

A Case Study On Organizational Change: Paytm

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ABSTRACT

The objective of the present study was to examine the organizational change Paytm has gone through. Organizational change, its types, causes and barriers to organizational change was discussed keeping in mind Paytm. It was observed that the organizational change in Paytm was a structural change. Change resulted in partnership with bank such as ICICI, developing of Paytm Payment Bank, entering into entertainment and media sector. And change as small as modification of the home screen of the application. Besides this, Paytm in India and other background details of the company and the owner Vijay Shekhar Sharma were also discussed. Demonetization is considered a big force in the widespread usage of Paytm application and spreading awareness to use plastic money and move to online payments. The data was collected through secondary means with the help of Interviews, articles and other reports published online. Although categorizing changes in an organization is difficult because major changes involve minor changes too.

1. Introduction

The Company

After India recently suffered from a sudden wave of demonetization, it became an urgent need of the nation to switch on to online payments, which gave rise to the need of Paytm and ever since then Paytm is always been seen leading in the sector of online payment gateways.

Paytm offers comprehensive payment solutions to over 7 million merchants and even provides consumers with the facilities of seamless mobile payments that could be done through cards, bank accounts and digital credit among others. Paytm is the QR based mobile payments in India. Paytm after launching paytm payment banks it aims at bringing banking services to one half billion un-served and under-served Indians. Paytm's investors include Softbank, SAIF Partners, Alibaba Group and Ant Financial. The team of Paytm works hard on maintaining an open culture for everyone to work freely and feel confident to share ideas and views, and for attaining perfection the team of paytm spends hours designing and improvising smallest of the features.

Partners

The concept and the growing demand for a mobile app as convenient as paytm attracted many other companies, and business firms. Some of Paytm's partners include **Airtel, BSNL, Docomo, Aircel, Vodafone, Reliance, MTs, Tata sky, MTNL** and others.

Businesses

Paytm besides providing facilities of **Recharges**, it also provides its customers with other services such as **Bill payments, Wallet, BuyandSell** and now paytm is deciding to open the **Paytm bank** apart from this, Paytm has done other services too, Paytm has helped the nation by offering easy mode of donations from people to the need prone areas. Such as donations for Kerala relief fund, Kedarnath disaster and recently for Pulwama attack 14th February 2019.

Founder of The Company

Being from a small-town Aligarh, Vijay Shekhar Sharma has come a long way. His early background of being a son of a school teacher did not stop him from flying high. Struggling between two languages, Hindi and English. He somehow managed to enter in an engineering course and simultaneously referring to books in both the language helped him in attaining a decent score. Most of his time in college was spent in computer labs, this is when his quest for technology and doing a Startup targeting the effective use of technology started. To start his first job, he teamed up with his friend to start his very own first company -- XS Corps -- while still studying in college. The work of the firm was to build content management systems for the web. His hostel room was turned into his office and he used a shopkeeper's phone as office landline. In 2005, he took a big step in his venture, he took a loan of 8 lakhs from bank, but this was not a successful step. He was devastated. Later he began his venture with One97; the parent company of paytm, he experimented with three basics of internet – content, advertisement and commerce. The biggest decision made in 2011 was to enter online payment ecosystem Vijay. is a risk taker man, in 2011 he put 1% of his equity i.e. around \$2 million as a safeguard to his employees, if his venture fails. He believes in risk taking, taking up and fulfilling challenges.

