

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Master's Thesis

**Company analysis.
The case study of PayPal Holdings, Inc.**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Anastasia Nataliana Josephine

Economics and Management
Economics and Management

Thesis title

Company analysis: The case study of PayPal Holdings, Inc.

Objectives of thesis

The main purpose of this thesis is to identify insight into the company strategy of PayPal Holdings, Inc. The analysis will include internal and external analysis from the company. A successful analysis of a business provides not only financial sides but also knowledge of the industry as well as the ability to think strategically. These insights will provide recommendations for future strategies that will enhance the company's financial performance and position in the market.

Methodology

The research methodology used for this thesis will be:

Theoretical with qualitative analysis, reviewing the existing literature on the subject, which will assist in gaining an understanding of the research that has been done on the subject, and developing a theoretical framework for this thesis.

Analytical data analysis of the internal variables, including an investigation of the company's insights and a financial analysis using data obtained from secondary sources.

External company variables by employing Porter's five models as well as conducting a PESTEL analysis.

Lastly SWOT analysis is to draw conclusions about the company's internal and external elements.

These data will be helpful in identifying patterns, which will allow for the development of conclusions that are able to answer the goal of the thesis and provide recommendations for the future.

The proposed extent of the thesis

60 – 80

Keywords

Financial ratios, Porter's five forces, PESTEL, SWOT, Profitability

Recommended information sources

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Declaration

I declare that I have worked on my master's thesis titled " Company analysis. The study case of Pay Pal Holdings, Inc." by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 31 March 2023

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I would like to thank Ing. Karel Malec Ph.D., and my friends for their advice and support during my work on this thesis

Company analysis.

The case study of Pay Pal Holdings, Inc.

Abstract

This diploma thesis focused on analysing PayPal Holdings, Inc, as a major and pioneer in the digital payment business. Using a variety of analytical tools, the study seeks to assess the company's financial performance and strategic market position.

The thesis consists of analytical of the internal and external environment of the business. Starts by reviewing the corporate mission, internal organization, and its characteristics. The financial statements include its income statement, and cash flow statement. To evaluate the company's, profitability, and effectiveness, various financial ratios and metrics are used.

The external factors can be analyzed using PESTEL, Porter's five forces, and SWOT analysis to see the current state of the company in the digital payments industry, including recent trends and challenges that companies are facing. Also look at PayPal's market strategy, including its competitive landscape, market share, and growth prospects. The company's competitive climate is assessed using Porter's Five Forces framework, while its strengths, weaknesses, opportunities, and threats are assessed using SWOT analysis.

The results, wrapped with a set of suggestions for PayPal Holdings, Inc, to improve strategies to strengthen their financial performance, and competitive market position recommendations founded for the business to achieve long-term success in the Fintech industry.

Keywords: Internal environment, external environment, profitability, financial analysis, PESTEL, Porter's five forces, SWOT, financial technology

Analýza společnosti. Případová studie společnosti Pay Pal Holdings, Inc.

Abstrakt

Tato diplomová práce se zaměřila na analýzu společnosti PayPal Holdings, Inc, jakožto významné a průkopnické společnosti v oblasti digitálních plateb. S využitím řady analytických nástrojů se studie snaží zhodnotit finanční výkonnost společnosti a její strategické postavení na trhu.

Práce se skládá z analýzy vnitřního a vnějšího prostředí podniku. Začíná přehledem poslání společnosti, vnitřní organizace a její charakteristiky. Finanční výkazy zahrnují její výkaz zisku a ztráty a výkaz peněžních toků. K hodnocení podniku, jeho ziskovosti a efektivnosti jsou použity různé finanční ukazatele a metriky.

Vnější faktory lze analyzovat pomocí analýz PESTEL, Porterových pěti sil a SWOT, aby bylo možné zjistit současný stav společnosti v oblasti digitálních plateb, včetně nejnovějších trendů a výzev, kterým společnosti čelí. Dále se analyzuje tržní strategie PayPal, včetně konkurenčního prostředí, podílu na trhu a potenciálního růstu. Konkurenční prostředí společnosti je posuzováno pomocí Porterovy analýzy pěti sil a její silné a slabé stránky, příležitosti a hrozby jsou hodnoceny pomocí analýzy SWOT.

Výsledky, zabalené se sadou návrhů pro PayPal Holdings, Inc, zlepšit strategie k posílení své finanční výkonnosti, a konkurenční postavení na trhu doporučení založena pro podnikání dosáhnout dlouhodobého úspěchu v odvětví Fintech.

Klíčová slova: Vnitřní prostředí, vnější prostředí, ziskovost, finanční analýza, PESTEL, Porter's five forces, SWOT, finanční technologie

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List of abbreviations

ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
DPS	Dividend per Share
ROI	Return on Investment
PESTEL	Political Economic, Social, Technological, Environment and Legal
SWOT	Strength, Weakness, Opportunities, and Threats
EPS	Earnings per share ratio
FINTECH	Financial Technology
P/E	Price per Earnings

1. Introduction

The term Fintech or "Financial Technology," a combination of the words "financial" and "technology," refers to any emerging technology which assists consumers or financial institutions deliver financial services in, faster and newer ways than traditional finance institutions (corporatefinanceinstitute.com, 2022). Imagine when the last time was, we must physically walk into a bank to do any simple transaction to get monthly statement, right now being able to access that information in real-time on your phone with bank application is one of the ideas of the impact from financial technology.

The ability of a consumer to see the update of financial transactions, to pay someone online so they can receive it in a matter of minutes, to having an app where we can do trading online, to do research, picking up stocks, and track the portfolio is an example of financial technology.

Fintech is giving consumers more control over their financial affairs than ever before, resulting in greater financial accessibility than ever before. It is breaking down old way and improving consumers' financial situations by leveraging the sophisticated technology.

PayPal chosen in this thesis as PayPal is market leader in digital payments, with over 435 million active users in 2022 (Statista, 2023). PayPal is one of the world's biggest digital payment providers. Its dominance in the digital payments sector has elevated it to the forefront of the fintech industry.

2. Objectives and Methodology

2.1 Objectives

The objectives are to determine the challenges and possibilities for PayPal Holdings, Inc. on the intense competition in the tech industry. This to determine factors in which business strategy can be improved, including to gain more profitability.

Objectives:

- Internal environment analysis of the company
- External environment analysis of the company
- Identify strength, weakness, opportunities, and threats of the company

2.2 Methodology

Methodology as the most important aspect, due to data collection from the primary data sources such as financial statement from the PayPal Holding's, Inc. Data consist of annual reports. While for the secondary data sources includes online resources, books, and academic articles.

The financial ratios collected and analysed from the income statement and balance sheet of PayPal Holding's, Inc, annually from 2018 – 2022, with several ratios indicate as follow.

- **2.2.1 Profitability ratio**

- Operating profit margin:

Used to assess a company good management as to improve the profit the company managing its operating costs. When a company have with a high operating profit margin, they are well prepared to pay fixed cost and interest.

$$\frac{\textit{Operating income}}{\textit{Net sales}} \quad \text{(Formula 1)}$$

- Net profit margin:

To look at the result, after all expenses (include interest and taxes counted), how profitable the company.

$$\frac{\textit{Net profit}}{\textit{Total Revenue}} \quad \text{(Formula 2)}$$

- Return on equity (ROE):

The ROE is where investors and analysts paying attention to, as if it's high ROE it's often shown as a good reason to buy the stock. If the company with high return and able to generate cash, will less depending on the financing debt.

$$\frac{\text{Net income}}{\text{Shareholder's equity}} \quad (\text{Formula 3})$$

- Return on assets (ROA)

It shown how much the percentage a company asset with revenue generating and how profitable.

$$\frac{\text{Net income}}{\text{Total assets}} \quad (\text{Formula 4})$$

- **2.2.2 Leverage ratio**

- Debt to assets ratio

To calculate if business owned by people that lending money from, to measure debt capacity.

$$\frac{\text{Total debt}}{\text{total assets}} \quad (\text{Formula 5})$$

- Debt to equity ratio:

The formula below that calculate the total debt divided by shareholder's equity. The high ratio shown that the business does not provide equity enough for fund business.

$$\frac{\text{Total debt}}{\text{Shareholder's equity}} \quad (\text{Formula 6})$$

- Debt to capital ratio

$$\frac{\text{Total debt}}{\text{Total debt} + \text{Shareholder's equity}} \quad (\text{Formula 7})$$

- **2.2.3 Liquidity ratio**

- Current ratio

Considered as the easiest to calculate by dividing between current assests and current liabilities with formula below.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (\text{Formula 8})$$

- Quick ratio (Acid-test ratio)

