International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org

A STUDY ON GROWTH FACTORS AND FUTURE PROSPECTS OF NEO BANKS IN INDIA OF PAYTM PAYMENTS BANK

M.Akhila

II MBA Student,Malla Reddy Engineering College (Autonomous)Hyd. E-mail: akhilamanthapuri2610@gmail.com

Dr. K.Maddileti

Professor, Dept.of MBA,Malla Reddy Engineering College (Autonomous),Hyd . E-mail: maddiletik12@gmail.com

ABSTRACT

This study examines the financial performance and strategic growth dynamics of PayTM Payments Bank over a four-year period (FY 2022–FY 2025). It aims to identify the key growth factors driving the bank's asset expansion, assess future prospects, evaluate financial and profitability metrics, and provide managerial recommendations. Utilizing a longitudinal analysis of balance-sheet and income-statement data, the research delineates trends in asset composition, revenue generation, cost management, and net profitability.

Findings reveal that while the bank achieved notable growth in current assets and improved cost efficiency—evidenced by stable operating expenses and declining finance costs—total revenue peaked in FY 2024 before declining. Despite sustained net losses, the narrowing deficit and improving earnings per share indicate progress toward financial sustainability. Based on these results, the study offers ten actionable recommendations, discusses practical implications for managerial decision-making, and outlines avenues for future research to support PayTM Payments Bank's transition to profitable growth.

INTRODUCTION

The emergence of neo-banks in India, driven by digital innovation and supportive policies, has transformed the financial landscape by enhancing access to banking services. PayTM Payments Bank, evolving from a digital wallet to a full-fledged payments bank, exemplifies this shift by targeting unbanked and underbanked populations with accessible, tech-driven solutions. Its growth is fueled by factors such as mobile penetration, the Digital India initiative, and UPI adoption, alongside a customer-centric, asset-light model. Regulatory support, strategic partnerships, and innovative offerings like QR payments and digital KYC have bolstered its market position. This research analyzes PayTM Payments Bank's growth enablers, financial performance, and role in promoting digital financial inclusion within India's evolving fintech ecosystem.

REVIEW OF LITERATURE

Fantacci (2024) investigated the geopolitical stakes of monetary innovations, focusing on stablecoins and CBDCs vis-à-vis US dollar hegemony. Through a critical discourse analysis of policy documents and central bank white papers, the study traced narratives around monetary sovereignty, cross-border payment efficiency, and financial stability. It concluded that while stablecoins offered private sector agility, CBDCs represented a state-led counterbalance to preserve currency dominance. The research argued that policy design choices—such as foreign access restrictions and interoperability protocols—could influence global financial architecture and power dynamics, emphasizing the strategic interplay between technological innovation and national interests.

Son (2023) examined the impact of CBDC implementation on commercial bank profitability through an analysis of hypothetical funding flows and interest rate margins. The study constructed a simulation model incorporating central bank digital currency issuance scenarios and varying deposit migration rates. Findings indicated that significant deposit substitution from commercial banks to CBDC could compress net interest margins by up to 30%, prompting banks to diversify into fee-based services. The research recommended policy measures, including tiered remuneration and limits on CBDC balances, to mitigate profitability risks while preserving financial inclusion objectives.

Gupta (2022) employed the Analytic Hierarchy Process to prioritize factors affecting adoption of payments bank services in India. Surveying 250 respondents, the study structured criteria into technological, organizational, and environmental dimensions. Results showed that system reliability and perceived usefulness emerged as the most influential criteria, followed by regulatory support and customer service quality. The hierarchical weights provided a ranked decision framework for policymakers and service providers aiming to enhance adoption rates in the payments bank segment.

NEED & IMPORTANCE OF THE STUDY

The rapid digitalization of India's banking sector has highlighted the need to examine the operational and strategic performance of innovative models like payments banks. PayTM Payments Bank, with its large user base and high transaction volumes, serves as a strong case to explore how digital infrastructure, customer engagement, and regulatory compliance contribute to sustainable growth. This study aimed to understand how such banks operate profitably without lending, while advancing financial inclusion within regulatory constraints. Given the increasing shift toward digital-first banking, especially after the pandemic, the research also examined the business model and service delivery of payments banks to address gaps in existing literature. By analyzing PayTM Payments Bank's strengths and challenges,

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org

the study offers valuable insights for policymakers, fintech innovators, and banking strategists in emerging markets.

