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A Study on Impact of Mobile Payments among the Selected UPI Companies

R. Janani, R. Ashwin

Assistant Professor, Department of Commerce in Business Process Services, Dr. N.G.P. Arts and Science College,
Coimbatore, India

Student, Department of Commerce in Business Process Services, Dr. N.G.P. Arts and Science College,
Coimbatore, India

ABSTRACT: This research investigates the influence of mobile payment systems within specific UPI-based firms, including PhonePe, Google Pay, Paytm, Paypal and BHIM. It assesses user adoption rates, transaction patterns, and the contribution of UPI in advancing digital financial inclusion. The study underscores the transition in consumer behaviour favouring cashless transactions and the competitive tactics employed by these companies. An analysis of both primary and secondary data has been conducted to evaluate their performance and the challenges they face. The results highlight the increasing significance of mobile payments in the digital economy of India.

KEYWORDS: Mobile Payments, Unified Payments Interface (UPI), Digital Financial Inclusion, Consumer Behaviour

I. INTRODUCTION

Financial statement analysis serves as a crucial resource for investors, creditors, and various stakeholders in assessing a company's performance, financial status, and overall position. The main objective of this analysis is to perform an in-depth examination of the financial statements of various mobile payment companies like PhonePe, Google Pay, Paytm, Paypal and BHIM, a prominent retail chain in India, spanning a five-year timeframe. This study aims to provide significant insights that reveal both the strengths and challenges faced by these companies, utilizing ratio analysis, and a comparative evaluation of the company's financial performance from 2020 to 2024.

STATEMENT OF THE PROBLEM

The increasing adoption of UPI-based mobile payments has revolutionized digital transactions; however, the effects on both users and businesses have not been thoroughly examined. This research seeks to evaluate the effectiveness and obstacles encountered by specific UPI platforms in promoting digital adoption.

OBJECTIVES OF THE STUDY

1. To assess the financial performance of various UPI-based mobile payments over a five-year timeframe.
2. To evaluate the financial strengths and weaknesses of the company.
3. To offer recommendations for enhancement based on the findings of the analysis.

II. REVIEW OF LITERATURE

Chakrabarty & Gupta (2020) study discusses the increasing adoption of mobile payment systems among Indian consumers, highlighting how students, particularly those in urban areas, are rapidly adopting digital payment methods. The research emphasizes the convenience and ease of use of mobile wallets like Google Pay, Paytm, and PhonePe among the younger generation, including college students. This shift is mainly attributed to technological awareness and widespread smartphone usage.

Rathi & Verma (2019) explore how mobile payment systems contribute to financial inclusion in India. The study focuses on how mobile payments are accessible to students, even in less economically developed regions, thereby enhancing their ability to make transactions. They argue that mobile payment platforms are particularly beneficial for students, offering a cashless, efficient, and secure method of managing finances, especially for those in college settings.

Thakur et al. (2021) examine the factors that influence mobile payment adoption among Indian college students, specifically focusing on the role of technological awareness, peer influence, and user experience. Their study concludes that students are more likely to adopt mobile payments when they perceive them as easy to use and when they see their peers using them. This research also highlights how infrastructure availability in urban areas like Coimbatore further supports this adoption.

Patel & Shukla (2022) study assess the impact of mobile payments on students' spending behaviors. They focus on the shift from cash to digital transactions and its effect on budgeting and financial planning among college students. They find that students in Coimbatore and other cities are increasingly using mobile payments to manage daily expenses like groceries and transportation.

Raja et al. (2021) examine mobile payment adoption among students in South India, focusing on Coimbatore. The study finds that students prefer mobile payments due to ease of transaction, quick payment processes, and the convenience of accessing payment history. The research highlights that mobile wallets are increasingly being used for both small and large-scale transactions.

III. RESEARCH METHODOLOGY

This study adheres to the core principles of accounting. The financial position of various UPI-based mobile payments is analysed using its balance sheet and profit and loss account over a five-year period.

LIMITATIONS OF THE STUDY

1. The research focuses on a specific cohort of users and companies, which may not accurately reflect the broader UPI ecosystem.
2. Ongoing updates and modifications in mobile payment applications could influence the applicability of the results as time progresses.
3. Restricted access to comprehensive internal data from UPI companies may hinder thorough analysis.

CURRENT RATIO

The current ratio serves as a straightforward method to assess whether a company possesses sufficient assets to settle its short-term obligations. It indicates the number of times a company's current assets can meet its current liabilities.

Current Ratio= Current Assets/Current Liabilities

TABLE 1:
TABLE SHOWING THE CURRENT RATIO

YEAR	PAYTM	PAYPAL	PHONEPE
2024	4.356598	1.262858	4.349975
2023	4.10157	1.290987	2.083635
2022	4.305156	1.275862	-
2021	3.445927	1.221827	-
2020	3.98119	-	-

INTERPRETATION:

Paytm demonstrates a pattern of fluctuating but consistent growth, marked by occasional surges, whereas PayPal maintains a stable and reliable trajectory over time. In contrast, PhonePe displays swift and erratic growth, reflecting significant momentum alongside considerable variability.

CASH RATIO:

The Cash Ratio is a stringent liquidity metric that assesses a company's capacity to settle its short-term debts solely utilizing its most readily available assets, namely cash and cash equivalents. By excluding inventory and receivables, it provides a more cautious evaluation of a company's liquidity position compared to the current or quick ratio.