Quick ratio considered certain assets, more to cash (liquid asset) and accounts receivables. This quick ratio more to proof of company ability to cover short term obligations.

$$\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} \quad (\text{Formula 9})$$

- Cash ratio:

The ratio is used to know the liquid assets of a company (cash and securities). They are consider most ready to a short term obligations.

$$\frac{\text{Cash and cash equivalents}}{\text{Current Liabilities}} \quad (\text{Formula 10})$$

- **2.2.4 Market value ratio**

- Earnings per share ratio (EPS)

The calculation to report the business earnings. This measurement did not reflecting a company's market price of the shares but the investors able to estimate what are the price of the shares are worth.

$$\frac{\text{Net earnings}}{\text{Total outstanding shares}} \quad (\text{Formula 11})$$

- Price per earnings ratio (P/E)

The calculation is to evaluate whether a price of a shares is under or over prices, as a comparism to the competing companies.

$$\frac{\text{Share price}}{\text{Earnings per share}} \quad (\text{Formula 12})$$

- Book value per share ratio

The calculation is a benchmark to see if market value / share is lower or higher, usually is a basic for a buy or sell desicions.

$$\frac{\text{Total Equity} - \text{Preferred Equity}}{\text{Total outstanding shares}} \quad (\text{Formula 13})$$

PESTEL analysis is a framework that classifies environmental influences as Political, Economic, Social, Technological, Environmental and Legal forces. The purpose of this analysis is to investigate how each of these variables affects the company, as well as how these factors interact with one another. When developing

business and strategic plans, the findings can then be utilized to capitalize on opportunities and to devise backup strategies in the event of potential dangers (Byars, 1991; Cooper, 2000).

Michael Porter's competitive strategy, released in 1980, Porter's description of the "five forces" that shape the structure of all industries and set the rules of competition and the root causes of profitability within an industry. Threats presented by competitive rivalry, powerful buyers, powerful suppliers, potential new entrants, and substitute goods are the five forces. Porter stressed and updated the five forces in 2008, the potential to use the five forces framework to understand strategic consequences for individual companies within an industry, such as PayPal in the fintech industry.

SWOT analysis is a straightforward model that provides direction and acts as the foundation for developing marketing plans. It achieves this by evaluating an organization's assets (what it can do) and weaknesses (what it cannot do), as well as opportunities (potentially favourable conditions for an organization) and threats (potentially unfavourable conditions for an organization). Despite its simplicity, SWOT analysis is an essential step in planning, and its importance is frequently underestimated. After that, SWOT analysis decides whether the information indicates something that will help the firm achieve its goals (a strength or opportunity), and to also known to overcome the problem or obstacle to get the wanted results. (a weakness or threat) (Marketing Strategy, 1998).

3. Literature Review

A literature review is an analysis of the existing research and scholarly articles related to the research topic. It is an essential component of a thesis because it provides a comprehensive understanding of the existing knowledge and research in the field of study. The literature review helps to situate the research within the broader context of existing research in the field.

3.1 Analysis of internal environment

According to (Moses & Mukhamad, 2008) internal environment is a corporate environment that has direct implication of the company. It's important as the scope of the elements is in the boundaries within the organization. Management and employees, to look internally to identify internal strategy factors to determine whether the company take advantage to the existing opportunities.

There is way to observe and analyse the internal environment troughs the aspects of employees, the HR, financial aspects, technical and marketing (Musran, 2017), is important as the scopes concluded on how well the company strategy is working, also to indicate whether company financial strength and profitability. According to ITEE Journal, the internal environment is a subsystem of an organization system and have direct and powerful effect on the activity of the organization and its performance (Youssef, Abu & Jun 2017).

3.1.1 Analysis of financial ratio

Quantitative data, such as financial statements (balance sheet, income statement, and cash flow statement) from a company, used to for performance management, benchmarking and market valuation to gain insights into its financial health and performance to determine growth, profitability, and market value. Financial ratios often referred as part of the company's key performance indicators (Vause, 2014)

These include assessing a firm's ability to pay its debts, evaluating business and managerial success, and even statutory regulation of a firm's performance. Not surprisingly, they become norms and have an impact on performance.' The traditional textbooks of financial analysis also emphasise the need for a firm to use industry-wide averages as targets (Foulke, R A, 1968).

- **Profitability ratios**

Profitability means the metrics that present from a company for the capability to generate profit, it's essential to ensure for success from a business. Measured by obtaining positive results with comparison from the financial efforts involved with the financial effects. (Achim, 2010)

To assess a company's profitability over time by analysing data. Higher numbers are better (more favourable) for profitability ratios because the company wants to earn more profit. Generating profit is the main goal of the existence of the company in the long term. Main goal of the company owners is to achieve profit (Gabrusiewicz, 2014).

Example profitability ratios:

- **Operating profit margin or (ROS = Return on sales):**

To measure how much profit a company generates from a net sale after accounting for the cost of goods sold and operating expenses. In practice this ratio is used in pricing strategies development (Vochozka, 2011). (Formula 1)

- **Net profit margin:**

By deducting all costs from revenue yields net profit. This ratio contains both recurring and non-recurring components. In general, the net profit ratio is an excellent index for demonstrating a company's profitability after all other financial responsibilities have been met. It displays the amount of net profit from each dollar of revenue gained by the business (Vochozka, 2011). (Formula 2)

- **Return on equity (ROE):**

Measure how much profit a business generates from shareholder's equity, for instance if a company with declining ROE could be seen as having more risk than a company in the same industry with increasing ROI. In other words, equity generating net profit (Vochozka, 2011). (Formula 3)

- **Return of assets (ROA):**

The ROA is connection between balance sheet figures and income statement figures (Walsh, 2003) use to determine how much profit they generate from the total assets, including noncurrent and current assets, to measure assets efficiency (Vochozka, 2011). (Formula 4)

- **Leverage ratios**

Most companies use debt (short or long-term) to finance their operations. The leverage ratios are to measure how much debt a company has. The analyst is focused to study how much the company utilize liabilities for some fundamental reasons. One reason is that the sum of liabilities in a company's capital structure is important for evaluationg the company's risk return characteristics, particularly its financial leverage (Piper M, 2010).

Example leverage ratios:

- **Debt to assets ratio:**

To measures the proportion of debt a company has to its total assets. High debt ratio indicated that a company is highly leveraged (Hayes A, 2020). (Formula 5)

- **Debt to equity ratio:**

To measures the debt liability compared to shareholders equity. Consider very important as debt obligation is a high priority if the business goes bankrupt. The high debt/equity indicates the company has been financing aggressively with debt growth. It is resulting in volatile earning due to additional expenses in interest (Hayes A, 2020). (Formula 6)

- **Debt to capital ratio:**

It's considered as one of the more important because it's focus on the connection between debt obligations and total capital. The ratio used to access the financial activities, when the debt to-capital ratio is high in compare with the rivals, likely due to impact from the debt in the operations (Hayes A, 2020). (Formula 7)

- **Liquidity ratios**

Company uses liquidity ratios to measure working capital performance. The company need liquidity to pay their bills, so the liquidity ratios able to measure the capacity of the financial health. The level of liquidity requirement changes from one industry to another. A specific company's liquidity position may alter concurring to the anticipated requirements for saves at any given time. (Koop G, 2008)

Example liquidity ratios:

- **Current ratio:**

The current ratio measures how a business's current assets, such as cash, cash equivalents, accounts receivable, and inventories, are used to settle current liabilities such as accounts payable (Coorporatefinanceinstitute, 2023). (Formula 8)

- **Quick ratio (Acid-test ratio):**

The quick ratio, or the acid-test ratio, examines how well a company's liquid assets, cash equivalents, such as cash, and accounts receivable, can cover current obligations. The quick ratio is more of an accurate measure of a company's ability to cover its short-term obligations because it does not take into account current assets such as inventory and prepaid expenditures (Coorporatefinanceinstitute, 2023). (Formula 9)

- **Cash ratio:**

The cash ratio measures a business's ability to use cash and cash equivalent to pay off short-term liabilities. This ratio takes into account only the most liquid assets that a business has, which are cash and marketable securities. They are the assets that can be accessed the quickest by a business in order to satisfy its immediate financial commitments (Coorporatefinanceinstitute, 2023). (Formula 10)

- **Market value ratios**

Market value measures used to determine a company's worth. These ratios are typically used by external stakeholders such as investors or market analysts, but internally used to monitor the value per business share. Used in stock pattern research as well. A low price-earnings ratio, for example, may suggest that a company's earnings prospects are comparatively uncertain, and the stock is a risky gamble. (Rosemary C, 2019).

