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Paytm's Setback and Its Impact on India's FinTech Market: A Mixed Method Study of Digital Consumers and Traders

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Abstract

Paytm, a popular FinTech company in India known for its user-friendly interface and all-in-one digital financial services platform, faced regulatory scrutiny from the Reserve Bank of India (RBI) due to management and operational shortcomings that required compliance by February 29, 2024 (later extended to March 15, 2024). The aim of this study is to analyse the impact of RBI regulations on Paytm, the FinTech market and the stakeholders, focusing on digital consumers and traders simultaneously. Empirical data was collected from a pool of 119 respondents (comprising 80 consumers and 39 traders) using a web-based online questionnaire. Demographics like age and occupation, users and non-users of Paytm were used as input variables for the empirical study. The findings indicate that both consumers and traders relied blindly on FinTech and RBI's impositions on Paytm have taken a toll on the trust and reliance of these digital consumers on FinTech, prompting them to switch to other UPI service providers. This research employs a mixed-method approach, offering recommendations for FinTech firms to enhance the trust of their stakeholders and analysing the users' outlook towards financial technology and FinTech companies. The study provides empirical evidence that supports the impact of the risks in the FinTech industry on its stakeholders and provides valuable inputs for policymakers and stakeholders in the Indian FinTech market. The findings highlight the need for FinTech companies to align their operations with regulatory standards and maintain a strong focus on customer protection and data security.

Keywords: Paytm, FinTech, RBI Regulations, Digital Transactions, Digital Consumers

JEL Classification: G20, G23, K23

Introduction

The term "Fintech" has surged in popularity in the realms of financial transactions. Defined as "an industry that uses technology to make financial systems and delivery of financial services more efficient" (Reserve Bank of India, 2020), FinTech companies are crucial for extending financial services to underserved populations, including remote and marginalised groups (Kinara Capital, 2024; Tyagi, 2022). In India, they've played a pivotal role in bringing banking to the unbanked through mobile banking and digital payments to the extent that India has emerged as a focal point for FinTech innovation and growth, propelled by a confluence of factors including substantial availability of capital, government policies, regulations and initiatives (Swissnex India, 2016). This sector is expected to make finance more accessible as it continues to grow (Joseph, 2023). India witnesses an exponential surge in digital transactions. Notably in 2022 alone approximately 89.5 billion transactions were made online, illustrating the reliability and trust of people in FinTech solutions (The Hindu, 2023), alongside highlighting the ease of use and convenience in the usage of the online payment systems (Gupta et al., 2024).

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Globally, FinTech firms are driving the shift towards digital payments, reducing reliance on cash and promoting a cashless economy. They have enhanced global financial integration and competitiveness on a global scale by offering cross-border services, facilitating remittances and providing investment opportunities.

The pandemic worked as a catalyst in the growth of the FinTech industry in India since there was an explosion in UPI transactions. Within a year of lockdown, i.e., between April 2020 and April 2021, UPI transactions increased 2.6 times, i.e., from 1 billion to 2.6 billion (Roongta et al., 2022). The average FinTech adoption rate across the world is 64%, whereas the Indian FinTech adoption is 87%, higher than the global rate, which makes it the world's third largest FinTech ecosystem (PIB Delhi, 2021). At the forefront of FinTech evolution in India, stands Paytm, founded by Vijay Shekhar Sharma, which attracts a huge consumer base in India with its multifaceted offerings spanning digital payments, financial services and e-commerce. Paytm is the first mobile-based application that came up with a Quick Response Code (QR Code) for payments in India (Rathesh, 2019).

Paytm recently faced severe RBI restrictions due to operational issues and regulatory non-compliance, offering crucial insights for digital consumers. It highlights risks like security breaches and regulatory issues in digital payment platforms, emphasising the need for robust security measures when choosing services emphasising the need for conducting thorough research into financial health and compliance before trusting platforms. Paytm's challenges underscore the significance of sustainable business strategies cautioning against over-reliance on funding or aggressive expansion without profitability. Additionally, it prompts awareness of consumer rights, advocating for clearer terms, transparent fees and reliable customer support. Lastly, it encourages preparation for contingencies by diversifying financial tools and alternatives in case of service disruptions or platform failures.

Against the backdrop, this research article endeavours to delve into the intricacies of RBI's imposition on Paytm and its impact on the FinTech market, especially focusing on the consumers and traders, offering a comprehensive analysis of public reaction and adaptation methodology adapted by them. The research aims to provide valuable insights for current FinTech players, policymakers for the digital economy and digital consumers in India and abroad for their future planning and corrections.

Rationale of Article

Existing research papers and case studies on FinTech predominantly highlight its growth, benefits, opportunities and achievements, while also emphasising the potential risks and challenges. Studies on Paytm have primarily portrayed its success. Post the recent actions by RBI, few researchers have assessed Paytm's flaws by studying its losses and IPO failure, along with some mentions of its shortcomings. Still, there is a notable absence of case studies/empirical research that critically examine the setbacks of Paytm and their impact on RBI's restrictions on the FinTech market, specifically Paytm's users i.e. the traders and consumers. This study undertakes to explore and analyse this gap by addressing the current perception of the users in the FinTech market. The study also explores the impact of key demographics such as age, gender, user experience, etc. on the awareness, perception and implications of the users. In this capacity, this research might be exemplary for the economies evolving in their digital landscape.

