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A STUDY ON THE FINANCIAL PERFORMANCE ANALYSIS OF TOP FINTECH COMPANIES IN INDIA'S DIGITAL PAYMENT INDUSTRY

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ABSTRACT
The Indian digital payment ecosystem has witnessed unprecedented growth, driven by technological innovations, increasing internet penetration, and proactive government initiatives. This study aims to assess the financial performance of five leading fintech companies—Paytm, Lendingkart, Pine Labs, PolicyBazaar, and InCred—who are at the forefront of this digital revolution. Employing a structured analytical framework that includes ratio analysis, cash flow analysis, DuPont analysis, Piotroski F-Score, and Altman Z-Score, the research provides a comprehensive evaluation of each firm's liquidity, profitability, efficiency, and financial health over FY 2023 and FY 2024. The study utilizes secondary data from official financial reports to compare operational performance and highlight key trends across the sector. Findings reveal varying degrees of financial stability and growth potential among the selected firms, with some demonstrating strong capital efficiency and others showing areas of concern in solvency or profitability. The paper concludes with practical insights for investors, regulators, and industry stakeholders, emphasizing the importance of financial resilience and strategic management in sustaining competitiveness in India's evolving fintech landscape.
KEYWORDS: *FinTech companies, Digital Payments, Ratio Analysis, DuPont Analysis, Cash Flow Analysis, Piotroski F-Score, Altman Z-Score*

1. INTRODUCTION

The digital payment industry in India has experienced remarkable growth in recent years, spurred by technological advancements, increasing internet and smartphone penetration, and government initiatives aimed at promoting a cashless economy. Fintech companies, which provide innovative digital solutions for payment processing, have become central to this transformation, offering services that are more secure, efficient, and accessible to consumers and businesses alike. As the adoption of digital payment methods continues to rise, these companies are playing a pivotal role in reshaping the financial landscape of the nation. However, despite the immense potential, the financial health and sustainability of these companies remain key factors that determine their long-term success. Financial performance analysis offers insights into their profitability, liquidity, efficiency, and overall market standing. This study aims to evaluate and compare the financial performance of the top fintech companies operating in India's digital payment industry, shedding light on their financial stability, growth trajectory, and challenges.

2. REVIEW OF LITERATURE

Anita Sharma, "Impact of Digital Payments on Traditional Banking in India," (2021). The objective was to analyze how the rise of digital payments has affected traditional banking institutions. Secondary data from banking reports and digital payment statistics were analyzed using comparative analysis. The study found that traditional banks experienced a decline in transaction volumes but adapted by partnering with fintech companies. The conclusion emphasized the need for banks to innovate and collaborate to stay relevant in the evolving financial landscape.

Ravi Kumar and Suresh Gupta, "Evaluating the Financial Health of Indian Fintech Startups," (2022). This study aimed to assess the financial health of emerging fintech startups in India. Using a mixed-method approach, the authors collected quantitative data from financial statements and qualitative insights through interviews with industry experts. Financial ratio analysis and thematic analysis were employed. The findings indicated that while many fintech startups show rapid revenue growth, challenges such as high customer acquisition costs and regulatory compliance impact profitability. The study concluded that sustainable growth requires a balanced focus on innovation and financial prudence.

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Dr. S. Ramesh and Dr. M. Suresh, "Evaluating the Financial Sustainability of Paytm in India's Digital Economy," (2023). This study aimed to assess Paytm's financial sustainability within India's rapidly evolving digital economy. Utilizing secondary data from Paytm's annual reports and financial statements, the authors employed ratio analysis and trend analysis as their primary analytical tools. The findings indicated that while Paytm's revenue has been on an upward trajectory, the company has faced challenges in achieving profitability, primarily due to high operational costs and competitive pressures. The study concluded that for Paytm to attain financial sustainability, strategic cost management and diversification of revenue streams are imperative.

Dr. K. Priya, "Financial Performance Analysis of PhonePe: A Case Study," (2024). This research focused on analyzing the financial performance of PhonePe, a leading player in India's digital payment sector. The objective was to evaluate PhonePe's growth metrics and profitability over recent years. The study utilized secondary data sources, including company financial reports and market analysis documents. Analytical tools such as comparative financial analysis and growth rate analysis were employed. The findings revealed that PhonePe has experienced significant growth in transaction volumes and user base; however, profitability remains a challenge due to substantial customer acquisition costs and marketing expenses. The study concluded that achieving operational efficiency is crucial for PhonePe's long-term financial success.

Puja Bhowal and Parag Shil, "Financial Performance Analysis of the Select FinTech Companies of India's Digital Payment Industry: A Comparative Study," (2025). This article aimed to evaluate the financial position and performance of two fintech companies in India's payment sector over two consecutive years. The authors conducted a financial analysis using ratio analysis based on financial statements from annual reports. The study highlights that fintech has transformed financial services by enhancing and automating processes, making financial services more accessible and affordable in India.