Achievements

It was first in **2012**, when paytm started getting recognized and received the **Most Innovative Startup of the year, by Entrepreneur event by Franchise India**. After this very great beginning Paytm started to achieve more awards and recognitions for the great idea behind it in **2013, Gold winner at the MMA Smarties for m-commerce** was being awarded to Paytm. This series of prizes, awards and recognitions continued ever since then in **2014** paytm became the **winner of Indian Express IT Award in Mobility Solutions**. In the same year Paytm gets featured in the **Apple App Store's Best of 2014 in the mobile DTH recharge/shopping**. In **2015, Vijay Shekhar Sharma** recognized among the most

innovative CEO's of 2014 by Inc India. In 2016, Paytm won many awards including the **FT Future of Fintech Award, ET Brand Equity Most Trusted Brand of the Year 2016 and Outstanding Startup of the Year at Forbes Leadership Awards 2016.** In 2017, **Vijay Shekhar Sharma** was chosen as **The Entrepreneur of the Year at Entrepreneur's Moneytech Awards.** Also, in this year paytm wins **Best Digital Wallet Award at the 11th IAMAI India Digital Summit.**

2. Paytm in India

Paytm which was first launched in 2010 is now India's largest used mobile wallet application. It is owned by One97 communications, these modes are very easy and convenient to use and has perceived the use of systems. Technology is in its best used when e-wallets have started to replace tangible wallets and made the transactions easier and secured through plastic money. In 1983 an American cryptographer David Chaum created digital cash which is a digital version of physical wallets. Being a developing country India was still lagging behind in the use of e-wallet but demonetization made Indians think about using plastic money and gradually Indians started appreciating it, because when Government demonetized the old currency notes of 500 & 1000 people had to wait for a long time to arrange money and meet their basic necessities. It was a laborious work for a common man and paytm made it easy. People have started to buy more goods online, and adopted paytm very well.

Paytm stands for "pay through mobile" is the first Indian company to get financial support from Chinese E-commerce company Alibaba. Alibaba has largest stakeholders in Paytm parent company One97 communications. Paytm started with a recharge company and now it is dealing with several daily functions such as booking movie tickets, pay money at petrol pumps, super markets, grocery stores and now even emerging at small tea stalls. With 100 million users paytm was ahead in race even before the urge of cashless economy, but after the demand for a cashless nation paytm started to spread all over the country like a wild fire. It is a useful tool for small merchants as it will cut the cost of middleman and retailers would be able to get their products at a best price directly from the manufactures or wholesalers. It will bring more transparency in the transactions, corruption rate will go down and the payments would be more secured.

On 8th November 2016 our Hon'ble Prime Minister announced the news of demonetization in an unscheduled live television address at 20:15 IST. This was sudden and the general public including the traders and customers were not prepared beforehand. This increased the cash problem in the Indian economy. It became difficult for banks to cater cash to the ATMs; it was then the need for cashless economy emerged. Paytm saw it as an opportunity and had solutions to the urgent problems occurred. Paytm with its mobile wallet enabled cashless transactions, to help the customers, shopkeepers and general public. All this led to overnight changes in the application which was a part of unplanned change. Let us discuss about the organizational change.

3. Organisational Change

An organisational change is any modification or change in the workforce, technology, administration of an organisation. Any change in the work environment of the organisation is termed as organisational change. Change is the most vital part of any long-term process. An organisation which doesn't involve change is very prominent to lag behind in terms such as technology, and globalisation. Almost every big organisation prepares itself to adapt and to implement change in the organisation.

Organisational change involves structural changes, either by changing roles of individuals working in the organisation or maybe the technical structure and others. An organisational change is a call for change in individual behaviour. Every change is only successful if the workforce of the organisation is ready to implement that change.

Bringing about changes in an organisation is not that easy, it disturbs the equilibrium of the organisation and it is always not necessary that the new change would be beneficial for the organisation and people will accept it. Therefore, before introducing any change in the organisation proper planning and research should be done. If the change is detrimental to the beliefs, interests of the people working in that organisation, people would resist it.