Objectives

The research is undertaken to examine the intricate dynamics that originated due to the regulatory impositions imposed by RBI upon Paytm, and its impact on the company and stakeholders, with the following key objectives:

- To examine Paytm's setbacks along with the impositions applied and actions taken by the Reserve Bank of India (RBI).
- To analyse the repercussions borne by Paytm after RBI's impositions, including financial consequences, services and market standing.
- To unveil the repercussions and sentiments endured by digital consumers, specifically consumers and commercial traders, consequent to RBI's impositions.
- To examine the relationship of age, gender, mode of transactions, time experience of users with Paytm,

etc., with the awareness and perceptions of the users.

- To outline various adaptation strategies undertaken by the consumers and traders using Paytm.

Literature Review

The majority of research into the area of the FinTech industry has been focused on the story of its success. Studies suggest that FinTech benefits by providing business value, especially during the era of digitisation (Jinasena et al., 2023). Some other studies are focused on FinTech in India, its impact and Paytm.

Correlates to FinTech

Leong and Sung (2018) studied the development and emergence of FinTech from the information management perspective. It classified FinTech applications into 4 major categories: payment, advisory services, financing and compliance. They emphasised the shift towards cashless payment solutions and a need for efficient and secure systems. They state that developments of the related technologies should improve business operations through secure transactions or better customer retention. Arner et al. (2017) have examined the FinTech benefits for the financial sector, which include increased trust in the financial services provided by the industry, reduction in time to market for innovative products and creation of financial startups, along with increased employment for financial professionals. Pollari (2016) assessed the benefits of FinTech from a strategic perspective, underlined the importance of creating trust and suggested that it can help in lowering the barrier to new entrants, create new business models and streamline processes.

Yoon et al. (2023) studied the impact of FinTech development and GDP per capita on bank performance by using the World Bank Global Index Database for 91 countries. They devised a new FinTech development measure, AbFintech (Abnormal Fintech) and found out that AbFintech increases the banks' efficiency and ROA while decreasing the cost-to-income ratio in less developed countries. Also, inflation and GDP growth positively affect ROA. Their study deduced that banks in less developed countries benefit the most from the FinTech innovations, particularly digital payments, due to their large customer base and ability to provide services at lower costs. Similarly, Murinde et al. (2022) did a study analysing the future of the banking sector owing to the impact of FinTech, along with the risks and opportunities. They concluded that FinTech's growth will not replace the banks, as banks have started to inculcate the concept of financial technology in their services by combining the traditional 'brick and mortar' system with an online model via digital transformations. Banks are developing their platforms or partnering with other FinTech start-ups. Like the Indian Bank's mobile app, IndOASIS provides BHIM UPI services (Indian Bank UPI Payment (BHIM), 2024).

FinTech in India

The India FinTech Report (2020) states that India has become the focal point for FinTech bargains in the world. Currently, India has more than 2100 FinTech firms existing in the market. The analysis of a study by Paddalwar and Lakshmi (2022) showed that FinTech services are easy to use and user-friendly. Roongta et al. (2022) note Indian FinTech as an exemplary example of India's digital growth, with India making advances in infrastructure, availability of capital and favourable customer demography. *Fintech in India - Statistics & Facts* (2024) states that the Unified Payment Interface (UPI), launched by NPCI, enabled the payment-focused Indian FinTech to grow tremendously over time.

Jain et al. (2023) did a systematic literature review, categorising various risks that the FinTech sector has to face. With bibliometric research of 84 articles, they highlighted the top 5 major risks faced by FinTech: cybercrime, loss of privacy and data rights, financial crimes and lack of investor protection, high cost and lack of financial literacy. Garvey et al. (2019) analysed the responses from Financial Services (FS) and Technology, Media and Telecommunication (TMT) firms which highlighted their belief that areas like personal digital contact, personalised services, trust and ease of use are among the top 5 areas for customer retention. Their analysis revealed security, compliance and data-privacy risks to be the major challenge to FinTech growth, followed by regulations and a multiplicity of legacy systems. Vijai (2019) jots that the integration of techniques like blockchain management and cryptocurrency is in the early stages of their adoption and usage. He further mentions the lack of transparency of the regulations governing this sector and the shortage of qualified tech staff to be some key challenges faced by the Indian FinTech.

Financial Inclusion

Financial inclusion in simple words refers to the efforts made to make financial products and services accessible and affordable to all individuals and businesses and to deliver them responsibly and sustainably (Grant, 2024; World Bank, 2022).

Asif et al. (2023) analysed the impact of FinTech and digital financial services on financial inclusion in India. They assessed factors like behavioural and social influence, trust and usability as important aspects in the contribution of FinTech for financial inclusion. Demir et al. (2020) concluded that FinTech increases financial inclusion and reduces income inequality, by using the Global Findex waves for survey data. FinTech has enhanced economic growth, increased financial inclusion, narrowed income inequality and reduced poverty (Asif et al., 2023; and Demir et al., 2020). FinTech services facilitate access to accounts, transactions and credit for everyone from poor households to SMEs, enabling the population to participate in formal economic activities (Sahay et al., 2020).

Paytm

Paytm has been a prominent platform in Indian FinTech, having built the largest payments platform in respect of its huge customer base and the number of transactions and revenue (Joseph, 2021). Paytm had the largest IPO in the Indian stock market, which amounted to ₹18,300 crore (Reuters, 2021).