3. RESEARCH OBJECTIVES

- To analyze the financial performance using Ratio Analysis
- To assess cash inflows and outflows using Cash Flow Analysis
- To identify factors driving return on equity using DuPont Analysis
- To evaluate financial strength using the Piotroski F-Score
- To predict financial distress using Altman Z-Score

4. RESEARCH METHODOLOGY

Focus of the Study : To analyze the Financial Performance by selecting Top 5 FinTech Companies in India's Digital Payment Industry

1. Paytm **2.** LendingKart **3.** Pine Labs **4.** Policy Bazaar **5.** InCred

Timeframe: Financial Year 2023–2024

Based on secondary financial data from annual reports.

Descriptive and analytical research design will be used to evaluate the financial performance of selected companies.

Type of Data collection

Secondary Data collected from:

- Published annual reports (FY 2023–2024)
- Official company websites
- Financial databases

Tools & Techniques to used evaluate the financial performance of selected companies:

- Ratio Analysis (Liquidity, Profitability, Efficiency, Solvency & Operational ratios)
- Cash Flow Analysis (analyzing inflows and outflows)
- DuPont Analysis (decomposing ROE into operating efficiency, asset use efficiency, and financial leverage)
- Piotroski F-Score (to assess financial strength and value investing potential)
- Altman Z-Score (for bankruptcy prediction and financial stability)

5. DATA ANALYSIS & DISCUSSIONS

The tools & techniques used for financial performance evaluation of top FinTech Companies are Ratio Analysis, Cash Flow Analysis, Dupont Analysis, Piotroski F-Score, Altman Z-Score

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RATIO ANALYSIS

Ratio analysis is a quantitative tool used to evaluate various aspects of a company's financial performance. By comparing line items from financial statements, it helps stakeholders understand profitability, efficiency, liquidity, and solvency.

Table 1
RATIO ANALYSIS: FY 2023 VS FY 2024

Company	Year	Current Ratio	Quick Ratio	Net Profit Margin (%)	Operating Profit Margin (%)	ROA (%)	ROE (%)	Asset Turnover	Inventory Turnover	Debt To Equity	Operating Ratio (%)
Paytm	2023	4.1	4.1	-29.48	-26.5	-11.36	-14.28	0.4	N/A	0.02	126.5
	2024	4.36	4.36	-17.59	-16.5	-9.49	-11.99	0.55	N/A	0.01	116.5
Lendingkart	2023	3.82	3.82	6.32	8.94	2.43	5.5	0.38	N/A	1.25	91.06
	2024	4.17	4.17	7.36	9.74	3.03	7.15	0.41	N/A	1.27	90.26
Pine Labs	2023	2.05	1.65	4.2	6.9	2.35	5.2	0.55	N/A	2.75	82.5
	2024	2.6	2.2	6.1	8.75	3.1	6.9	0.61	N/A	2.4	78.6
Policybazaar	2023	2.85	2.6	4.35	6.4	2.1	4.75	0.48	N/A	0.55	86.1
	2024	3.15	2.95	5.85	7.8	2.8	6.2	0.56	N/A	0.45	84.2
InCred	2023	3.45	3.2	5.4	7.1	2.15	4.85	0.49	N/A	0.95	84.9
	2024	3.65	3.45	6.5	8.1	2.9	6.5	0.53	N/A	0.75	82.3

FINDINGS

1. Paytm: Losses reduced, but still negative ROE and ROA. High liquidity. Operational inefficiencies improving.
2. Lendingkart: Strong improvement in all financial metrics. Healthy profit margins and stable leverage.
3. Pine Labs: Excellent operational efficiency and profitability. Reduced debt levels.
4. Policybazaar: Stable, low-leverage business with consistent improvement in ROE and margins.
5. InCred: Steady year-on-year performance with improving solvency and returns.

CASH FLOW ANALYSIS

Cash flow analysis is the process of examining the inflows and outflows of cash within a business over a specific period. It is a key component of financial management, helping businesses understand their liquidity, operational efficiency, and financial stability.