4. Types of organisational change

Every individual in the organisation, may sense organisational change in different aspects, some of the major types of changes an organisation go through are: -

- 1) **Mission and Strategy** – sometimes, an organisation feels the need to bring about changes in either the mission and targets of the company or may be the ways to achieve and accomplish the set goals, in that case organisation changes its working.
- 2) **Organisational Structure** – It refers to objectives, roles and responsibilities of teams, individuals, departments. New mergers, acquisitions and joint ventures may also be a part of change in organisational structure.
- 3) **People** - Hiring, turnover, training and development are all a part of change.
- 4) **Culture** – Changes in working environment, habits.
- 5) **Knowledge** – Changes in the behaviour, previous knowledge.
- 6) **Policies & Legal Agreements** – Changes in rules, and policies may be a hard task to manage among individuals in an organisation.
- 7) **Processes** – Changes in Business process and allocation of tasks represent one of the common changes in the organisation.
- 8) **Technology** – One of the major reasons an organisation faces change is change in technology, it is important for the organisation to change according to the latest technology if it needs to remain ahead of other competitors.
- 9) **Products & Sales** – Changes in products, marketing and sales is one of the major factors for an organisation to bring about change.

- 10) **Integration** – Things in an organisation need to work with technology, policies and other factors should go in hand in hand.

5. Planned and Unplanned Change

Planned Internal Change

- 1) **Changes in the service or the product** - Some new changes or modification in the business products or the services needs the company to bring about a pre-planned change.
- 2) **Changes in the Administrative System** - This is mostly induced by the top level mangers either to gain support from political powers, or to improve the image of the company.
- 3) **Changes in the organisation structure or the size**- It is introduced to identify pre-defined set or goals.

Planned External Change

- 1) **Technological Innovations** – Some new need to change emerges because of the rapid growth in the development and modifications in the technology.
- 2) **Advancement in communication and information processing** - satellite communication, wireless technology and other such new renovations and revolution in the communication systems forces companies to bring about changes.

Unplanned Internal Change

- 1) **Changes in the demographic composition**- Joining of new employees and workforce will comply organisations to adapt to new changes.
- 2) **Performance gaps**- slowdown in sale, or to cope up in profits organisations need to implement sudden unplanned changes.

Unplanned External Change

- 1) **Global economic competition**- In the era of globalisation, expansion of customer base etc, companies need to introduce changes as to move ahead in the global technical competitive world.
- 2) **Governmental regulations**- Sudden changes in the government regulations and processing highly influence the working of companies and organisations and how they work in highly competitive environments.

Thus , changes in paytm can be shortlisted under Unplanned change , which mainly occurred due to external forces such as Governmental regulations , as discussed earlier Demonetization has a very major role to play in the growth of paytm , this governmental policy brought about many changes in the working of Indian economic systems , India is moving towards cashless and to help in this growth paytm is playing a big role , when the country’s trust is on paytm , its Paytm’s responsibility to keep its customers updated and provide the experience of best technology to the customers , to regain them in future too.

6. Process of Organisational Change

Any change is 100% successful only if it leads to behavioural change in employees. Those employees who get along with the new change help the organisation. In that regard Kurt Lewin has introduced a three-phase model of change management. According to him change management takes place in three steps i.e., Unfreezing, Changing, Refreezing.

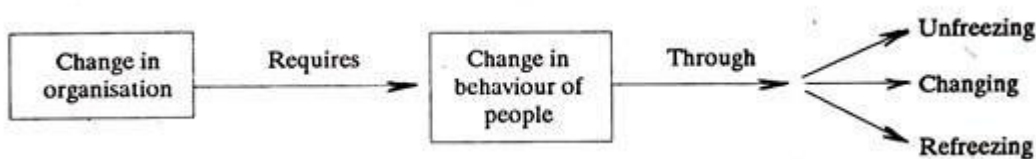


Fig 2: Kurt Lewin's model of organisational change

Unfreezing – This phase includes people to make them understand that their present beliefs, attitudes are supposed to be changed and they are no longer appropriate for the current working environment. Positive changes may lead to a reward at the same time negative reactions from employees and lack of support may lead towards some sort of punishments.