However, the recent events regarding Paytm's fallout have impacted the market.

Sai (2024) studied Paytm's growth, its business model, the recent disputes and the issues that followed thereon. He stated how Paytm denied the claims about it violating the users' privacy and policies and RBI restricted the company's new member onboarding due to the concerns regarding the same along with the improper check on the source of funding.

Even when Paytm was able to successfully raise ₹18,300 crores, its IPO failed miserably in the stock market (Dhingra et al., 2024). Gaikwad and Kadam (2023) reviewed Paytm's IPO and its underperformance. The study notes why the company's IPO turned out to be a failure. On the day of the listing, the prices came crashing down. The reason being noted is the company's inability to gauge the investors' interest, despite the mixed subscription levels and improper market valuation. Though the Red Herring Prospectus of Paytm stated the possibility of it going into losses before starting to incur profit, the losses continued to sustain.

A similar study was conducted by Manda and Sharma (2024) accessing the loss-making Paytm's situation. The brief about the history of its loss is studied. The reasons being noted to be its failed IPO, resignation by Vijay Shekhar Sharma, increased competition and large and institutional investors' exit, among others. The research by Singh et al. (2024) studied the issues with the mobile applications designed for digital payments by assessing Paytm, Google Pay and PhonePe to bring out the accessibility issues in them and suggest improvements.

Research Methodology

Design

This research employed a mixed-method approach using both the qualitative and quantitative techniques. Qualitatively, the case study design utilising secondary data has been applied to present the case of the rise and fall of Paytm along with the recent scenario of RBI's restrictions. To gauge the impact of RBI restrictions on the FinTech market, particularly the users of Paytm, an empirical investigation was conducted using primary data collected through questionnaires. This helped the researchers to present a comprehensive picture of the impositions and their impact.

Tools and Techniques

Secondary sources have been utilised to gain comprehensive insights into the current context due to their efficiency in saving time compared to primary sources, along with their crucial role in connecting events and offering a cohesive understanding of the situation (Nordquist, 2018). This study draws from a varied array of secondary sources, including journal articles, reports, research papers, newspapers and data mining conducted online. The case of Paytm's setback was built up primarily using secondary sources. The case study was carefully drafted to provide an in-depth understanding of the situation and add strength to existing literature. The case study is said to add practicality to the theoretical aspect (Leymun et al., 2017). To empirically examine the impact of RBI's impositions on Paytm's users, an online questionnaire was crafted. The questionnaire layout was carefully crafted to enhance user-friendliness, ensuring accessibility for our sample group. To maintain data integrity, mechanisms were put in place to prevent multiple responses from a single individual, thereby minimising data duplication (Regmi et al., 2016).

The questionnaire included Multiple Choice Questions (MCQs) and Rating Scale Questions. The rating scale questions were taken on a 5-point scale basis, to make it easier for the respondents to fill in, with 1 being the leas and 5 being the most. The participants were asked questions such as "What mode of transaction do you use?", "To what extent on a scale of 1-5 have your behaviour/actions changed towards the FinTech post the restrictions by RBI?", and "Are you aware of other alternatives for Paytm?" If yes, then how comfortable are you in using them?"

The collected survey responses were analysed using statistical tools such as frequencies, percentages, averages and correlations and subsequently transformed into charts and ratios, facilitating clear and concise data visualisation through tables and diagrams from consumers' and traders' perspectives.

Sample

Sampling Unit: The target population identified for this survey was users of Paytm, encompassing young adults to retired individuals, which made up the consumers' and traders' segment of Paytm's market.

Our study uses the term 'Consumers' to refer to that section of the FinTech market which uses FinTech applications for their personal, day-to-day work, like students, teachers, employees, etc. While 'Traders' denotes the segment which uses FinTech applications for their business-related transactions, i.e., for the sale and purchase of goods and services, like wholesalers, traders, salons, etc.

Sample Size: A total of 119 participants were included in this study, consisting of 80 users and 39 traders using Paytm for personal and business transactions respectively.

Sampling Procedure: Primary data collection involved distributing a carefully designed questionnaire across various demographic groups in different regions of India immediately after the impositions, i.e., February-March, 2024. This helped in capturing the users' sentiments immediately after the impositions for precise projections. The mode of the survey was online, which constitutes the majority of all the survey modes implemented worldwide. The widespread adoption of online surveys can be attributed to various inherent benefits, including reduced research expenses, quicker implementation timelines, rapid results, minimised transcription errors and simplified data collection and analysis processes (Siddique, 2023; Singh & Sagar, 2021).