Example market value ratios:

- **Earnings per share ratio (EPS):**

The EPS or earnings per share ratio, also known as the profit per share, indicates how much profit is allocated to each business share. A method of calculating a company's profitability for investors by dividing its annual net revenue by the total number of outstanding shares of stock. To determine the company's revenues per share, divide the net income of the business by the total number of shares that are currently in circulation (Rosemary C, 2019). (Formula 11)

- **Price earnings ratio (P/E):**

The PE ratio is a crucial ratio for the investor that assesses a company's worth in correlation to its book value earnings per share. When determining earnings, it is common practice to consider the financial performance of the company over the preceding four quarters. In addition, analysts discuss something called a forward P/E ratio, which is a projection of what the P/E ratio will be for the subsequent four quarters (Rosemary C, 2019). (Formula 12)

- **Book value per share ratio:**

A company's common equity is what common shareholders own after all liabilities and preference shares have been settled from total assets. The book value per share measures the value per share for common equity owners based on the balance sheet value of assets less liabilities and preference shares. quarters (Rosemary C, 2019). (Formula 13)

3.2 Analysis of external environment

When conducting an analysis of the macro-environment, it is essential to determine the factors that could affect several influences several important variables. (Kotter & Schlesinger, 1991).

Using analytical tools as example PESTLE analysis and to gain better reviewing of the internal and external factors, with others analytical tools as SWOT (Strengths, Weaknesses, Opportunities, and Threats) and Porter's Five Forces models, to be applied by companies to review a strategic directions, the results can then be used to take advantage of opportunities and to make contingency plans and preparing for business plan in case of threats (Byars, 1991; Cooper, 2000).

3.2.1 PESTEL analysis

PESTEL is an acronym for *Political, Economic, Social, Technological, Environmental and Legal* and it's a tool for analysing how these factors mentioned that will affect business activities in the long run. The external environment consists of variables that are beyond a firm's control but necessitate analysis in order to realign corporate strategy to a changing business climate. Firms are vulnerable to a variety of exogenous factors, which can have a major impact on the firm's competitive positioning. (Sammut T & Galea D, 2014)

The management will hopefully benefit from this by gaining a deeper understanding of the market in which they compete and learning how to better prepare themselves for any changes that may occur. Also, to improving their decision-making processes and enhancing their operational efficiencies by conducting research on variables such as politics, economics, sociology, and technology that may influence the business (Sammut T & Galea D, 2014).

Figure 1: PESTEL



Source: Sudhanshu V, 2020

Benefits of PESTEL analysis:

- **A greater understanding of your company.**

Every company is linked with the community in which it operates and with its own customers. By gaining an understanding of the factors that have a positive or negative effect on the success of a business, this able to gain a better understanding of how the company can make a difference in comparison of others. Example, business owner may overlook safety and consumer laws when developing the prototype of the product. (Frue K, 2016)

- **More effective long-term strategic planning.**

Company decisions will be better informed and will be less likely to be surprised if continuously carry out a PESTEL analysis regularly. Company have the chance to get ready for changes in the market as well as changes in society in general. PESTEL analysis assists in examining many various and influential factors that may affect the success of your product launches. It promotes the development of strategic thinking in order to gain a better grasp of strategic planning (Frue K, 2016).

- **More attention to potential threats.**

To be able conscious of potential dangers, company have the option to either deal with them or completely avoid them. Implement proactive policies to gain a competitive advantage, dedicate resources to influencing laws that could be harmful to the business, or form strategic partnerships to strengthen market position. PESTEL analysis, in particular can increase awareness of potential threats when used in new developments within the company. Whether it's a current competitor, a future competitor, or one of your own products (Frue K, 2016).

- **Insight into valuable business opportunities.**

To be the first in the industry to capitalize on possibilities presented by favorable government policies or market conditions. To maintain the pulse of the market, can ensure to deliver the of appropriate message at the appropriate time. Implementing policies that are ethical and responsible is one way to enhance the goodwill and reputation of the business. For example, if a company use PESTEL analysis to study social and technical trends, they might discover that one of target market is gravitating toward a new social media channel. This is the chance to launch a marketing effort ahead of the competitor (Frue K, 2016).

According to Sudhanshu (2020), elements of PESTEL analysis are:

- Political
- Economic
- Social
- Technological
- Environmental
- Legal

- **Political**

Political factors are defined as government regulations or any other defined business rules, whereas legal factors are evaluated based on their capacity to impact the business. Political factors can be distinguished from legal factors by their use of the term "rules." In addition to that, it necessitates investigating tax policy (which may include exemptions), tariffs, trade agreements, labour laws, and other subjects associated with the field. Overall, the political environment is significant that defines operational risk, especially for a foreign company. With the strategies and action can minimize the negative impact (Perera R, 2017).

The following examines political factors:

- Government policy

Government policies are the reasons things to be done in a certain way and why. This leads to the development of procedures and protocols to ensure that policies are carried out properly. Procedures and protocols specify the "how," "where," and "when" policies will be implemented. A government policy is a rule or principle that, if followed, should improve decision-making and result in positive outcomes that benefit the community or unit (Livecareer.com, 2023).

- Property rights

The legal and intellectual ownership of goods and resources is explained by property rights. These assets and resources can be intangible or tangible, and their owners can include the government, individuals, and businesses. Individuals can determine their rights over private property or the rights of private persons to collect, delegate, sell, rent, or hold their property (Vineeth, 2023).

- Political stability

Uncertain political environments, especially in countries where governments change frequently, make planning difficult. A stable political system is an achievement was founded on the development of centralised political control patterns and the spread of a type of authoritarianism incorporating military elite rule. Their ability to maintain social control is essential to their success (Perera R, 2017).

- Tariff

Tariff affects the exporting country because consumers in the tariff-imposing country may avoid importing due to the price increase (Perera R, 2017). If a consumer continues to choose the imported product, the tariff has successfully increased the cost

to the consumer in another nation; the tariff may affect areas of the business, particularly production costs and pricing competitiveness.

Most countries' natural resources and ability to create certain goods and services are limited. They trade with other nations to satisfy their people's needs and demands. However, commerce is not always carried out peacefully between trading partners. Trading partners can be irritated by policies, geopolitics, rivalry, and a variety of other factors (EconomicTimes.com, 2023)

- Taxation

When a government imposes a mandatory levy on its residents and citizens to fund its operations. Taxation is the primary source of revenue for many national governments. Other non-tax income received by the government includes interest and dividends. Tax policy from the current government e.g. tax deductions will impact with the cash flow, profit margins (Perera R, 2017).

- Employment regulations

With employment regulations e.g. minimum wage regulations, it could be expensive to employ staff because of the min wage legislation, also safety at work, healthcare & pension contributions (Perera R, 2017).

- **Economic**

The economic factors, studying macroeconomic factors, refer to the economic issues that influence a company's success. This would include factors such as the country's exchange rate, inflation rate, economic growth, unemployment rate, GDP interest rates, and policies, all of which help to access demand, expansion, and growth, all of which are bound to have an impact on the company. Economic conditions could affect on how easy or difficult to be profitable any time because it affects capital availability, cost, and demand (Thompson, 2002).

The following examines economic factors:

- Access to credit

Consumer or business have access to affordable credit is a critical component of private-sector-led growth, particularly for small businesses that often lack the initial capital required to grow and expand, as well as for agricultural households, where input costs precede harvest returns; it also increases a business's or household's ability to bear and cope with risk (Fairly M, 2023).

- Economic growth or decline

When the economy is growing stronger, individuals and businesses typically have access to more currency, which means they are better able to make purchases of goods and services. The expansion of the economy leads to increased amounts of investment made by businesses in general. (Fairly M, 2023).

- Exchange rates and interest rates

Countries that have economies that are more stable are less susceptible to fluctuations in the value of their currencies, which is essential to keep in mind if you import or export goods. Although this has not always been the case since the Great Recession of 2008-2009, it is more likely that these nations will have higher interest rates, which will have the effect of reducing the rate of inflation in their respective countries. (Fairly M, 2023).

- Globalization

Globalization is where the knowledge, services and goods spread through the world. In business, the term is used in an economic context to describe integrated economies characterized by free trade, free capital flows among countries, and easy access to foreign resources, including labor markets, in order to maximize returns and benefit the common good (Fairly M, 2023).

The convergence of cultural and economic systems is the driving force behind globalization, which is also referred to as globalisation in certain regions of the globe. The degree to which nations and regions of the world are politically, culturally, and commercially intertwined is directly correlated to the degree to which the world is becoming more globalised. Countries that have globalised their economies and (largely) eliminated tariffs and restrictions have seen faster economic development and improved socioeconomic conditions for both their customers and their staff (Fernando J, 2022).