Changing – Major tasks happens at this stage. Once the new behaviour is set, employees and workers are expected to work in that new determined behaviour. Adjustments in the new behaviour will lead to a successful change in the organisation.

Refreezing – Once the new change is implemented in the organisation, the organisation is ready to be reset according to the new changes. New changes need to be blended with other behavioural attitudes. Reinforcement are provided to

individuals at regular intervals for creating a permanent set in the behaviour of the individual.

7. Organizational Change and Paytm

Unplanned changes in Paytm were due to the external forces which are: -

External causes include: - Technological changes, when paytm is facing a tough competition from firms like Mobiquick etc. It demanded new change, to stay in the race of new payment systems.

Market situation, one of the most important reason why paytm demanded a change was the market situation suddenly after the success of paytm many new M-commerce sources started to emerge and to stay in the race paytm needed to take one step ahead.

Social & Political changes – After demonetization, Indian government also wanted a solution to all the financial problems, this became a major plus point for paytm to grow and develop with the support of the government.

Growth After Demonetization

Currently we have seen Paytm building and strengthening its brand image in the running competition from companies like mobikwick, Google pay, freecharge and others. Paytm is still surpassing its rivals. As per few records of (Joshi 2017) around 177 million users are using paytm as a mode of money transfer, a total of around 7 million transactions taking place in a day. But, after demonetization approx. of 75 million unique users join in this mode of transaction per month.

After demonetization, paytm was a source of relief for the users who were able to pay with a digital payment option. There was around 1000% growth in the money added to its wallet, 300% app rise and 20 million new users added within 2 months (B I intelligence 2016).

Paytm earns its revenue from: -

- Interest varying from 4-6% from escrow account maintained in nationalised bank
- Advertisements
- Commissions from recharges
- Commission of 1% for transferring money from e - wallets to their bank accounts. (Gupta,2016)

Major Investors

- Ant financial known as Alipay

- Saif partners
- Silicon Valley bank
- Alibaba groups

In 2015, Paytm received a fund of US\$ 575 million from a Chinese e-commerce company Alibaba groups. Furthermore, Paytm has started to work for Alibaba as financial service model, users may get small loans on their debit cards from the ecommerce firms. Ratan Tata also personally invested in this growing revolutionary e- payment mode. The company's total rise has gone up to Rs 3,314 crore in 2018-19 as against Rs 780 crore which were reported in the financial year of 2016-17. Thus, due to external forces paytm introduced new changes, let us discuss about them:

Revamp of Paytm's App

After seeing the growing needs and demands of the customers, business men and cash dealers and to make it more user friendly, Paytm brings down the number of steps in the payment procedure. The current objective of Paytm was to spread its wings all over the nation and to reach every town, village and city of India. To make the users more comfortable and give them an assurance of safety Paytm included the feedback option in its home screen.

The new home screens

The paytm app modified its home screen and made it simpler. It has become more personalised, and people find relevant categories upfront. It has also added a recent button in which people can find their recent transactions made such as paying money to friends, paying bills.