Cash ratio = Cash and cash equivalents/Current liabilities

TABLE 2:
TABLE SHOWING THE CASH RATIO

YEAR	PAYTM	PAYPAL	PHONEPE
2024	1.637522	0.223706	0.437086
2023	1.042746	0.290038	0.173485
2022	0.500258	0.24109	-
2021	0.144732	0.218248	-
2020	0.182289	-	-

INTERPRETATION:

Paytm's growth is marked by significant fluctuations, whereas PayPal's growth is characterized by stability and predictability. PhonePe, on the other hand, has experienced rapid expansion since 2023, albeit with notable variability. Ultimately, PayPal stands out for its consistency, while Paytm and PhonePe exhibit more volatile growth patterns.

DEBT EQUITY RATIO:

The debt-to-equity ratio is a financial measure that compares a company's total debt to its shareholders' equity. It shows how much debt a company is using to finance its operations relative to the money invested by its owners (equity).

Debt Equity Ratio = Total Debt / Total Shareholders' Funds

TABLE 3:
TABLE SHOWING THE DEBT EQUITY RATIO

YEAR	PAYTM	PAYPAL	PHONEPE
2024	0.103666	0.483861	0.344368
2023	0.033216	0.459646	0.574887
2022	0.080754	0.513811	-
2021	0.035766	0.370461	-
2020	0.02535	-	-

INTERPRETATION:

The above table shows that the total asset to debt ratio for the year 2020 is 52.4 and then it decreased to 50.7 in the year 2021 and then it decreased to 39.9 in the year 2022 and then it increased to 44.7 in the year 2023 and then it increased to 52.7

LIQUIDITY RATIO

The liquidity ratio measures a company's ability to meet short-term liabilities with its current assets. It indicates whether a company has sufficient liquid resources to settle debts due within a year. This ratio is vital for assessing a company's financial health and stability.

Liquidity Ratio = Liquid Asset / Current Liabilities

TABLE 4:
TABLE SHOWING THE LIQUIDITY RATIO

YEAR	PAYTM	PAYPAL	PHONEPE
2024	2.393753	1.022759	4.349975
2023	2.58844	1.115442	2.083635
2022	2.599475	1.069321	-
2021	1.446202	1.076762	-
2020	0.391322	-	-

INTERPRETATION:

Paytm's growth is steady but volatile, while PayPal's performance is remarkably consistent and stable. PhonePe, on the other hand, has experienced rapid and dynamic growth, albeit with significant fluctuations. Overall, PayPal stands out for its predictability, while Paytm and PhonePe exhibit more variability in their growth trajectories.

NET PROFIT RATIO:

The Net Profit Ratio (NPR) is a crucial financial metric that measures a company's overall profitability by comparing its net profit to net sales. It is expressed as a percentage and reflects how much profit a business earns after covering all expenses, including operating costs, taxes, interest, and other non-operating expenses.

Net Profit Ratio = (Nets Profit / Sales) * 100

TABLE 5:
TABLE SHOWING THE NET PROFIT RATIO

YEAR	PAYTM	PAYPAL	PHONEPE
2024	-19.2695	7.522713	-40.6517
2023	-30.7879	8.202133	-97.7615
2022	-59.7344	10.38948	-
2021	-58.4984	162.1249	-
2020	-90.9499	-	-

INTERPRETATION:

Paytm and PhonePe consistently report significant losses, with volatile performance fluctuations, while PayPal remains profitable despite wide variations in its annual performance. Overall, PayPal's positive trend distinguishes it from Paytm and PhonePe, which struggle with substantial and unpredictable losses.

IV. FINDINGS

1. Paytm, PayPal, and PhonePe exhibit distinct growth patterns, with Paytm showing fluctuating growth, PayPal demonstrating stable and predictable growth, and PhonePe experiencing rapid but volatile expansion.
2. Paytm, PayPal, and PhonePe display distinct growth patterns, marked by Paytm's fluctuating growth, PayPal's stable consistency, and PhonePe's rapid yet variable expansion.
3. Paytm exhibits slow and stable growth, PayPal demonstrates strong and consistent expansion, and PhonePe shows rapid but fluctuating growth, highlighting distinct performance trajectories.
4. Paytm shows steady but fluctuating growth, PayPal exhibits stable and predictable performance, and PhonePe demonstrates rapid but volatile expansion, highlighting distinct growth patterns and risk profiles.
5. Paytm and PhonePe report consistent and significant losses with volatile performance, while PayPal remains profitable despite fluctuations, maintaining an overall positive trend and distinguishing itself from the loss-making trends of Paytm and PhonePe.

V. SUGGESTIONS

1. Mobile payment platforms should prioritize enhancing the security features within their apps, such as multi-factor authentication and real-time fraud alerts, to alleviate students' concerns about security.
2. Organize awareness campaigns and workshops to educate students on how to use mobile payment platforms securely, manage their finances, and take advantage of features such as transaction tracking.
3. Mobile payment platforms could partner with retailers, both on and off-campus, to offer student-specific discounts and promotions, further incentivizing the adoption of mobile payments.

VI. CONCLUSION

This study aims to assess various UPI based mobile payments company's financial performance through a comprehensive ratio analysis, utilizing the company's annual reports from the past five years. The findings indicate satisfactory performance and provide a clear insight into these company's financial standing over the analysed period.

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