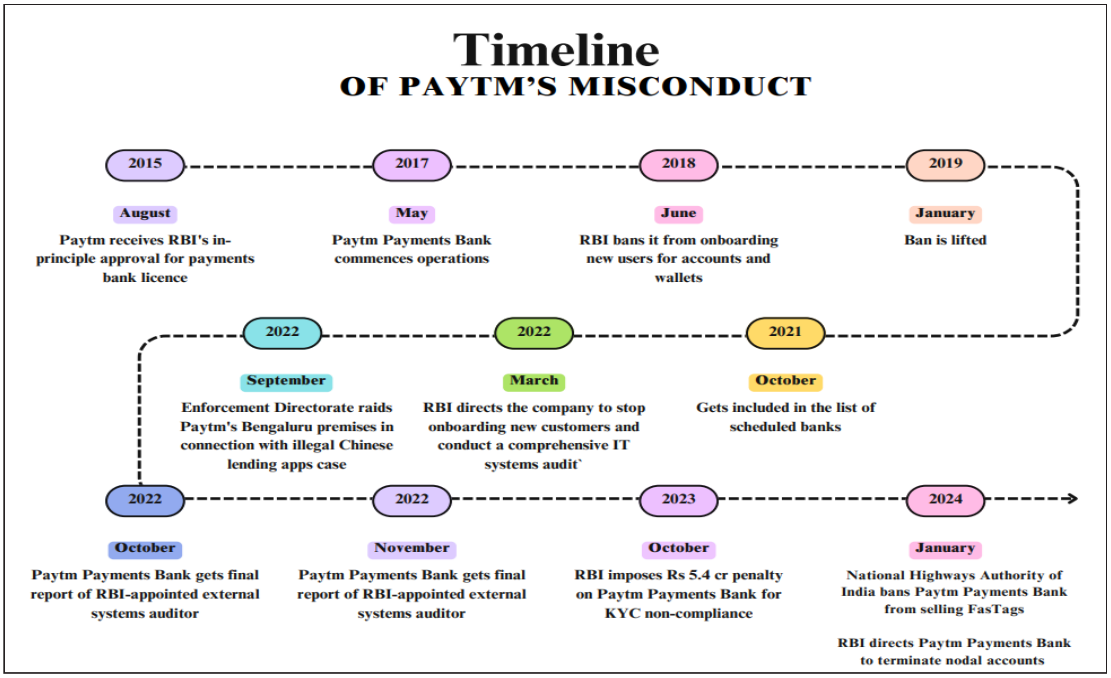
Findings

The Case Study of Paytm's Setback

Paytm and Paytm Payment Bank

Paytm stock plummeted 36% on 2nd February, hitting a record low of ₹ 487, losing 2 billion rupees in market value (National Stock Exchange, 2024). In this process, 300 million wallets, 30 million bank accounts and 8 million fast tags in Paytm's portfolio have been affected. However, previously, in 2018 and 2022, the RBI banned Paytm from onboarding new users. In 2023, RBI rejected Paytm's payment aggregator licence application and fined them ₹ 5.4 crores for 'Know Your Customer' (KYC) non-compliance.

Paytm's Payment Bank (PPBL) is a simplified version of the traditional bank with limited functions, allowing transactions, deposits up to ₹ 2 lakh and debit card payments. It allows you to earn interest when the payment bank invests your deposits. Deposits are managed through partnered banks like IndusInd Bank. PPBL collaborates with lenders like Tata Capital and Aditya Birla to finance capital for services like loans and credit cards. It uses tech and data leverage to analyse the transactional history and identity documents of customers for faster loan approvals. In the last five years, there have been multiple fines imposed by the RBI on Paytm along with several warnings to make its infrastructure better functioning. Paytm has however not put in any substantial efforts to comply with RBI's rules and regulations, which led to severe business restrictions and a drop in market capitalisation. Fig. 1 presents a brief history of Paytm's setbacks over the period.



Source: Compiled by Authors from secondary sources of information.

Fig. 1: Timeline of Paytm's Setback

As seen in the timeline of shortcomings in operations by Paytm (Fig. 1), PPBL failed to identify beneficial owners in respect of entities boarded by it for providing payout services and did not monitor payout transactions and carry out risk profiling of the same. It violated the regulatory ceiling of end-of-the-day balance in certain customer advance accounts which were availing the payout services. PPBL reported a cyber-security incident with delay. Moreover, it failed to implement device binding control measures related to SMS delivery receipt checks and its Video-Based Customer Identification Process (V-CIP) infrastructure failed to prevent connections from IP addresses outside India.

RBI's Impositions on Paytm

RBI, in compliance with the Banking Regulation Act of 1949, has recently issued the PPBL the following directions:

- Deposits, credit transactions and top-ups shall not be allowed after March 15, 2024.
- Withdrawal or usage of the current available balance by the customers in their accounts is still permitted.
- No other banking services other than those mentioned above (like fund transfers, UPI facilities and BBPOU) should be provided by the bank after March 15, 2024.

Impact of the RBI's Impositions

When funds are transferred via UPI, they are initially deposited into a nodal account before being disbursed to the intended merchant. Nodal accounts function as interim escrow accounts where all transferred funds are pooled and subsequently released to merchants within approximately 24 hours. Paytm utilised its Paytm Payment Bank as its nodal account. However, starting from 29th February 2024, Paytm was restricted from operating its mobile wallet, taking deposits, or processing transactions. This deadline was extended to 15th March, 2024. This resulted in customers not being able to top up their wallets, and the QR codes became ineffective (The Economic Times, 2024). Paytm then had to find a new nodal account to survive. That was a very big deal because, in December 2023, Paytm Payment Bank recorded 2.8 billion transactions out of a total of 12 billion transactions made via Paytm (Anand, 2024). After NPCI's approval to continue UPI services, Paytm has shifted its nodal account from Paytm payment bank to four major banks - Axis Bank, State Bank of India, HDFC and Yes Bank which was done to ensure uninterrupted UPI transactions for both users and merchants. After the successful migration of Paytm's users to other partner payment service provider banks, the UPI ID of these customers changed from @paytm to @ptsbi, @pthdfc, @ptaxis and @ptyes (TOI Tech Desk, 2024).