- Labor costs and workforce skill levels

A shortage of workers with several necessary abilities will result in rising labour costs, and will impact the profitability. Shortage could be bad enough as with company need to spend money to recruit and training to develop skills (Fairly M, 2023).

- Spending habits

Consumer spending habits are evolved every time, example during COVID-19 a lot of customers end up spend more with online shopping, that change cause company need to advance their technology (Fairly M, 2023).

- **Social**

It is to analyse factors from the business's socioeconomic environment. It entails researching target customers, demographics, and cultural constraints. These factors will estimate the potential market size, which will include population growth, age distribution, education, and so on. to comprehend what customers, require and what drives them to the market for purchase (customer behaviour). The business environment is linked with the culture and tradition values in the country, thus adapting to these is important for performance and growth achievement (Perera, R, 2017).

The following examines social factors:

- Attitude toward work (productivity)

The more productive a workforce is, the more competitively they can price their products or services or increase profit margins (Fairly, M, 2023). A positive or negative attitude influence how employees approach their jobs, and attitudes can spread to those around them. Generally, a positive mindset will increase productivity.

Companies that have a high employee turnover rate not only have to pay the high costs that are associated with employing workers, but they also experience decreased productivity while waiting for the new workers to get up to speed on company procedures. If an employee is happy with their position and the environment in which they work, they may be less likely to look elsewhere for employment. Employees who maintain a pessimistic outlook may ultimately look elsewhere for employment in the hopes of finding a more favourable working environment (Belcher L M, 2019).

- Diversity and equality

It is becoming more and more essential to members of new generation such as Generation Z and millennials that the brands they choose support the values they uphold (Belcher L M, 2019).

- Division of wealth

Economic inequality has a negative impact on organizational performance, a 2015 study in the journal Human Relation found. It also affects growth in consumption rates during periods of economic decline.

The distribution of wealth and income, or how a country's wealth and income are distributed among its people, or how the world's wealth and income are distributed

among countries. Such distribution patterns are identified and studied using a variety of statistical techniques, each of which is based on data of varying reliability (Belcher L M, 2019).

Employment patterns and job market trends

Due to market trends toward self employment in many countries, this caused harder in recruitment process. In addition, the type of staff you wish to recruit may be in particular demand, leading to higher employment costs (Belcher L M, 2019).

- **Technological**

Technology could impact either positive or negative to the introduction of the product or service. Technology is constantly evolving, and consumers are eager to embrace new innovations. It involves understanding technological advancements, the rate at which technology becomes obsolete (For example The operating system in mobile phones), automation, and invention are necessary. It's a vital part in the function on the online strategies that has taken over traditional marketing. Social media, digital marketing, SEO become crucial in the marketing communications (Perera, R, 2017).

The following examines technological factors:

- Artificial intelligence (AI)

By investing in AI, a business may be able to maximize efficiency and output. Artificial intelligence (AI) is a branch of computer science that focuses on developing systems and procedures that can perform and respond in the same way that a human operator would. Computers can now use vast amounts of structured and unstructured data to perform nearly countless tasks while using AI-driven technology for problem-solving, rationalization, and predictive analysis (Fairly, M, 2023).

How artificial intelligence will revolutionise business in this age of rapid technological advancement and widespread digitalization. Over the course of recent history, there have been a multitude of significant developments made in the field of business technology and process automation. Nevertheless, none of these technological advances have been quite as transformative or far-reaching as the development of artificial intelligence. (AI). This technology has developed into a potent instrument that can help businesses expand.

The use of artificial intelligence (AI) by companies of all sizes to improve a wide variety of business processes and the experiences they provide for customers is one factor that is causing a shift in the way businesses function across all sectors. This is particularly important to keep in mind when anticipating the development of new technologies. AI provides businesses with a solid foundation for making sound operational decisions, which enables businesses to streamline operations and increase profitability. AI also provides businesses with a solid foundation for making sound strategic decisions (Uzialko A, 2023).

- Automation and robotics

Many sectors have moved towards automating as many of their procedures as they can in order to make better use of their basic materials, provide better service to their customers, and produce more goods at a lower cost per unit (Fairly, M, 2023).

A machines have capability to do, some repetitive duties example moving files and folders, extrac data, copy and paste, insert data, fill out forms. The most advanced robots are even capable of performing cognitive tasks such as text interpretation, chat and conversation participation, comprehending unstructured data, and making complex decisions by using advanced machine learning models. (Tilley J, 2017).

Human will be able to focus on what they are good at, such as think of an inovation, creative mind and customer service, while the robots can perform the repititive jobs. Business benefit as well, with increased productivity, efficiency, and resilience (Tilley J, 2017).

- Cybersecurity and data protection

Cyberattacks are still a threat to businesses, hence why a company only collect necessary customer for their daily operations and with a protection (Fairly, M, 2023).

In recent years, there have been multiple high-profile cyberattacks, which have wreaked devastation on businesses as well as on individual users. Examples include the theft of confidential data such as social security numbers, bank account information, credit card information, and other personal information. These days most people store their data on online storage services such as Dropbox or Google Drive is the primary factor contributing to this phenomenon. The significance of putting in place robust cybersecurity measures has been brought to light as a result of these attacks (Brush K, Rosencrane L and Cobb M, 2023).

- Innovation

Accelerate technology innovation affect a lot of sectors, a company should follow the technological innovation is an important driver of economic growth and human well-being. The adoption of unfavourable societal attitudes towards technology and the disorienting effects it can have puts these benefits at risk of being lost. Policies that represent such attitudes run the risk of causing economic stagnation, reduced economic dynamism, and lower living standards. These problems can be avoided by avoiding such policies. The development of new technologies results in beneficial outcomes. It does this by increasing productivity and providing residents with new and enhanced goods and services, which in turn raises the citizens' overall standard of living. (Fairly, M, 2023).

- Remote work

According to the State of Remote Work 2018 report, 90% of an employee plan to work remotely as they found that by working remotely has been advantageous to them, include higher retention rates, and increased productivity, especially during pandemic it has changed how companies are adapting (Fairly, M, 2023).

These benefits could be lost if people have negative attitude about technology and how it changes things. Policies that represent these kinds of beliefs could lead to economic stagnation, less economic growth, and lower standards of living. Innovation in technology is helpful. It makes people more productive and gives them new and better goods and services, which raises their general standard of living (Fairly, M, 2023).

- Social networking

Although social media is an essential component of a company's marketing, it doesn't have to be difficult to maintain. Create a profile, take the first step, and begin interacting with clients customers (Cotriss D, 2023).

As humans become more accustomed to using these new social networks, a larger percentage of their purchases will be made on these websites. Companies that invest heavily in their social media presence and branding will see an increase in their conversion rates, while those that don't run the risk of missing out on potential customers. Using social media for business purposes can help attract more attention and raise brand awareness, for example. If no one knows about your business, there will be no customer. Social media marketing requires an investment of time and energy but can pay off in the form of increased exposure and new customers (Cotriss D, 2023)

- **Environmental**

The increasing pressures of global warming, negative environmental effect, and concerns in sustainability make it more important than ever for businesses to have natural concerns at the forefront of their operations. Environmental concerns are becoming increasingly essential, for manufacturing businesses that relate to industries that deal with chemicals. It is a driver of competitive advantage to use methods of production or manufacturing that are energy efficient and environmentally friendly. This will also decrease the costs associated with the termination of operations, fines, and charges, among other things (Perera, R, 2017).

The following examines environmental factors:

- Developing sustainable products

One of the most important aspect that business must adapt in the 21st century is coming up with sustainable products. As the idea of developing sustainable products as well as services is gradually becoming recognised as an essential component of cleaner production. For some time now, businesses have been receiving support from sustainable product development initiatives, primarily in the form of eco-design. These initiatives are intended to help businesses produce more environmentally friendly products (Maxwell D & Van der Vorst R, 2003).

- Weather

In many ways weathers impact business from employees and the product itself, it's important for a business to stay aware with weather condition as it will impact either direct or indirectly with bad weather, for example the bad weather can cause destruction of property which will directly impact to the business (Technologyhq.org, 2021).

- Environmental policies

These policies will help a company to be more responsible with the environment, not only to help with reduction of carbon footprint but also to contribute with saving money, and it can be a good asset for small business whilst the business can attract the customers that are care about natural environment (Technologyhq.org, 2021).

- Climate change

Climate change impact in the weathers, as it's localised this will affect business, depending on the industry, locations, supply networks and how the company operate. Some of the climate change can cause natural disaster, example fires and drought. It can cause direct or indirect impact to the business. Example for the indirect are supply chain issue due to the extreme weather that caused by climate change, while the direct impact if a company get a physical damage from floods or bushfires (Fontinelle E, 2022).