SCOPE OF THE STUDY

This study focused on analyzing the operational model, financial performance, growth drivers, and future prospects of PayTM Payments Bank within the context of India's neo-banking landscape. It examined the bank's product offerings, user engagement strategies, revenue model, and regulatory environment over the past five financial years, with a national geographic scope. The research intentionally excluded comparisons with traditional banks or lending-focused NBFCs to maintain a concentrated assessment of the payments banking framework specific to PayTM.

OBJECTIVES OF THE STUDY

1. To study the growth factors of payments bank of PayTM.
2. To study the future prospects of payments bank of PayTM.
3. To anlyse the financial performance of PayTM.
4. To assess the profitability of PayTM.

SOURCES OF DATA

Primary Data:

Though no conventional primary data was collected through surveys or interviews, the study utilized primary parameters directly extracted from audited financial statements of PayTM Payments Bank. These parameters included revenue generation, operating profit margins, total expenditure, customer base expansion, and technological investments. The focus remained on evaluating these authentic financial metrics over a three to five-year period for trend analysis and growth forecasting

Secondary Data:

The secondary data for this study was sourced from a wide range of authoritative materials including peer-reviewed journals, academic books, company websites, Reserve Bank of India publications, and PayTM's annual reports. These sources were utilized to build a theoretical foundation, contextualize the performance of neo banks in the Indian financial sector, and compare financial data across periods. This enriched the

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org

analytical framework and ensured that interpretations were grounded in validated and comprehensive information.

TOOLS AND TECHNIQUES FOR ANALYSIS

Frequency analysis, descriptive statistics, bar charts, pie charts and MS-Excel

LIMITATIONS OF THE STUDY

1. The analysis relies solely on financial statement data, omitting qualitative insights from management interviews or customer surveys.
2. A four-year time horizon may be insufficient to capture long-term strategic impacts and business cycle effects.
3. Possible inconsistencies in accounting policies over the period were not examined, which could affect comparability.