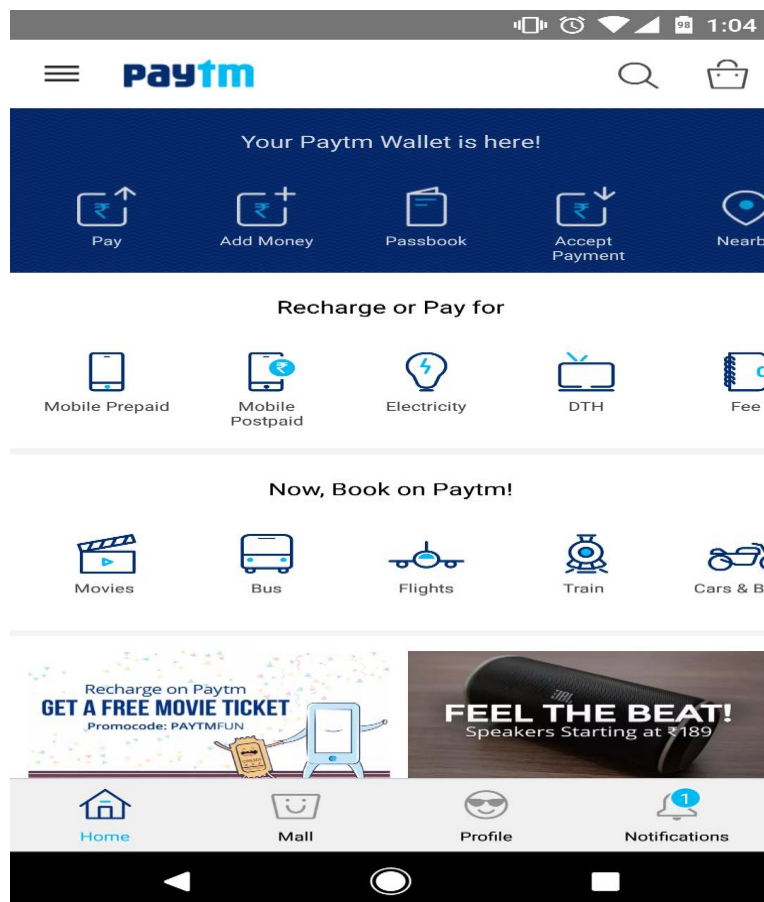


Fig 3: Paytm Home screen

Passbook update

Your passbook which holds your all bank details and transactions now can be seen in a snapshot i.e., your fixed deposit, gift wallet, food wallet, savings account etc.

New Profile Section

Customers would be able to take the advantage of the new and dynamic personalised profile section. User profile QR code has also levelled up, users would find relevant data upfront. It also allows people to get them added in someone's contact numbers and even to start a chat.

Paytm & KYC

To improve the security features Paytm introduced the concept of KYC in Paytm. It is now mandatory for all customers to complete their KYC's and link their Aadhaar cards to paytm to complete the KYC process within 12 months of furnishing the minimum KYC details. A full complete KYC allows the customer to keep upto a balance of 1lakhs in their account, avail discounts and the enjoy the services such as zero minimal balance, zero transactional fees, open savings bank account and transfer money easily to other accounts.



Fig 4: KYC option in Paytm

Paytm's revenue & losses

Paytm has controlled its losses and improved the revenue by significant 38.6%. The revenue increased to Rs 828.6 crore as compared to 597.8 crore in the proceeding reveals, ROC reveals.

Diversification of Application

Paytm started with three key strategic points "Commerce, Advertising & Content" and they were the basics to lead.

Since then Paytm has incorporated six new entities and also opened Paytm mall.

Paytm Financial Services Ltd.

Paytm Gold was company's foray which allowed users to buy Gold as less as Re 1 and customers even got cashback on it. Till July, 2018 the company has already transacted 175 kg of Gold. Thus, Paytm has entered financial services through Financial Services Ltd.

Paytm Entertainment Ltd.

The new idea of Paytm was to make customers of Paytm go through the experience of Gaming and Internet. Paytm Entertainment Ltd. is essentially Paytm's content division. Paytm has also launched GamePind a joint venture between Paytm and China based AG- Tech Holdings Ltd. in the ratio of 55:45

Paytm Money Ltd.

Financial world is one of the largest platforms to expand any business, how could Paytm stay back in this field. In January 2018, Paytm launched Paytm Money its wealth management division to mutual funds.

Paytm General Insurance Corporation Ltd. & Paytm Life Insurance Corporation Ltd.

Paytm incorporated its insurance business with a paid-up capital of Rs 10 lakhs. Paytm app has more than 20 insurers. In 2017 Paytm entered lending business. Partners with ICICI Bank it launched Paytm – ICICI Bank Post-paid, the services are short term credit, interest free.

