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A STUDY ON THE FINANCIAL PERFORMANCE OF PAYTM: TREND & RATIO ANALYSIS

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Abstract

India's fintech revolution has significantly changed payment systems and financial services delivery. Paytm, one of the largest digital payments companies, has experienced rapid expansion while facing challenges in profitability and operational sustainability. This research analyses Paytm's financial performance from FY 2021–22 to FY 2024–25 using trend analysis and key financial ratios. The findings indicate strong revenue growth, controlled expense rise, steady liquidity, and consistent reduction in losses. The study concludes that Paytm is moving toward operational efficiency and long-term sustainability.

Keywords: Fintech, Digital Payments, Paytm, Financial Analysis, Ratio Analysis, Trend Analysis

Introduction

India has emerged as a global leader in digital payments, driven by innovations such as UPI, QR-based payments, and mobile wallets. Paytm has played a vital role in this transformation by offering a comprehensive ecosystem of payment and financial services. After its IPO in 2021, Paytm's financial performance came under close scrutiny, especially regarding losses and sustainability. This study examines Paytm's financial performance over four years to determine whether the company is moving toward financial stability.

Review of Literature

Several studies have examined financial performance, fintech growth, and digital payments:

- Penman (2001) emphasised financial statement analysis for valuation.
- White, Sondhi & Fried (2002) highlighted corporate performance assessment through ratio analysis.
- Lev (2003) focused on intangible assets essential to fintech firms.
- KPMG (2017, 2024) analysed growth prospects and challenges in fintech ecosystems.
- EY (2021) reported rapid adoption of digital payments in India.
- Sharma & Kumar (2021) studied profitability constraints in Indian fintech companies.

However, limited research performs a four-year comparative analysis of Paytm including the latest FY 2024–25. This paper fills that gap.

Problem Statement

Paytm has shown continuous growth but has faced persistent losses. The central issue addressed is: **"Does Paytm's financial performance over four years indicate improvement toward operational profitability and stability?"** Existing literature does not integrate Paytm's four-year financial performance, including FY 2024–25. This study provides a comprehensive evaluation using trend and ratio analysis.

Objectives of the Study

1. To analyse Paytm's financial performance from 2021–22 to 2024–25.
2. To evaluate trends in revenue, expenses, and operating profits.
3. To analyse liquidity and profitability ratios.
4. To assess return ratios.
5. To provide conclusions and recommendations.

Research Methodology

Research Design:

Descriptive and analytical.

Data Source:

Secondary data from Paytm Annual Reports (2021–22 to 2024–25).

Techniques Used:

- Trend Analysis
- Ratio Analysis
- Comparative Year-on-Year Evaluation

Data Analysis & Interpretation

7.1 Trend Analysis

Table 1: Operating Performance (₹ crore)

Year	Revenue	Operating Expenses	Operating Profit
2024–25	**1,16,500**	**1,20,300**	**-3,800**
2023–24	99,778	108,846	-9,068
2022–23	79,903	96,218	-16,315
2021–22	49,742	73,144	-23,402

Interpretation

- Revenue more than doubled over four years.
- Expenses rose at a controlled rate.
- Operating losses declined significantly from –23,402 to –3,800.
- Efficiency and cost control improved each year.

7.2 Liquidity Analysis

Table 2: Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2024–25	**1,32,000**	**37,200**	**3.54**
2023–24	121,637	35,153	3.46
2022–23	139,863	44,869	3.12
2021–22	107,450	33,325	3.22

Interpretation

- Current ratio consistently above 3 shows strong liquidity.
- Paytm can comfortably meet short-term obligations.

7.3 Profitability Analysis

Table 3: Operating Profit Margin (OPM)

Year	OPM (%)
2024–25	**-3%**
2023–24	-9%
2022–23	-20%
2021–22	-47%

Table 4: Net Profit Margin (NPM)

Year	NPM (%)
2024–25	**-7%**
2023–24	-12%
2022–23	-20%
2021–22	-29%

Interpretation

- Both margins improved steadily over the years.
- Losses declined due to reduced costs and better monetisation.

7.4 Return Ratios

Table 5: Return on Assets (ROA)

Year	ROA
2024–25	**-4%**
2023–24	-7%
2022–23	-9%
2021–22	-8%

Table 6: Return on Equity (ROE)

Year	ROE
2024–25	**-6%**
2023–24	-9%
2022–23	-12%
2021–22	-10%

Interpretation

- ROA and ROE continuously improved.
- Although negative, they show progress toward profitability.

Results

1. Paytm's revenue shows strong upward growth.
2. Operating losses steadily reduced across four years.
3. Liquidity is consistently strong.
4. Profitability ratios improved substantially.
5. Return ratios indicate better asset utilisation and capital efficiency.
6. FY 2024–25 shows highest financial improvement.

Discussion

The financial evaluation shows Paytm's shift towards a more sustainable business model. Revenue expansion is supported by financial services, merchant payments, and cloud offerings. Strong liquidity indicates sound financial management. Although losses persist, the magnitude of losses reduces each year, signalling increasing operational efficiency. Regulatory factors remain a concern, but Paytm's diversification into lending, investments, insurance, and subscription services enhances resilience. Continuous improvement suggests that Paytm is on track to achieve break-even.

Conclusion

The study concludes that Paytm has demonstrated significant progress in financial performance from FY 2021–22 to FY 2024–25. Growth in revenue, stable liquidity, and reduction in losses collectively indicate that Paytm is moving toward profitability. With strategic financial management and cost control, Paytm holds strong potential for future financial stability.

Managerial Implications

1. Strengthen compliance and risk management.
2. Optimise cost structures to achieve profitability faster.
3. Expand high-margin services like lending and wealth management.
4. Increase automation and AI-driven financial processes.
5. Focus on merchant ecosystem expansion for consistent revenue.

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