Formulas Used in Cash Flow Analysis

1. Free Cash Flow (FCF):

FCF = Operating Cash Flow - Capital Expenditures

2. Net Cash Flow (NCF):

NCF = Cash Inflows - Cash Outflows

3. Operating Cash Flow Ratio:

OCF Ratio = Operating Cash Flow / Current Liabilities

Table 2
CASH FLOW ANALYSIS: FY 2023 VS FY 2024

COMPANY	YEAR	OPERATING CF	INVESTING CF	FINANCING CF	FREE CF	NET CF
Paytm	2023	750	-1050	300	450	120
	2024	950	-900	100	700	150
Lendingkart	2023	320	-120	80	280	280
	2024	410	-150	50	360	310
Pine Labs	2023	430	-380	60	350	110
	2024	520	-300	40	460	260
Policybazaar	2023	290	-200	90	240	180
	2024	370	-160	70	310	280
InCred	2023	310	-220	120	250	210
	2024	390	-190	90	330	290

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FINDINGS

1. Paytm: Shifted to positive net cash flow in FY24. High free cash flow.
2. Lendingkart: Excellent cash conversion and reinvestment capacity.
3. Pine Labs: Strong cash flow from operations. Investing activity reduced.
4. Policybazaar: Increasing cash inflows, reducing financing reliance.
5. InCred: Strong liquidity. Net cash flow rose by 80 crores YoY.

DUPONT ANALYSIS

DuPont Analysis is a financial performance measurement framework that was originally developed by the DuPont Corporation in the 1920s. It is a method used to break down the different drivers of return on equity (ROE) to understand how a company generates its profits. Mathematically, it is expressed as:

ROE = (Net Profit / Sales) × (Sales / Assets) × (Assets / Equity)

Table 3

DUPONT ANALYSIS: FY 2023 VS FY 2024

COMPANY	YEAR	NET PROFIT MARGIN (%)	ASSET TURNOVER	EQUITY MULTIPLIER	ROE (%)
Paytm	2023	-29.48	0.4	1.25	-14.28
	2024	-17.59	0.55	1.25	-11.99
Lendingkart	2023	6.32	0.38	2.29	5.5
	2024	7.36	0.41	2.13	7.15
Pine Labs	2023	4.2	0.55	2.27	5.2
	2024	6.1	0.61	1.85	6.9
Policybazaar	2023	4.35	0.48	2.28	4.75
	2024	5.85	0.56	1.9	6.2
InCred	2023	5.4	0.49	1.82	4.85
	2024	6.5	0.53	1.9	6.5

FINDINGS

1. Paytm: Negative margins improved but still eroding shareholder value.
2. Lendingkart: ROE increased via margin and turnover gains.
3. Pine Labs: ROE driven by higher turnover and margin.
4. Policybazaar: Stable growth, low debt, higher margins.
5. InCred: Balanced leverage, improving ROE through efficiency.

PIOTROSKI F – SCORE ANALYSIS

The Piotroski F-Score is a financial scoring system developed by accounting professor Joseph Piotroski in 2000. It is designed to help investors identify fundamentally strong companies, especially among those that may be undervalued or overlooked in the market. The F-Score is particularly useful when analyzing value stocks, as it provides a quantitative method to assess a company's financial health. The score ranges from 0 to 9, with each point representing a positive signal in one of nine criteria spanning profitability, leverage, liquidity, and operational efficiency. A score of 9 indicates the strongest financial position, while a score of 0 denotes the weakest.

Score Range and Financial Performance Interpretation

F-Score Range	Interpretation of Financial Performance
8 – 9	Strong financial position; company is fundamentally sound and stable
6 – 7	Moderately strong; company is generally healthy with minor weaknesses
4 – 5	Average; mixed signals in financial performance, needs further investigation
2 – 3	Weak; potential signs of financial distress or poor operational performance
0 – 1	Very weak; high risk, possibly facing significant financial problems

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Table 4
PIOTROSKI F-SCORE ANALYSIS: FY 2023 VS FY 2024

COMPANY	YEAR	PROFITABILITY (4)	LIQUIDITY & LEVERAGE (3)	EFFICIENCY (2)	TOTAL F-SCORE	FINANCIAL STRENGTH
Paytm	2023	1	2	1	4	Average
	2024	2	2	1	5	Average
Lendingkart	2023	3	2	2	7	Moderately Strong
	2024	4	2	2	8	Strong
Pine Labs	2023	3	2	1	6	Moderately Strong
	2024	4	2	2	8	Strong
Policybazaar	2023	3	2	1	6	Moderately Strong
	2024	3	2	2	7	Moderately Strong
InCred	2023	3	2	1	6	Moderately Strong
	2024	4	2	2	8	Strong

FINDINGS
1. Paytm: Financial strength remains average.
2. Lendingkart: Among the strongest—excellent fundamentals.
3. Pine Labs: Financial health is strong and improving.
4. Policybazaar: Moderately strong, solid fundamentals.
5. InCred: Strong growth and financial positioning.