Paytm had 37 million merchants utilising the Paytm Payment Bank for receiving funds. In the month following the regulatory impositions, Paytm had to persuade these millions of merchants to discontinue the use of their Paytm Payment Bank accounts and instead link another bank account to their UPI addresses. They also provided steps to manage and link to new QR codes provided by it (Paytm, 2024).

Following the impositions, there have been several administrative changes. The founder of Paytm resigned from his role as the part-time non-executive chairman of Paytm Payments Bank early in 2024. This decision is part of a broader restructuring effort to get Paytm back on track after its major fallout by forming a new board composed of independent and executive directors, aiming to strengthen compliance and governance within the bank.

Following this strategy, the company has laid off its 3,500 employees, owing to which the workforce fell to 36,521 in the March 2024 quarter. The company also states to provide bonuses to employees and provide outplacement services to the employees who have resigned (Maurya, 2024).

This strategic reduction in the workforce addressed financial challenges and restored profitability within the organisation by mitigating losses at Paytm (The Economic Times, 2024). The company reported a loss of ₹ 559 crore amidst a downturn in revenue from operations. Specifically, Paytm's revenue for the March quarter stood at ₹ 2,267.10 crore (Gohel, 2024).

While the impositions affected Paytm's operations in India, its operations abroad remain unaffected. If one uses Paytm UPI and a wallet where the underlying bank account is linked to some external bank other than PPBL, then they can operate normally (Chadha, 2024). Paytm's usage of different nodal bank accounts abroad, like its joint venture with 'SoftBank' and 'Yahoo! Japan' in Japan to run PayPay, enabled them to operate as usual (PayPay, 2024).

Results of Paytm's Users Survey

The primary respondents of the survey belong to a versatile category of different age groups, genders and occupations as shown in Table 1, including Paytm users and non-Paytm users, which is followed by the key survey results.

Table 1: Respondents' Demographic Break-Up

Variable	*Characteristics*	*Frequency*	*Frequency Analysis*
Age	17-20	54	45.37%
	21-50	50	42.01%
	50 above	15	12.62%
	Total	119	100%
Gender	Male	43	36.13%
	Female	76	63.87%
	Total	119	100%

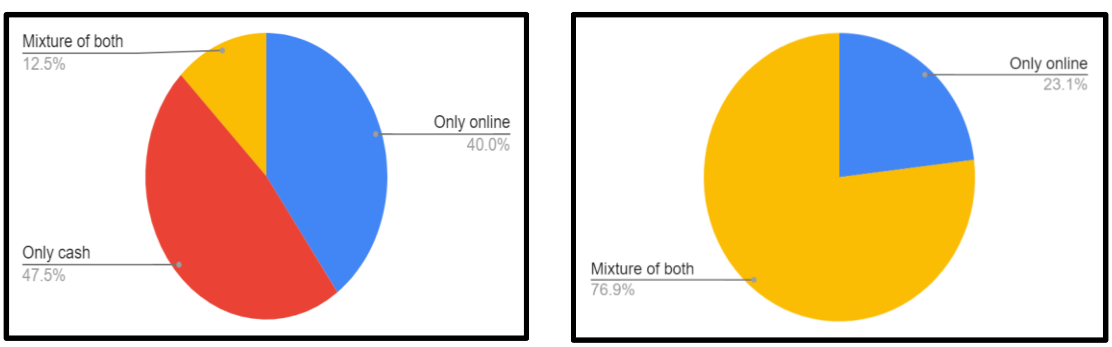
Variable	*Characteristics*	*Frequency*	*Frequency Analysis*
Occupation	Student	39	32.77%
	Public sector employee	4	3.36%
	Private sector employee	24	20.16%
	Suppliers/ traders of good or services or businessmen	39	32.77%
	Self employed	12	10.10%
	Retired	1	0.84%
	Total	119	100%
Fintech Market	Paytm Users	91	74.79%
	Non-Paytm Users	28	25.21%
	Total	119	100%
Time Experience of Paytm Users	Less than 1 year	20	21.98%
	1-3 years	38	41.75%
	3-5 years	21	23.09%
	More than 5 years	12	13.18%
	Total	91	100%

Source: Compiled by Authors from primary survey data.

Modes of Transactions Used

Results indicated a growing preference by consumers for cashless transactions amidst increasing digitisation. 47.5% of the consumers favoured a combination of cash and online transactions, while 40% relied exclusively on online transactions [Fig. 2(a)].

From a business perspective, 23.07% of business owners accept online modes of transactions whereas 76.93% use a mixture of both. This shows a heavy reliance on online transactions [Fig. 2(b)].