- **Legal**

The laws and regulations, rules, guidelines, should be all under legal considerations. For example, considering a hotel chain the laws relevant would-be consumer affairs related laws and regulations, food related laws and regulations, service quality related laws. These laws, regulations can have a critical control of business activities that should be investigated. Adhering to legal consequences can describe a strategic advantage to an organization over the others where stakeholders see the company be legally binding. This to also ensure that the company is ethically directed that promotes the concept of ethical Business. (Perera, R, 2017).

The following examines legal factors:

- Discrimination laws

When someone is handled unfavourably or when a person's dignity is violated, this is considered discrimination according to the Discrimination law. The individual must have had a connection to one of the seven grounds of discrimination for them to have been subjected to an unfavourable treatment or had their dignity violated. Both direct and indirect forms of discrimination are possible. Other types of discrimination include a lack of accessibility, harassment (including sexual harassment), and being instructed to discriminate against someone (Twin A, 2023).

- Antitrust laws

Is a regulation that allowing a company limiting the market power that encourage competition. Generally, it involves mergers and acquisitions do not overpower that end up caused monopoly. The law also prevents for multiple firms to get together and form a cartel and caused competition limit and fixed price (Twin A, 2023).

- Consumer protection laws

As many fraudulent businesses which made defective or dangerous goods, consumer protection laws are made to protect customers, beside goods also include service. The law plays important part to keep consumer from unpleasant experience and to keep the business on the right and honest path. (Liberto D, 2022)

- Copyright and patent laws

A patent protects an invention or creations for a period of time. With patent will giving a right to minimize the competition to produce similar product, while a copyright protects origin authorship from a work (Liberto D, 2022).

3.2.2 PORTER'S FIVE FORCES MODEL

Porter Five Forces is a market analysis framework. Were developed by Michael R Porter (Michael E Porter) in 1979. Michael Porter's theory of competition suggests that five forces within the market that determine possible level of profit within the market. Each power within the model represents a separate level of product competitiveness (Michael Porter, 2008)

To assess and evaluate the competitive strength and position of new and existing products and companies in a market. Based on the concept, the theory in summary, the more powerful the five forces are, the less appealing the industry. When competition increases, the company requires more resources than usual to survive, resulting in less attractiveness.

The five forces framework is an effective and simple tool for identifying specific powers in accordance with a specific business scenario by employing the outside-in perspective (Johnson, Scholes, & Whittington, 2008).

Analysis of provides a benefit. Five forces analysis helps organisations understand the factors that influence profitability in a specific industry, and it can help to inform decisions like whether to join a specific industry, whether to expand capacity in a specific industry, and developing competitive strategies (Johnson, Scholes, & Whittington, 2008).

The five forces are:

- Negotiating power of suppliers
- Negotiating power of buyers
- Threat of New Market Entrants
- Threat of Substitute Products
- Rivalry within industry

Negotiating Power of Suppliers

To evaluate on suppliers and price raise. This can be determined by the following factors: the number of suppliers of each necessary input, the uniqueness and quality of the supplier's goods or services, the relative size and power of the supplier, and the cost of switching from one provider to another are all important considerations (Sridharan M, 2012).

The quantity of leverage that a supplier possesses in the process of selling their products known by the term "supplier negotiating power." On the other hand, the bargaining strength of suppliers can be influenced by a variety of factors, including the number of suppliers, the size of each individual supplier, and the presence of alternative customers. (Slater & Olson, 2002). High negotiating power frequently leads to higher prices or lower quality, lowering the industry's potential margin.

Below are some example that indicate strong bargaining power of a supplier (Sridharan M, 2012):

- High cost for a supplier change
- There are only a few suppliers
- Unique or specialized product and no substitutes
- There is a lower risk of a supplier being acquired by another company.

Negotiating Power of Buyers

An assessment of how simple it is for buyers to drive down prices. Some of the following factors, where some market with high numbers, cost to the buyer. When a company only has a few powerful buyers, they can often dictate terms. When the market is in a monopoly situation, the large buyer has bargaining power and they can switch easily (Slater & Olson, 2002).

Following are some signs that a buyer has a high negotiating power (Sridharan M, 2012).

- When the buyer easily to create or produce the product.
- Low switching costs
- There are only few customers in compare with suppliers number
- Large volumes of products bought by a single buyer
- Some alternatives that buyers can switch easily

Threat of New Market Entrants

Porter (1985) states that “new entrants to an industry bring new capacity, and the desire to gain market share that puts pressure on prices, costs and the rate of investment necessary to compete”. Profitable markets entice new entrants, eroding profitability.

However, stated above will depend on the intensity of the competition, and how the industry is affected by the industry growth rate, storage, and fixed costs, competition between an organizations that competes against each other, exit barriers and cost switching between competitors (Hubbard & Beamish, 2011).

The lower the barriers to market entry, the easier it is for new competitors to enter the market, resulting in increased competition and a higher risk of price wars and lower margins. As a result, an appealing industry usually has high entry barriers. It is difficult to enter an appealing industry, but once there, a company is in good shape.

The market entry barriers are (Sridharan M, 2012):

- High capital intensity and investment costs
- Economies of scale because new entrants offer fewer units and incur higher unit costs
- Significant learning effects because the expertise of established players leads to improved contracts, operations, and customer relationships.
- Governmental regulations
- Competitive environment
- Low accessibility to suppliers and customers

Threat of Substitute Products

Customers are more likely to switch to alternatives product in reaction to price increases when there are close substitute goods in a market. This reduce both supplier power and market attractiveness (Hubbard & Beamish, 2011; Klemperer, 1995).

Substitute products are products that are obviously different but meet the same customer needs. The greater the number of substitute products, the easier it is for customers to switch, resulting in a more competitive environment.

Below are examples from treat from a substitute products (Sridharan M, 2012):

- Product that are in the end of product life cycle or old fashioned
- When there are comparability of substitute products
- Similar prices

Rivalry within industry

Many competitors with similar products and services will reduce market attractiveness. The level of industry rivalry is influenced by Porter's remaining four forces, but it is also affected by other factors. High rivalry manifests itself as either price or quality competition (Hubbard & Beamish, 2011).

The signs of high rivalry are (Sridharan M, 2012):

- Very similar products
- High exit costs
- Numbers of players in the market and high in competition

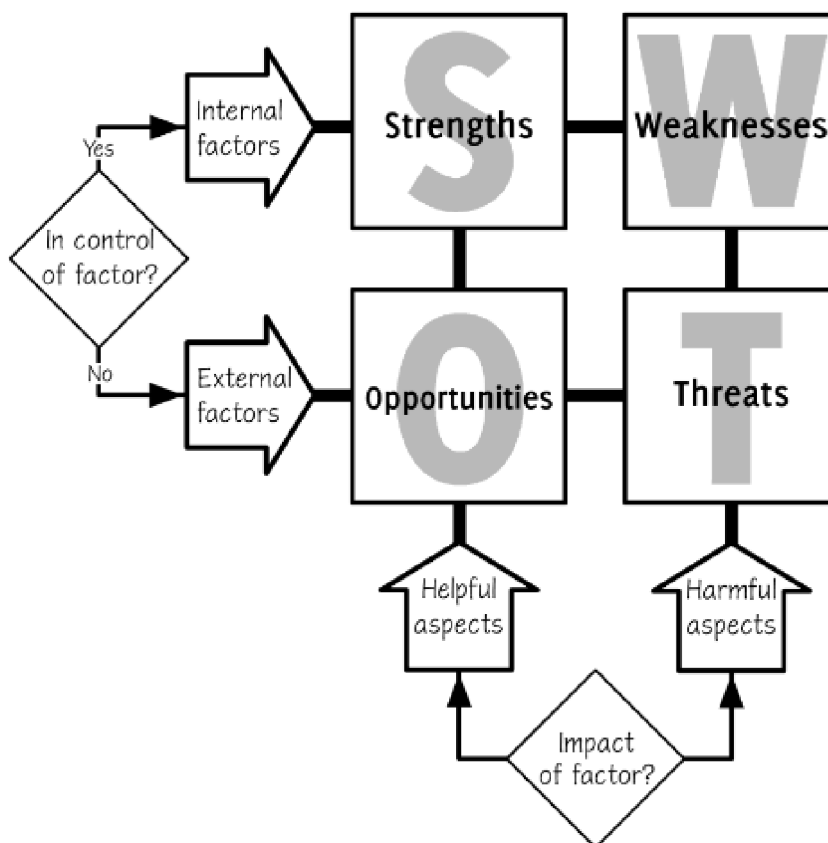
3.3 SWOT

SWOT is popular strategy analysis and development framework. The acronym SWOT is derived for Strength, Weakness, Opportunities and Threats (Sarsby, 2016), to provide a good framework analysis is used to assess and analyse internal and external forces in order to better understand a company's opportunities and risks, for reviewing strategy, position, and direction from a company or a business proposition or any other idea for the future. SWOT analysis is for strategic planning and is carried out by a panel of specialists who can evaluate the organisation critically (Gibis, 2001).

