the technology geek that understands what customers really want and need. And they are able to move faster than most traditional financial services organisations to deliver on those expectations. The opportunities for partnerships are immense.

“We look forward to working with all sorts of banks, lenders, insurance companies and asset management firms to bring these new technologies and customer interfaces to market,” added Harinder. Expect to find the Paytm logo on your smart phone soon.

About Harinder Takhar — CEO, Paytm Labs Inc.

Hardiner is the CEO of Paytm Labs Inc., the Toronto-based research and development division of Paytm. In his previous role, Hardiner led Paytm as its first CEO in India when Paytm launched in 2011. At Paytm Labs Inc., he is responsible for two key objectives: building Paytm's machine learning and big data technologies and growing Paytm's presence in North America.