2(a): Consumers' Perspective 2(b): Traders' Perspective

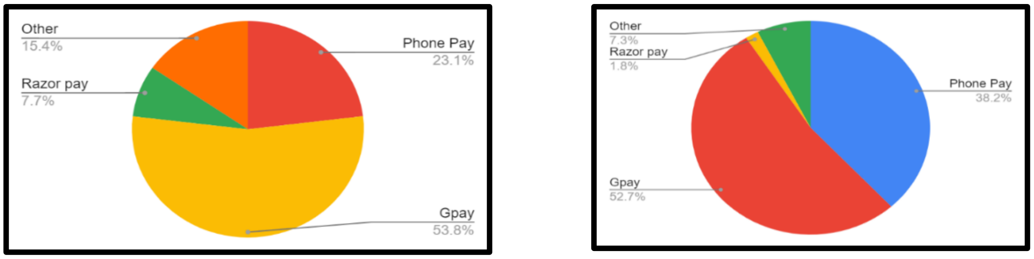
Source: Compiled by Authors from primary survey data.

Fig. 2: Mode of Transaction Used

Out of a pool of 39 student respondents, 23.07% still don't use UPI services. In contrast, only 1.25% of the other respondents, i.e., public sector employees, traders or businessmen, self-employed individuals and retired persons, don't use UPI services. However, these findings are in complete contrast to Ungratwar et al., 2022, which state that UPI services are more prominent among students as compared to other groups of the respondents.

Comfortable Alternative of Paytm

Most of the respondents have shifted to other online payment-making platforms, with Google Pay (GPay) taking the leverage. 52.7% of the consumers and 53.8% of the traders chose it to be a convenient alternative to them [Fig. 3(a) and 3(b)].



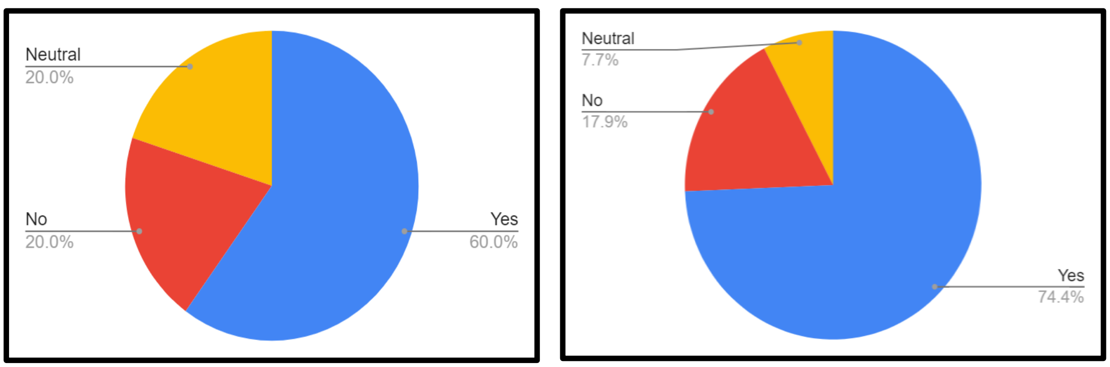
3(a): Consumers' Perspective 3(b): Traders' Perspective

Source: Compiled by Authors from primary survey data.

Fig. 3: Comfortable Alternative of Paytm

Blind Reliance on FinTech Technologies

Strikingly, the majority of the people felt that we end up relying blindly on such FinTech technologies, without having much knowledge about the risks associated with it [Fig. 4(a) and 4(b)].



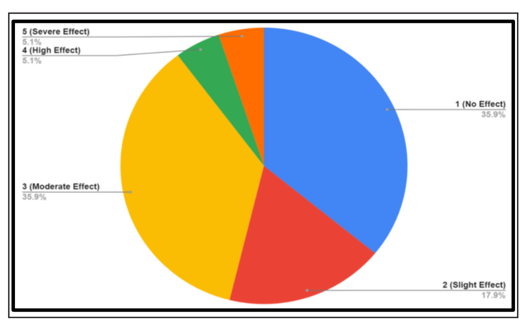
4(a): Consumers' Perspective 4(b): Traders' Perspective

Source: Compiled by Authors from primary survey data.

Fig. 4: Relying Blindly on Such Fintech Technologies?

Effect on Traders' Business

Most of the traders noticed no effect or moderate effect on their business, while only 10.2% of them felt significantly affected (See Fig. 5).

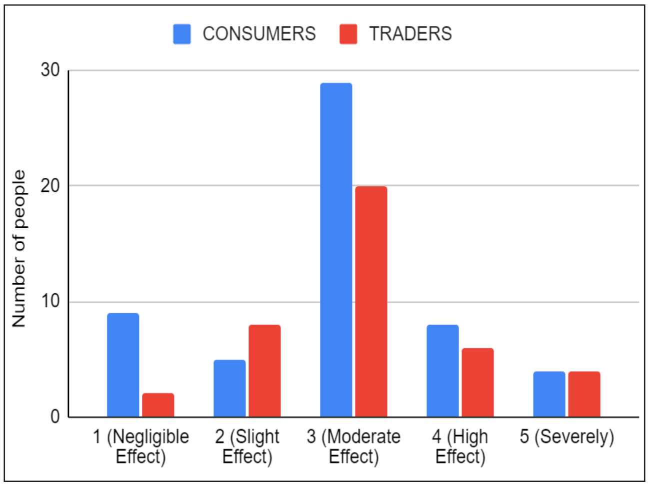


Source: Compiled by Authors from primary survey data.

Fig. 5: Effect of RBI's Impositions on Traders' Business on a Scale of 1-5

Effect on the Trust of Users

However, a similar scale reflected the withering trust of the users and the exposure of loopholes in Paytm (See Fig. 6).