It's divided into internal factors (Strengths and Weaknesses) where the organization have control over and external factors (Opportunities and Threats), where the organization have no control over (Sarsby A, 2016). Additionally, opportunities as external environment elements that can improve business performance, such as revenue growth. Threats are the external causes that might endanger the company.

Planning is an extremely useful tool for identifying and understanding decision making in all types of situations involving the organization's strengths, weaknesses, etc. Generally used in conjunction with other assessments framework like PESTEL and Porter's 5 forces (Gibis, 2001).

Figure 2: SWOT



Source: Alan Sarsby, 2016

Four elements of SWOT analysis are:

- Strengths
- Weakness
- Opportunities
- Threats

- **Strengths**

Where the organization does exceptionally well and excels at in comparison to its competitors, giving it a competitive advantage over its peers. A company's strengths are part of the organization, so consider what makes the company better than others. The business's and USP's values can be added to the strengths section. Any aspect of the company is considered a strength if it provides a clear advantage; for example, if the competitor provides the same high-quality service, it is not a strength but an industry standard (it's a necessity). Strengths are factors that support and opportunity or overcome a threat (Alan S, 2016)

- **Weakness**

These are characteristics that put a company at a competitive disadvantage with its competitors. Weaknesses can be quantified using qualitative and quantitative examples such as high employee turnover (turnover), declining margins, or debt (as funding source). Weakness are factors that result in being unable to take advantage of an opportunity, or are vulnerable to threat (Alan S, 2016).

Strengths include features of the business, a focus on employees, procedures, and resources, as well as thinking about what could be improved and practices to avoid. Take the time to investigate why the competitors are outperforming the company, and be realistic and honest as the company may face unpleasant truths (Gibis, 2001).

- **Opportunities**

External factors that represent improvement and potential for the business are helpful factors no control but could be helpful (Alan S, 2016). For example, technological advancements can aid in the creation of new markets or sub-segments of existing markets. Opportunities necessitate keeping an eye on what might happen in

the future, being able to spot opportunities that can make a difference to the business, and being able to take the lead in the market (Gibis, 2001).

- **Threats**

It is an external force that shows risks to a business; it is the polar opposite of opportunities that the company have no control (Alan S, 2016). For example, if technological innovation disrupts operations, it can potentially present as both a threat and an opportunity, or a social norm that makes existing products less appealing to a growing number of consumers. Include anything that could have a negative impact on the business, such as a shortage of recruits or a supply chain issue. It is critical to anticipate threats and take action before the business becomes a victim or stalls (Gibis, 2001).

4. Practical Part

The practical section enables to test and validate the theoretical analysis's findings. It allows the conclusions derived from the analysis are consistent with empirical evidence by applying the economic theories and models discussed in the literature review to real-world data.

The analysis of both the internal and external, environments of PayPal Holdings, Inc. is the primary focus of the practical component. When conducting an internal analysis, we look at things for the company's value system, as well as its organizational structure, organizational culture and the traits that define it, and financial statements. PEST analysis and Porter's five component analysis are used to investigate external variables. All this information may be put toward and suggested recommendations for the future business development.

4.1 Internal analysis of PayPal, Inc.

The internal analysis is a component within the environment. An organisation is responsible for maintaining and managing the internal environment. It encompasses the entirety of the funds that make it possible for the business to carry out its operations and, as a result, continue to exist over a predetermined period.

4.1.1 Company history

It started in 1998 where generally money referred in a paper formed. Tangible items kept in banks and passed around during transactions. That all changes when a company called Confinity starts developing digital payments for consumers and businesses. Within a year, the company is renamed PayPal and embarks on a simple but revolutionary mission: *to create the world's first digital payment platform, making money work better, quicker, and simpler than ever before* (Paypal.com, 2023).

During 2000 until 2008 where PayPal grows popularity, started with 1 million users, it grows the popularity due to e-bay's transaction, as before that customers has to made payment with checks and take days to clear out, and by 2011 PayPal grows to 100 millions active users, withing 190 markets and dealing with 25 currencies. To add with customer convenience at the same year they launched for smartphone payments (Paypal.com, 2023).

By 2013, PayPal's portfolio continues to grow, with the addition of Braintree and Venmo. Braintree joins the PayPal Commerce Platform, resulting in a full-stack

payment service that allows companies to offer online and in-app shopping to their customers. While Venmo has become a digital wallet and money transferring for college students and small businesses. In 2015 PayPal officially became an independent company and started trading on the Nasdaq stock exchange with the name of PYPL (Paypal.com, 2023).

During the pandemic, PayPal was able to commit \$535 million to close the wealth gap. Additionally, PayPal has introduced Checkout with Crypto, which provides users with a secure, user-friendly, and streamlined method of paying with cryptocurrencies (Paypal.com, 2023).

Company facts as of year 2022 (Paypal.com, 2023).

- 435 million - active consumer and merchant account
- \$1.36 trillion – Total payment volume
- \$ 22.6 billion – Payment transaction
- 29,900 – Employees
- Available in 200 countries/region
- Service not available in: Afghanistan, Bangladesh, North Korea, Iraq, Libya

Figure 3: Maps of countries where PayPal is available



Source: PayPal, 2023

4.1.2 PayPal business model

The basic of what PayPal set out to do, on how they regard to the customers. PayPal is a two-sided platform that facilitates transactions between merchants and their clients, they are both considered PayPal customers, and each has specific criteria that PayPal meets.

Figure 4: PayPal's Payment Solutions



Source: Thestrategystory.com, 2023

- For merchants
 - PayPal aims to help business owner related to online transaction, where they can focus developing their business and dealing with customers.
 - The services involve:
 - Online payment
 - Send money to vendors
 - More security
 - Platform integration
 - Reporting and monitoring

- For consumers

PayPal aim for customers to be able send and receive money in a matter of minutes, just by knowing the other person e-mail address.

- How PayPal earn their income.

PayPal has few revenue streams either from merchants or consumers:

- Subscription fees, as even tough to open pay pal account is free, however the merchant need to pay extra fees for extra advance features, such as logistic reports, access to virtual terminal, accept international payments, and advance cash when they low on cash.
- Transaction fees, generally known as merchant rate, where it's a cut from a total transaction for the transaction to be facilitated.
- Consumer transaction fees, it's the same for consumer where it is free to set the account, but there are extra charges when the customer want to use the service, such as transaction cost and also exchange rate.

- PayPal subsidiaries (Paypal.com, 2023).

- Braintree: Offers payment solution where the merchants able to take payment with PayPal, Venmo and digital wallets. Customers can easily pay online or with mobiles.
- Chargehound: Services that let merchant reduce fraud charge by automating dispute process.
- Honey: Online service for customer where they able to see if there any discounts or coupons when they shopping online.
- Hyperwallet: For small and big business owner to do mass payment where save them with admins jobs.
- Venmo: Very famous in the young generation in the US as they able to splitting bills with friends, Venmo also can be used for instant peer to peer mobile payment.
- Xoom: International transfers, where it can be sent to bank account from anywhere in the world. Some countries even have cash delivery services.
- Zettle: Integrate payment solution for e-commerce, in European countries.

4.1.3 Vision mission, values, and employee's culture

- Vision & Mission

PayPal mission is to democratize financial services to ensure that everyone, regardless of background or economic standing, has access to affordable, convenient, and secure products and services to take control of their financial lives (PayPal.com, 2023).

We believe access to affordable and convenient financial services should be a right for all rather than a privilege for the few. To achieve this, we are aligned across the company around one central vision: to make the movement and management of money as simple, secure, and affordable as possible. As we democratize financial services, we can enable the hopes, dreams, and ambitions of millions of people around the world (PayPal.com, 2023).

- Values

We live each day guided by our core values of inclusion, innovation, collaboration, and wellness. Together, our values ensure that we work together as one global team with our customers at the centre of everything we do – and they push us to ensure we take care of ourselves, each other, and our communities (PayPal.com, 2023).

- Employee's culture

PayPal believed in their own employees and considered them as stake holder. They believe with attract, recruit, retaining and developing talent, will build strong culture in the organization.

For the development, they are approaching with self-learning and development that will impact to the business also with employee's individual growth for their professional needs, employees able to course such as LinkedIn learning and Udemy for business.