Paytm is taking over Internet's Major services

Paytm took over business of **BookMyShow, MakeMyTrip** entering the ticketing, movies and travel sector online. All these started as by- product business but have a very strong force to expand as major business sectors. Paytm has also intentions to burn its capital on cashback to hold on its customers and move ahead of its competitors.

Paytm Mall

Groceries and FMCG are becoming a great deal for e-commerce companies. Paytm Mall has incorporated with 100 FMCG companies like Marico & Hindustan Unilever Limited. Some of the patterned brands have also incorporated Paytm

Mall QR code on the products. Paytm Mall also allows the users to buy clothes, electronics and other necessities of daily life. Paytm Mall has made life easy as customers can avail these services conveniently and at affordable rates.

Paytm Payment Bank

Paytm Payment Bank is the only India's mobile payment bank with zero balance, zero digital transaction charge accounts. Introduced by Reserved Bank of India with the aim

of making banking services available to millions of underbanked and unbanked Indians. Products offered by Paytm bank are savings account, current account, debit card, credit card, food wallet, fashtag, paytm wallets and other payments. To bring about these changes in the company, the company must have gone through other changes as well such as change in technology, workforce, role assignments, change in policies, mission and strategies.

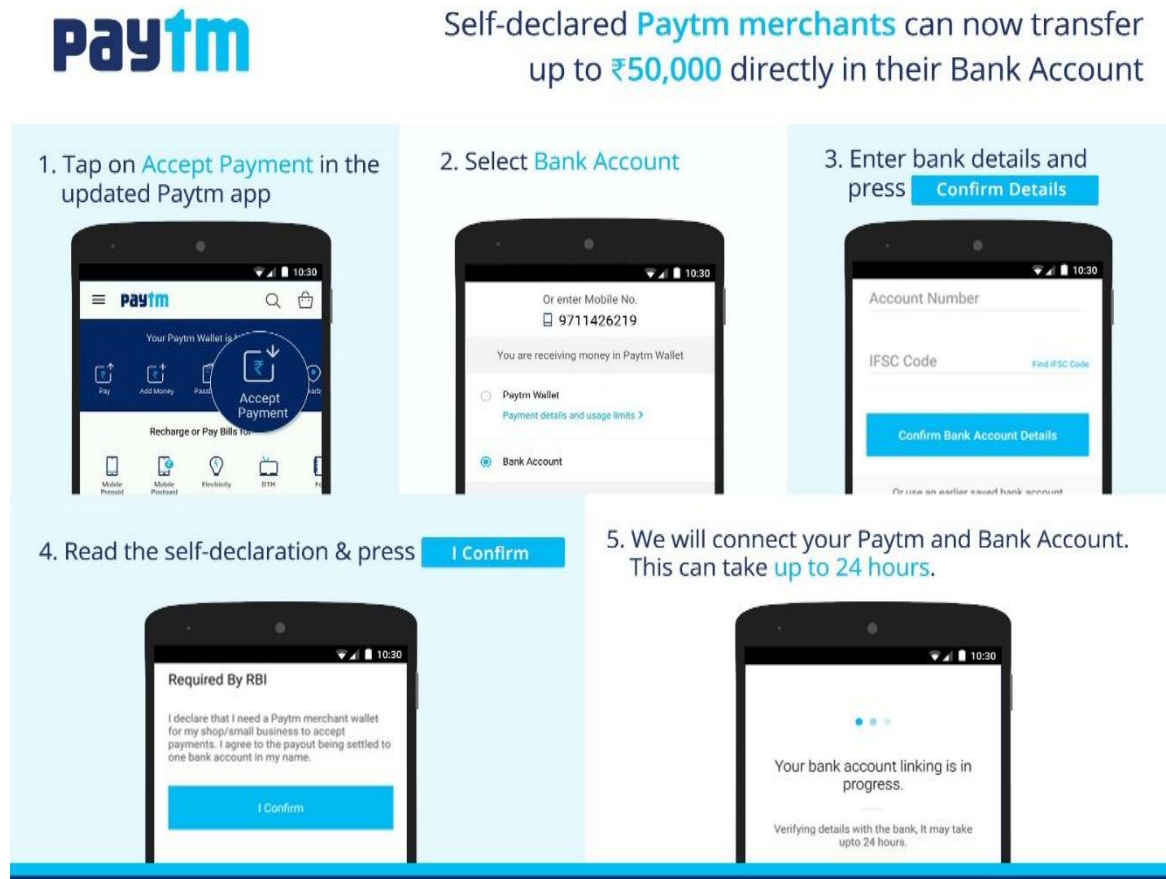


Fig 5: Process of payment through Paytm Bank

Procedures

The data was collected from secondary sources such as from various articles published on "YourStory", "Management Guide", "PaytmPaymentBankLimited", "Paytm.com". Other necessary details about the owner, background and the information about the roots for building up paytm was collected through various interviews available online on the site of ABP News. https://www.youtube.com/watch?v=fC_U-vYvHMI

8. Discussion

Paytm took the first steps in the online sector in 2011, but after India has gone through sudden demonetisation the usage of Paytm has grown ever since. After the success of Paytm many other companies came in the race of online payments and transactions so as to promote cashless India. Therefore, to stay in the race and be ahead of other competitors Paytm had to bring about change in the company.

After, noticing the recent changes Paytm has gone through it can be said that, Change in Paytm can be

categorised under Structural change. As Paytm did partnership with ICICI Bank to start up funding services and loans. It also entered in the banking sector and opened Paytm payment bank.