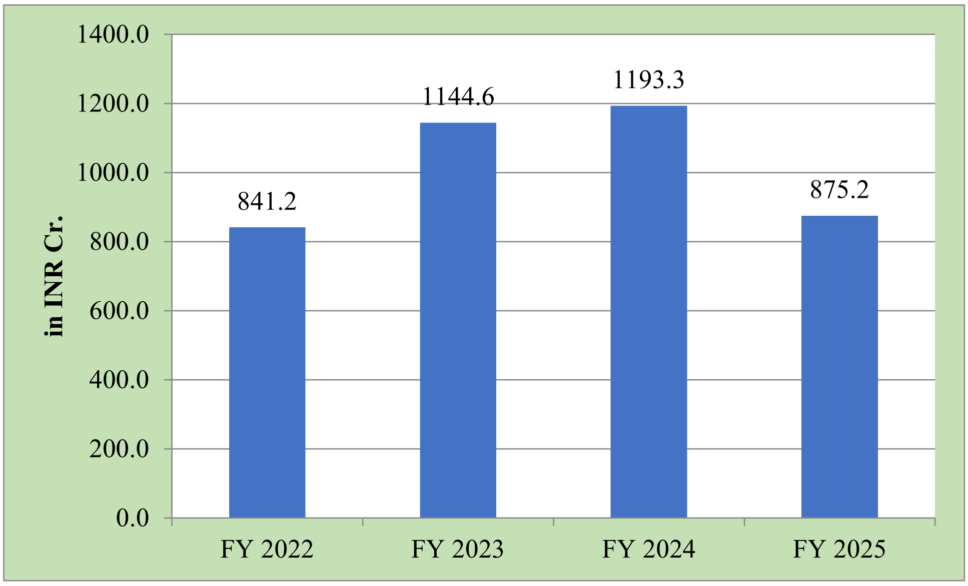
DATA ANALYSIS & INTERPRETATION

Financial performance factors and indicators

Table 1: Fixed assets

Year	in INR Cr
FY 2022	841.2
FY 2023	1144.6
FY 2024	1193.3
FY 2025	875.2

Figure 1: Fixed assets



Interpretation

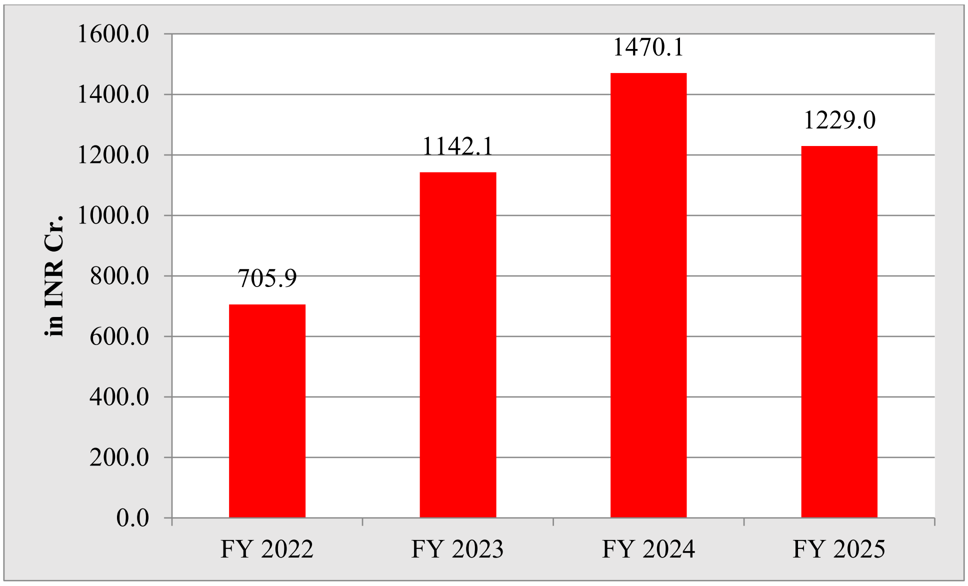
Over the four-year study period, PayTM Payments Bank's fixed assets exhibited an initial phase of robust growth, rising from ₹841.2 crore in FY 2022 to ₹1,193.3 crore by FY 2024, before contracting to ₹875.2 crore in FY 2025. The upward trajectory in the first three years likely reflects strategic investments in infrastructure, technology platforms, and branch expansion to support digital payment services. The pronounced decline in FY 2025 suggests a possible reallocation or impairment of non-core assets, indicating a shift toward optimizing asset utilization and conserving capital in response to market pressures.