PayPal also committed to work balance culture, besides providing wellness coaching and support mental health, other benefits, such as comprehensive leave, parental preparedness, and sabbatical for every five years of service.

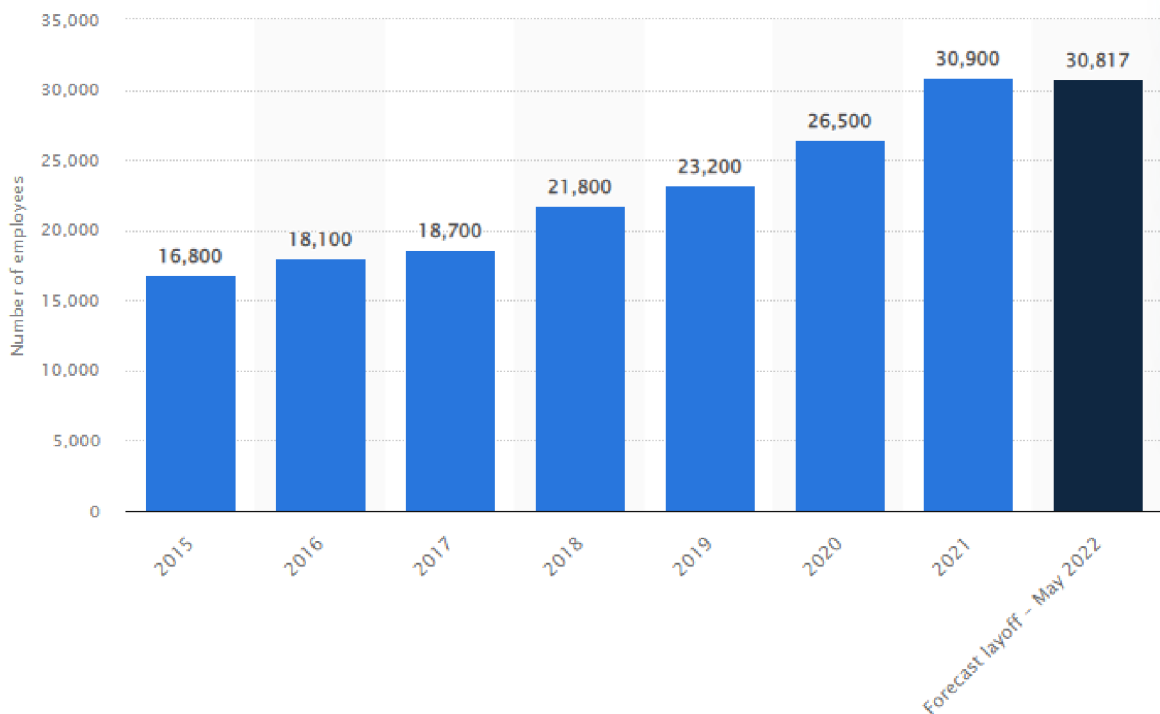
Figure 5: PayPal's Employees Diversity



Source: PayPal, 2023

Figure 5 shown that PayPal committing to diversity, belonging, inclusion and equity as they believe of building a business that can include everyone, by embracing the background, ability and to make the company better

Graph 1: Average number of PayPal employees from 2015 to 2022



Source: Statista 2023

Graph 1 shown that since 2015 the work force kept on increasing from 16,800 to approximately 30,900 by the end of December 2021. However, in 2022 the workforce has significant decrease, even though the company more popular and

increasing users due to wake of Covid-19. From the data above, it did not indicate whether they were full time or part time employees.

4.1.4 Analysis of financial ratio

Financial analysis is an essential component of effective business management and serves as an investor's guide. Even though the technique is relatively new, having first appeared with the publication of Security Analysis (Graham & Dodd, 1934), it has since been reviewed by hundreds of economists worldwide.

- **Profitability ratios PayPal Holding, Inc.**

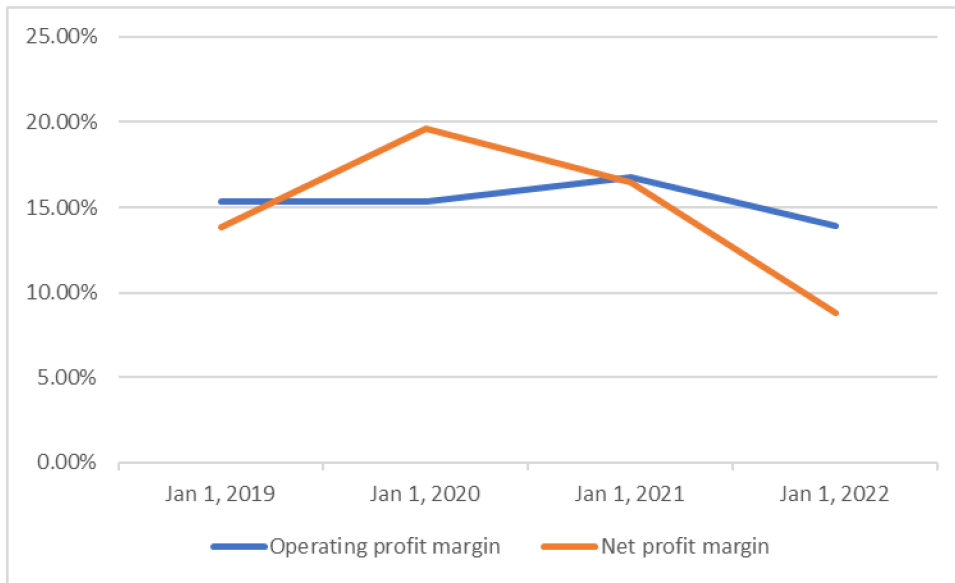
These data compile from the years 2019 – 2022, to evaluate of profitability ratios, and gain a better understanding of the company's potential of profitability.

Table 1: Profitability ratios PayPal Holding, Inc. 2019-2022

	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Return on Sales				
Operating profit margin	15.30%	15.33%	16.80%	13.94%
Net profit margin	13.84%	19.59%	16.43%	8.79%
Return on Investment				
Return on equity (ROE)	14.56%	20.99%	19.19%	11.93%
Return on assets (ROA)	4.79%	5.97%	5.50%	3.07%

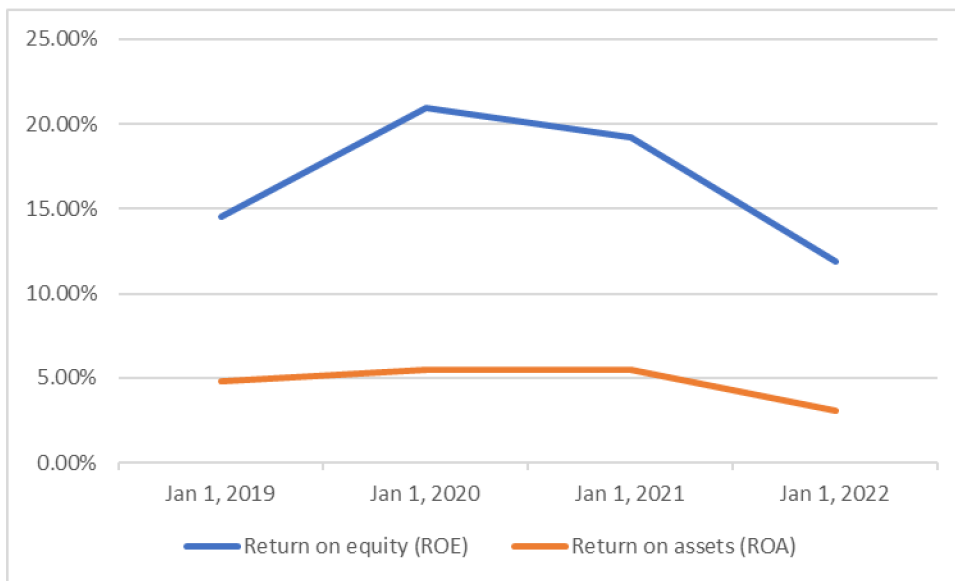
Source: Author, 2023 (Data from annual reports 2019 – 2022)

Figure 6: Return on Sales PayPal Holdings, Inc., 2019 - 2022



Source: Author, 2023 (Data from annual reports 2019 – 2022)

Figure 7: Return on Investment PayPal Holdings, Inc., 2019 - 2022



Source: Author, 2023 (Data from annual reports 2019 – 2022)

From table 1 to be conclude the return on equity went higher to 20.99% in the 2020 and dropped to 11.93% by the end of 2022. The possible factors for this affected by a variety of factors, including industry trends, competition, regulatory changes, and macroeconomic conditions. Increase in debt: As a business incurs more debt to fund its operations, its liabilities grow, reducing shareholder equity, consequently, the ROE will fall.