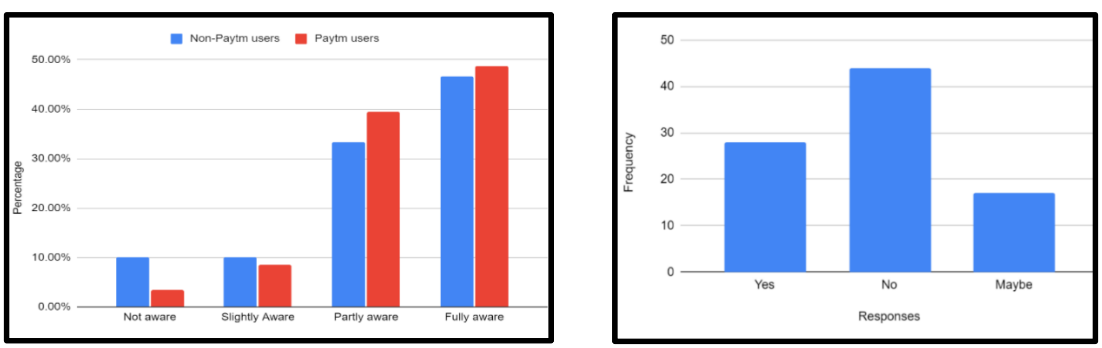
Source: Compiled by Authors from primary survey data.

Fig. 6: Effect on User's Trust and Reliability in FinTech

The analysis reveals that trust in both categories has been affected, either moderately or highly. As the average for the consumers turned out to be 2.87, while for the traders it is 3.05, it indicates that though there has been a moderate hit to their trust and reliability on FinTech, traders seem to have felt the hit more. Gupta et al., 2024, further pointed out that such a decline in the perceived trust of the users leaves them reluctant to use E-wallet and UPI services, as it is the most significant factor influencing users' continuous intention to adopt mobile payment applications (Castanha et al., 2022).

Awareness and Financial Literacy Amongst the Respondents

48.75% of the total respondents (including both the users and the non-users of Paytm) were fully aware of the situation prevailing and the impositions and restrictions imposed on Paytm by RBI. This shows that the users in the FinTech market are aware of the current keepings of the economy. However, people still have a long way to go, as the majority don't find it worthwhile to read the Terms and Conditions before signing up with such companies (refer to Fig. 7).



7(a): Awareness About Impositions

7(b): Read Terms and Conditions (T&C)

Source: Compiled by authors from primary survey data.

Fig. 7: Awareness and Financial Literacy Amongst Respondents

Relationships of Demographic and Key Variables

Pearson r is calculated to examine the statistical relationships between demographics and perceptions of the users, the results of which are presented in the next table.

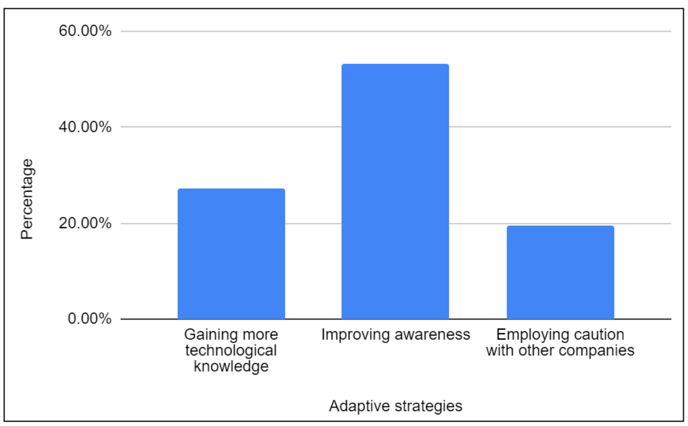
Table 2: Correlations of Demographic and Key Variables

Relationship	*Awareness About RBI Impositions in Digital Consumers*	*Perceived Effect of Impositions*	*Perceived Effect of Impositions on Trust and Reliability of Fintech Companies*	*Perceived Effect on Behaviour/Actions Towards FinTech Companies*	*Perceived Impact of Impositions on Other FinTech Companies*
Age	-0.081	0.182	-0.228	0.04	-0.32
Gender	0.079	0.051	0.184	-0.107	0.23
Mode of transaction	0.162	-0.11	-0.084	-0.31	0.011
User Time with Paytm	0.128	0.132	-0.165	0.161	-0.21

Source: Compiled by authors from SPSS Output.

Table 2 shows that the correlations between the variables, such as age, gender, awareness and perceived effect of the impositions by the users, have turned out to be very weak. This shows that there is no significant relationship between demographics and most of the perceptions of the users. Analysis of the relationship of type of Paytm user (trader/consumer) also hasn't resulted in any significant correlation with the awareness, perceived effect, or trust in Paytm or FinTech companies.

Key Adaptation Strategies



Source: Compiled by authors from primary survey data.

Fig. 8: Adaptation Strategies of Digital Users

Fig. 8 illustrates various adaptation strategies employed by digital users in response to RBI's imposition on Paytm. Notably, 53.26% of respondents identify enhancing their awareness as the most effective strategy for navigating these changes followed by gaining more technical knowledge and employing caution. Apart from these adaptive strategies, the respondents suggest that there should be a platform where they can raise their concerns.