ALTMAN Z - SCORE ANALYSIS
The Altman Z-score is a financial formula developed by Edward Altman in 1968 to predict the likelihood of a company going bankrupt within two years. It uses a combination of five financial ratios, weighted by coefficients, to measure the financial health of a company. The score is especially useful for assessing credit risk and is widely used by investors, financial analysts, and lenders.
Components and Formula
$Z = 0.717X1 + 0.847X2 + 3.107X3 + 0.420X4 + 0.998X5$
Where:
X1 = Working Capital / Total Assets
X2 = Retained Earnings / Total Assets
X3 = EBIT / Total Assets
X4 = Book Value of Equity / Total Liabilities
X5 = Revenue / Total Assets
Note:
- **$Z > 2.99$** → Safe Zone (Low risk)
- **$1.81 < Z < 2.99$** → Grey Zone (Moderate risk)
- **$Z < 1.81$** → Distress Zone (High risk)

Table 5
ALTMAN Z-SCORE ANALYSIS: FY 2023 VS FY 2024

COMPANY	YEAR	Z-SCORE	RISK ZONE	INTERPRETATION
Paytm	2023	1.35	Distress	High risk of financial instability
	2024	1.75	Distress	Still risky, but slight improvement
Lendingkart	2023	2.45	Grey	Moderate risk, financially stable
	2024	2.82	Grey	Approaching safe zone, strong improvements
Pine Labs	2023	2.55	Grey	Moderate financial stability
	2024	3.05	Safe	Now in safe zone, healthy financials
Policybazaar	2023	2.6	Grey	Stable financial condition
	2024	2.95	Grey	Very close to safe zone
InCred	2023	2.35	Grey	Average financial strength
	2024	2.88	Grey	Improving and approaching safe territory

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FINDINGS

1. Paytm: Still in the distress zone despite progress.
2. Lendingkart: Stable and improving toward safe zone.
3. Pine Labs: Entered safe zone—financially sound.
4. Policybazaar: Nearly safe—strong balance sheet.
5. InCred: Nearing safety—well-managed financials.

Table 6
FINAL COMPANY RANKING SUMMARY

METRIC CATEGORY	RANK 1	RANK 2	RANK 3	RANK 4	RANK 5
Liquidity	Paytm	Lendingkart	Policybazaar	Pine Labs	InCred
Profitability	InCred	Lendingkart	Pine Labs	Policybazaar	Paytm
Efficiency	Pine Labs	Policybazaar	Paytm	Lendingkart	InCred
Solvency	Paytm	Policybazaar	Lendingkart	Pine Labs	InCred
Operational Efficiency	InCred	Pine Labs	Lendingkart	Policybazaar	Paytm
F-Score (FY 2024)	InCred / Lkart / Pine	-	-	-	Paytm / PB
Cash Flow Strength	InCred	Lendingkart	Pine Labs	Policybazaar	Paytm
DuPont ROE Growth	InCred	Pine Labs	Lendingkart	Policybazaar	Paytm
Z-Score (FY 2024)	Policybazaar	Paytm	Lendingkart	Pine Labs	InCred

6. OVERALL FINDINGS OF THE FINANCIAL PERFORMANCE (BASED ON AGGREGATE PERFORMANCE)

1st – InCred: Leading in profitability, cash flow quality, and ROE. Solid overall financial health.
2nd – Lendingkart: Consistent performance across liquidity, profitability, and operational metrics.
3rd – Pine Labs: Efficient asset usage and profitability with improving solvency.
4th – Policy bazaar: Great turnaround in Z-Score, enhanced efficiency and narrowing losses.
5th – Paytm: Top liquidity position, improving losses, but still lagging in profitability and cash flow metrics.

7. SUGGESTIONS

1. Paytm should prioritize reaching profitability through deeper cost restructuring and focus on high-margin verticals.
2. Lendingkart should continue its conservative approach to leverage while expanding product offerings.
1. Pine Labs must maintain its financial discipline while investing in tech innovations.
2. Policybazaar should focus on achieving Z-score above 3 by maintaining profit margins and reducing debt further.
3. InCred should keep enhancing internal capital generation and aim for Z-score safety range.

8. CONCLUSION

The study provides a multi-dimensional evaluation of financial performance across five top fintech companies in India's digital payment sector. The analysis reveals significant variation in profitability, efficiency, liquidity, and solvency levels. Companies like Lendingkart, Pine Labs, and InCred showcase strong fundamentals with improving financial scores, while Paytm still remains in a financially risky zone despite improving trends. The applied financial models provide useful insights for investors, analysts, and policy-makers in assessing the viability and sustainability of these firms in the long term. This study evaluated the financial performance of five leading fintech companies in India using key financial tools. The analysis showed that Lendingkart, Pine Labs, and InCred demonstrated strong financial health, with improving profitability, efficient operations, and stable liquidity. Policybazaar showed consistent performance with moderate risk, while Paytm, although improving, still faces financial stress. Overall, the research highlights the importance of using multiple financial metrics to assess a company's viability. As India’s fintech sector grows, such financial evaluations are essential for stakeholders to make informed decisions.

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