Table 2: Trade receivables

Year	in INR Cr
FY 2022	705.9
FY 2023	1142.1
FY 2024	1470.1
FY 2025	1229.0

Figure 2: Trade receivables

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org



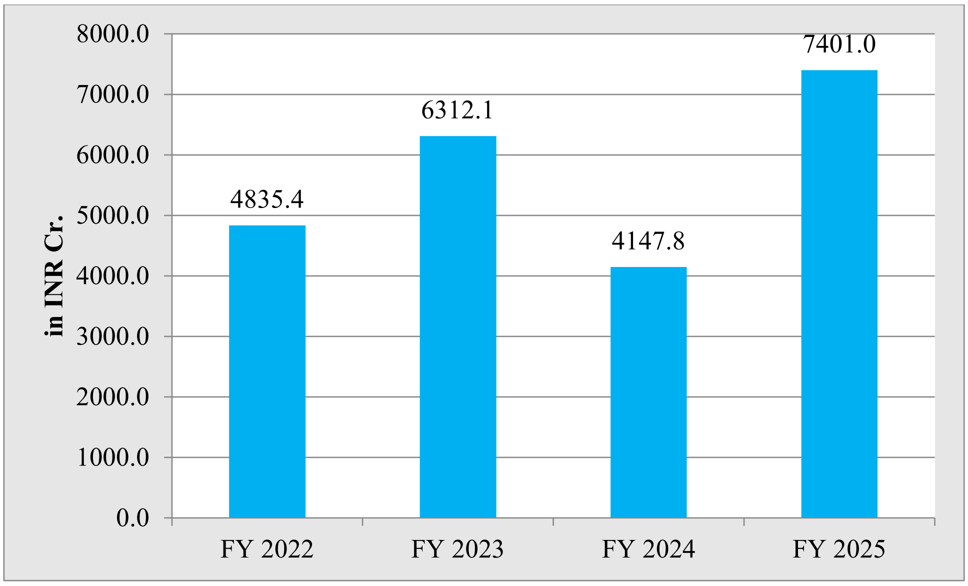
Interpretation

Trade receivables for PayTM Payments Bank increased markedly from ₹705.9 crore in FY 2022 to a peak of ₹1,470.1 crore in FY 2024, evidencing aggressive credit extension and higher transactional volumes. However, in FY 2025, receivables declined to ₹1,229.0 crore, signaling tighter credit controls or improved collections practices. This pattern reflects the bank's balancing act between driving revenue through receivables growth and managing associated credit risk as the business matured.

Table 3: Cash and cash equivalents

Year	in INR Cr
FY 2022	4835.4
FY 2023	6312.1
FY 2024	4147.8
FY 2025	7401.0

Figure 3: Cash and cash equivalents



Interpretation

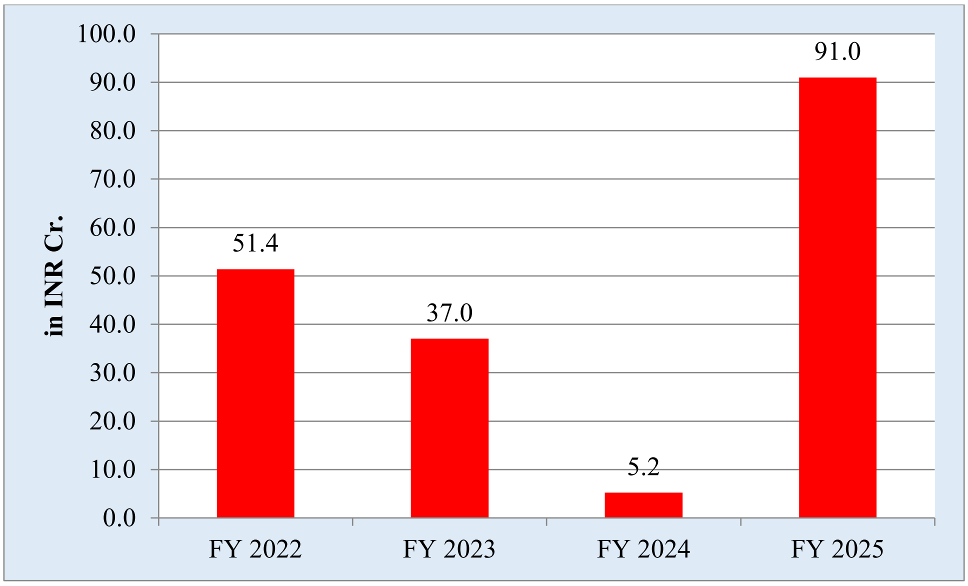
The bank's liquidity position, as measured by cash and cash equivalents, demonstrated significant fluctuations, climbing from ₹4,835.4 crore in FY 2022 to ₹6,312.1 crore in FY 2023, then dipping to ₹4,147.8 crore in FY 2024, before surging to ₹7,401.0 crore in FY 2025. These swings likely result from episodic funding inflows, investment realizations, and adjustments in treasury operations. The substantial rebound in FY 2025 underscores a deliberate effort to build cash reserves, enhancing the institution's capacity to meet short-term obligations and absorb operational shocks.