Because of the fast-growing need for online ticketing and paying bills, Paytm also took over ventures such as Book my show. Now Paytm app also provides the services of booking online tickets, hotel rooms, restaurant bills etc.

The outlook of the Paytm app also changed. Change whether small or big is still a change, and all these changes involved changes in the structure of the company, workforce of the company, new modifications led to changes in the technology used new people expert in the IT sector were recruited for the same.

New changes also demand changes in the mission and objectives of the company, where earlier Paytm's mission must be to establish itself in the online market, with the growing competition its mission is now to lead and compete with other

companies offering same services. And to bring out the best services to the customers. Earlier Paytm was considered to spread awareness about why people should use Paytm, the company now focuses on why people should opt paytm app over other apps.

To introduce new ventures is not an easy task. Paytm faced a lot of difficulties and criticism to start the first mobile bank. Recently in Feb'19 on Twitter a buzz spread between Vijay Sharma and Ronnie Screwvala, stating that Paytm's popularity will soon end as soon as cashbacks provided to customers would end. <https://qz.com/india/1549302/when-a-successful-indian-entrepreneur-sparked-a-twitter-debate-on-paytms-business-model/>

Paytm did also face resistance from many sources, but emerging as a top leading online payment company it has overcome all the barriers and resistances to changes. Fighting all odds Paytm has introduced many changes for the benefit of its customers and expects the customers to remain loyal even

if after some time Paytm is not able to provide perks such as discounts and cashbacks to its customers.

9. Conclusion

Earlier, companies used to resist change for various reasons, maybe fear of unknown, lack of knowledge and fear of economic losses. But, all through the era companies and managers have started to identify the need for bringing about the change in the organisation. No business can ever develop if it doesn't bring about change in its environment. Everything demands change and so does the policies, structures, environment of an organisation demands the introduction of new changes time to time, to remain ahead of other competitors, to provide best services to the customers and to help our nation develop. Paytm is no longer an exception, Paytm needed to introduce new modifications because competing companies such as Phone pay, Mobiquick were also joining the race. Moreover, paytm wanted its customers to have easy access to the online payment systems and to make everything digital and convenient and in reach of every citizen of India.

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