Discussion

The Indian government is striving towards achieving a digital economy. Its efforts are highlighted by a significant discussion on the digital economy in the G20 and meetings conducted thereof to discuss digital innovation and inclusion (European Commission, 2023). Paytm is one of the FinTech giants providing a comprehensive platform for digital payments and FinTech services. However, after the turn in recent events, despite RBI's repeated warnings, the company's management failed to perform its dutiful responsibility, as supported by the persistent non-compliance and mismanagement by Paytm. This negligence has cost a great deal, as the company incurred heavy losses after the strict action by RBI (Gohel, 2024). These restrictions were imposed owing to supervisory matters and regulatory violations (Vivek, 2024). Following the RBI's impositions on the company, Paytm's share price touched a 20% lower circuit, affecting its market standing (Manohar, 2024). The imposition by RBI on Paytm can be perceived as a mechanism to protect digital consumers in the FinTech market (Jayswal, 2024).

The cumulative impact has resulted in changes in the perspective of the participants in the FinTech market, which has led to administrative changes within Paytm, as discussed in section 6.1.3. This has also tainted the company's reputation in the market and disrupted its normal operational activities (Outlook Start-Up Desk, 2024). Even though the literature has glorified the presence of Paytm in the market, recent studies have started to note its mismanagement. The outcome has proposed an indirect effect on the UPI users of Paytm who used PPBL as their nodal account, as they have been relocated to different nodal accounts like Yes Bank, State Bank of India (SBI), Axis Bank and HDFC Bank. Many of our respondents consider Google Pay and PhonePe to be better options than Paytm. Additionally, it has been noted that these companies are becoming more popular as Paytm's customers are migrating to these apps after Paytm Payments Bank's ban (TOI Tech Desk, 2024).

Moreover, due to significant turbulence from the impositions on Paytm, there has been a moderate change in the behaviour of users in the FinTech market as many of our respondents felt their trust withering away. It was startling to notice the increase in awareness people had. As evident from the study by Rathore et al. (2023), our findings also support that the majority of people are aware of the changes in FinTech. 48.75% of the respondents were fully aware of the situation prevailing and the restrictions imposed on Paytm by the RBI. This shows that the users in the FinTech market are well-informed about the current keepings of the economy (Fintech News Philippines, 2023). Among our respondents catering to the business section, there wasn't even a single business person who doesn't use Paytm. This signifies the popularity of the company. However, 21.98% of the users have been using Paytm for less than a year, while the majority have been using it for 3-5 years now.

The empirical findings suggest that this situation has heightened awareness among people about the risks associated with FinTech services. However, following the events, the findings advocate that a majority of them also felt that the FinTech companies should provide a platform whereby they can voice out their problems and concerns to the company. A similar act of users is suggested by Sharma (2024), which suggests that the users demand convenience and a user-friendly experience.

The statistical analysis highlights that users perceive staying informed as pivotal to managing the digital transitions, indicating a trend towards prioritising knowledge acquisition as a primary means to adapt to evolving digital landscapes. The literature recommends personalised digital communication, reliability and convenience are key for customer retention. However, our findings hint that the users prioritise transparency and data security, recommending that such companies invest in building a robust IT system to ensure security measures and engage with the regulators and investors to maintain trust amongst them.

Paytm's case has heightened the need to prioritise regulatory compliance to protect users from fraud and unethical practices (Finance Magnates Staff, 2023). Because stringent regulatory impositions increase the operational costs, making it difficult for new start-ups to grow, it is suggested that a regulatory reassessment should be undertaken to ease the companies' compliance with the rules (The Economic Times, 2024). The companies and regulators should engage to collect and analyse the feedback from the users in order to improve their products and services along with consumer satisfaction (Jain, 2023). The need to develop a robust IT system and transparency between the customers and the company was highlighted by this situation.

Conclusion

Paytm, a prominent player in India's digital landscape, garners a large consumer base through its diverse services in digital payments, finance and e-commerce. However, recent heavy restrictions from the RBI have brought attention to its issues with infrastructure, compliance and overall functionality. These restrictions have shed light on numerous loopholes within Paytm's operations. The survey rightly points out the insecurity within the user base with regard to FinTech companies. This study aimed to find out the sentiments and actions of various stakeholders (consumers/commoners and businessmen/traders) of the FinTech market after the impositions by RBI on Paytm.

This study is relevant because the existing research studies examining the cases related to the failure of the FinTech industry or those on Paytm's inefficient way of tackling the situation are significantly less. Even the small pool of existing literature lacks empirical or observation-based evidence that supports the impact of the risks in the FinTech industry on its stakeholders. This study can be valuable for policymakers, and stakeholders in the FinTech market existing and emerging businesses in this field. It highlights the need for FinTech companies to align their operations with regulatory standards and maintain a strong focus on customer protection and data security.

However, this research opens the scope for further study and research owing to some of its loopholes. This study suffers from the limitation of time constraints, because of which it was not possible to study all the aspects relevant to the topic. Also, not all the market components were included in the sample of the study. This research is restricted to studying and gauging the sentiments and behaviour of only two stakeholders, namely the consumers and the businessmen. Future research should consider analysing the remaining stakeholders, i.e., the competitors, employees, investors, policymakers, etc. This allows further research into the other relevant aspects and observes the reactions of other stakeholders of the company. About the future direction of research in this area, researchers can scrutinise the aspects of behavioural finance, investment psychology and global comparison to make the study more progressive.

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