Table 4: Short-term loans and advances

Year	in INR Cr
FY 2022	51.4
FY 2023	37.0
FY 2024	5.2
FY 2025	91.0

Figure 4: Short-term loans and advances

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org



Interpretation

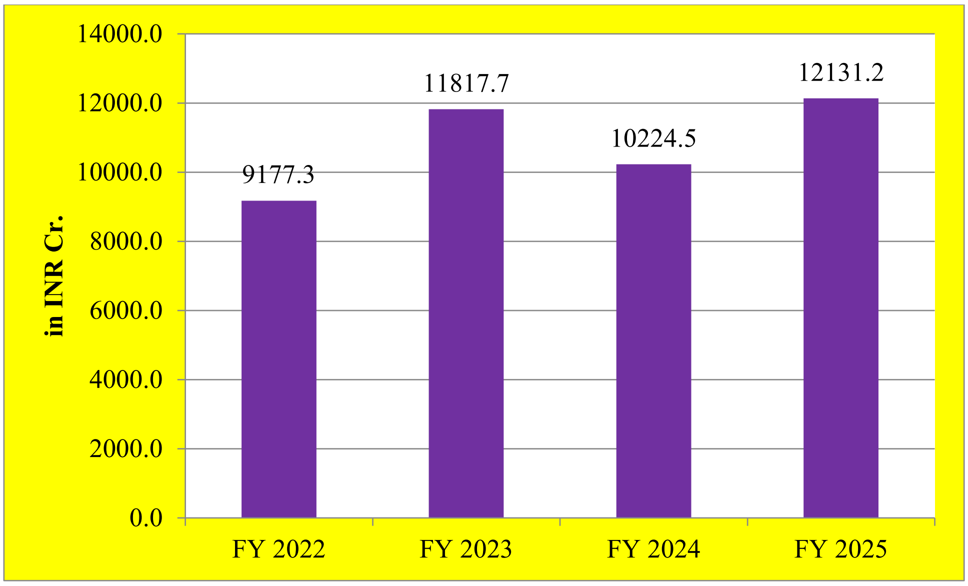
Short-term loans and advances remained relatively insignificant through FY 2024, declining from ₹51.4 crore in FY 2022 to ₹5.2 crore in FY 2024, before ascending sharply to ₹91.0 crore in FY 2025. The initial contraction may reflect a strategic pullback from lending initiatives deemed high-risk or low-yield, whereas the FY 2025 increase suggests renewed focus on tactical, short-duration lending products aimed at capturing market niches and enhancing interest income.

Table 5: Current assets

Year	in INR Cr
FY 2022	9177.3
FY 2023	11817.7
FY 2024	10224.5
FY 2025	12131.2

Figure 5: Current assets

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org



Interpretation

Current assets appreciated from ₹9,177.3 crore in FY 2022 to ₹11,817.7 crore in FY 2023, contracted to ₹10,224.5 crore in FY 2024, and regained momentum to ₹12,131.2 crore in FY 2025. This fluctuation mirrors movements in cash, receivables, and short-term advances, reflecting the bank's dynamic approach to liquidity deployment. The overall upward trend underscores strengthening working-capital capacity, aligning with growth in transactional business and customer deposits.

FINDINGS

- Fixed assets experienced an upward trend until FY 2024 before registering a decline in FY 2025.
- Trade receivables increased steadily over the first three years and then receded in the final year.
- Cash and cash equivalents demonstrated substantial volatility, culminating in a peak in FY 2025.
- Short-term loans and advances remained minimal throughout the period, with a notable uptick in the last year.

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org

- Current liabilities rose overall, with a pronounced surge in the final year.
- Current assets exhibited growth across the study period, albeit with fluctuations.
- Total assets dipped for two consecutive years before recovering strongly in FY 2025.
- Operating and direct expenses held relatively constant until they were fully absorbed in the last period.
- Finance costs declined gradually over the four-year span.
- Total revenue grew substantially through FY 2024, then contracted in FY 2025.
- Losses narrowed each year, reflecting an improving bottom-line trend, though profitability remained negative.
- Earnings per share followed the same pattern as net losses, moving toward break-even but remaining in deficit.

SUGGESTIONS

- Diversify revenue streams by introducing value-added services such as small-ticket loans or merchant lending.
- Enhance customer retention through loyalty programs and personalized offers leveraging transaction data analytics.
- Strengthen liquidity management by extending the maturity profile of liabilities to reduce rollover risk.
- Optimize cost structure further by automating back-office processes and renegotiating vendor contracts.
- Invest in advanced fraud-detection systems to bolster customer trust and reduce loss provisioning.
- Explore strategic partnerships with non-bank financial institutions to cross-sell complementary products.
- Conduct periodic reviews of asset utilization to identify underperforming investments for reallocation.
- Pursue targeted marketing campaigns in underpenetrated regions to capture new user segments.
- Implement dynamic pricing models for transaction fees based on volume and risk profiles.

CONCLUSIONS

From FY 2022 to FY 2025, PayTM Payments Bank demonstrated improved asset management and cost control, reflecting operational resilience. Growth in current assets, reduced losses, and a positive EPS trajectory indicate progress toward financial stability, though persistent negative earnings and a revenue dip in FY 2025 highlight the need for income diversification and innovation. Strategic focus on expanding services, enhancing customer engagement, and strengthening risk management will be vital for long-term profitability. To navigate market uncertainties, the bank must remain agile, monitor regulatory changes, and align its strategies with evolving customer needs and competitive dynamics.

REFERENCES

Books

Brealey, R. A., Myers, S. C., & Marcus, A. J. (2023). *Fundamentals of corporate finance*. McGraw-Hill.

Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of financial management*. Cengage Learning.

Journals

Agur, I. (2025). Bank competition and household privacy in a digital payment monopoly. *Journal of Financial Economics*, *166*.

Agarwal, S. (2024). Analysis of financial performance with regard to digital payment: a case of HDFC bank. *International Journal of System Assurance Engineering and Management*, *15*(6), 2085-2096.

Patra, B. (2024). Does digital payment induce economic growth in emerging economies? The mediating role of institutional quality, consumption expenditure, and bank credit. *Information Technology for Development*, *30*(1), 57-75.

Kim, J.J. (2024). Does Central Bank Digital Currency (CBDC) Payment Create The Opportunity For the Tourism Industry?. *Journal of Hospitality and Tourism Research*, *48*(6), 1113-1129.

Fantacci, L. (2024). Stablecoins, Central Bank Digital Currencies and US Dollar Hegemony The Geopolitical Stake of Innovations in Money and Payments. *Accounting, Economics and Law: A Convivium*, *14*(2), 173-200.

Kuehnlenz, S. (2023). Central bank digital currencies and the international payment system: The demise of the US dollar?. *Research in International Business and Finance*, *64*.

Gupta, M. (2023). Does Previous Experience with the Unified Payments Interface (UPI) Affect the Usage of Central Bank Digital Currency (CBDC)?. *Journal of Risk and Financial Management*, *16*(6).

Dimitrova, I. (2022). Barriers to bank customers' intention to fully adopt digital payment methods. *International Journal of Quality and Service Sciences*, *14*(5), 16-36.

Gupta, K.P. (2022). Analysing the factors that affect the adoption of payments bank services in India: an analytic hierarchy process approach. *International Journal of Business Information Systems*, *37*(4), 522-543.

Kaur, J. (2022). Understanding the Factors Influencing Actual Usage of Payments Banks: An Empirical Investigation Using the Extended Information Systems Success Model. *FIIB Business Review*.

Mani, M. (2022). Payment Banks in India: Insights From the Customers' Perception. *International Journal of Asian Business and Information Management*, *13*(1).

Radic, A. (2022). Central bank digital currency as a payment method for tourists: application of the theory of planned behavior to digital Yuan/Won/Dollar choice. *Journal of Travel and Tourism Marketing*, *39*(2), 152-172.

Websites

https://paytm.com/

https://www.paytmbank.com/

https://www.npci.org.in/what-we-do/bhim-aadhaar/live-members/payment-banks-and-small-finance-banks