Return on Assets (ROA): Pay Pal return on assets grew from 2019 to 2020, it stabilizes in 5.50% until 2021 and significantly dropped to 3.07%, this metrics could indicate that a company's administration is not making the best use of its assets. The investors using ROA to evaluate their investment options in various companies, businesses can use the calculation to ensure that they are on the correct track. Where there is a decreased of ROA, it's indicated that invested asset that not yet paid off, could be also decision made by management and it's not in a favour to investors.

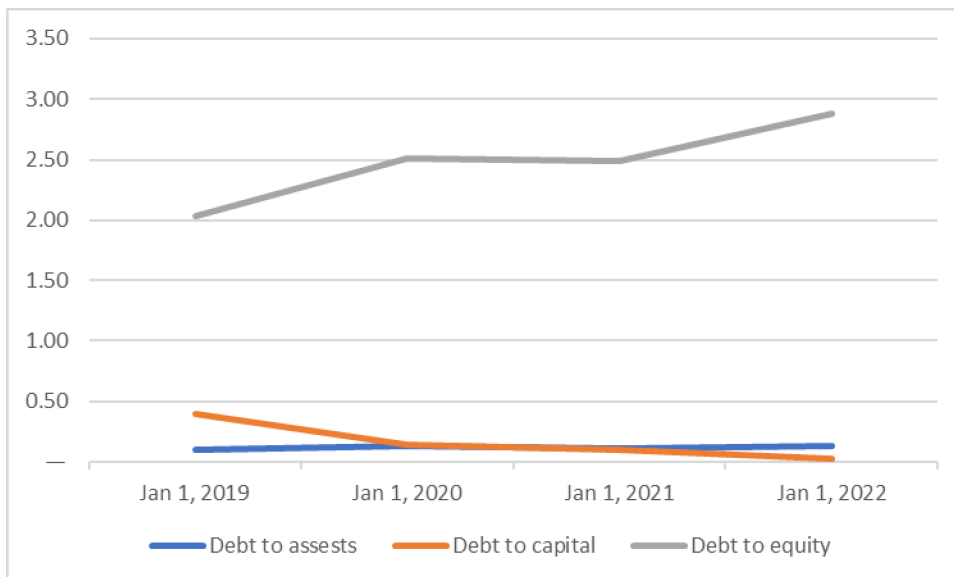
- **Leverage ratios**

Table2: Leverage ratios PayPal Holding, Inc. 2019 - 2022

	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Debt to assests	0.10	0.13	0.11	0.13
Debt to capital	0.40	0.14	0.10	0.03
Debt to equity	2.03	2.51	2.49	2.88

Source: Author, 2023 (Data from annual reports 2019 – 2022)

Figure 8: Leverage ratios PayPal Holdings, Inc., 2019 - 2022



Source: Author, 2023 (Data from annual reports 2019 – 2022)

Based on table 8 debt to assets significantly stagnant, it's high as much 0.13 in 2020 whilst it's lower during 2021, which good sign for investors as indication the company less likely on its debt obligations, it has slight increase to 0.13 in 2022.

By the end of 2022 PayPal debt to capital is 0.03, this implies the accounted debt for around 3% (Included debt and equity). From the observations the ration has been decreased since 2019 which is 0.40. The lower it gets showing that PayPal is less reliable with lending to finance institution, which conclude as a positive sign.

As of end of December, PayPal Holdings, Inc. Debt to equity ratio is 2.88, this can be meaning that PayPal has more equity lesser than debt on the balance sheet. PayPal historically has kept relatively high debt to equity ratio, this is because PayPal has been growing and expanding and need to use financing. PayPal also generating strong cash flow and it help them to manage the debt.

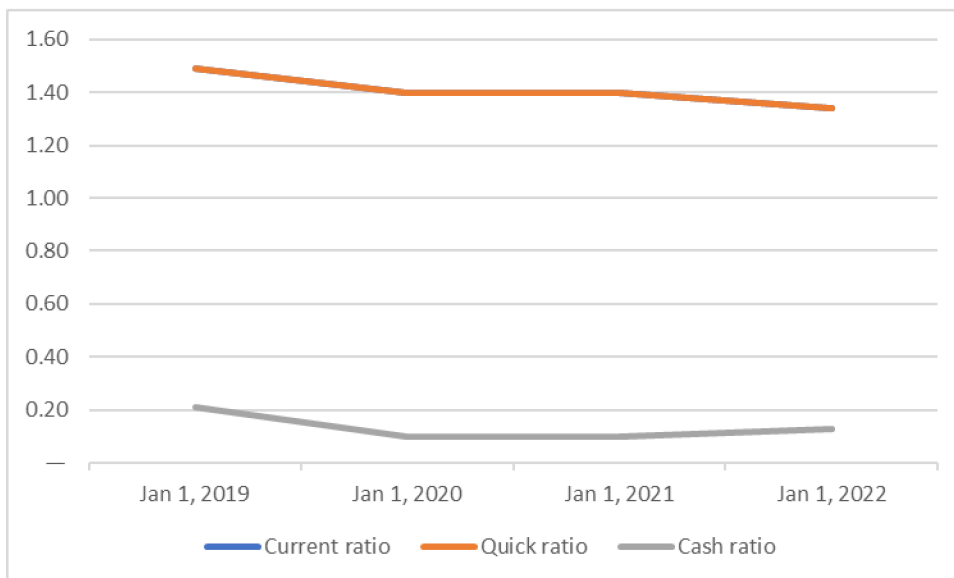
- **Liquidity ratios**

Table 3: Liquidity ratios PayPal Holding, Inc. 2019 – 2022

	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Current ratio	1.49	1.40	1.40	1.34
Quick ratio	1.49	1.40	1.40	1.34
Cash ratio	0.21	0.1	0.1	0.13

Source: Author, 2023 (Data from annual reports 2019 – 2022)

Figure 9: Liquidity ratios PayPal Holdings, Inc., 2019 - 2022



Source: Author, 2023 (Data from annual reports 2019 – 2022)

Current ratio: Pay pal current ratios decrease from 2019 to 2020, from 1.43 to 1.33, and another decrease in 2021 to 1.22. PayPal has a short term debt or possible also the current assets decrease. Whatever the cause, a decrease in this ratio indicates a

reduced capacity to generate cash. By the end of 2022, it has slight increase from 1.22 to 1.28.

Quick ratio: The quick ratio kept on decreasing since 2019, it falls from 1.40 to 1.23 by the end of 2022. The business has taken on too much debt and the sales are declining; it is struggling to collect accounts receivable.

Cash ratio: The same case with quick ratio whilst the cash ratio also declining from 2019 until the end of 2022 from 1.24 to 1.05. The company has not generated sufficient cash to pay its present liabilities. A low ratio may indicate that the company requires more capital, according to investors. However, there are numerous interpretations that do not all lead to poor financial health.

- **Market value ratios**

Table 4: Market value ratios PayPal Holding, Inc. 2019 – 2022

	Dec 31, 2019	Dec 31, 2020	Dec 31, 2021	Dec 31, 2022
Earning per share ratio	2.07	3.54	3.52	2.09
Price earning ratio	52.26	66.16	53.57	33.91
Book value per share ratio	14.43	17.12	18.6	17.85

Source: Author, 2023 (Data from annual reports 2019 – 2022)

Based of table Paypal EPS has its peak in the last quarter of Dec 2020 as much as 3.54\$ per share. Over the past years PayPal has consistently increasing over the past few years, the company performance and profit can be considered as strong as the higher EPS ratio meaning that PayPal generating more profits per share, and this will attract more people to invest and higher stock price.

Unfortunately, since 2020 until the end of 2022, P/E kept dropping, even from 2021 to 2022, it has drop quite significantly from 53.25 to 33.91. As this metrics used to compare stock price to profits indicates that investor less believing in the PayPal prospects in the future. This investor made the decision due to some variables such as, market conditions and trends.

4.2 External analysis of PayPal, Inc.

External analysis is an important component of strategic management because it offers valuable insights into a company's competitive environment and industry. The company can develop more effective strategies to help them thrive in the long run by understanding the external factors that affect their company. Some of the main reasons why external analysis is essential for strategic management are as follows:

4.2.1 PESTEL

PESTEL analysis is a useful instrument for strategic planning and management that is used by many organizations. PESTEL refers to the political, economic, social, technological, environmental, and legal elements that influence the larger business environment. It is an acronym for "political, economic, social, technological, environmental, and legal factors." PayPal functions in an environment that is both complicated and constantly changing. This environment is characterized by a changing regulatory landscape, a growing environmental activism, collective social trends, changing technological landscapes, and an ever-evolving legal system.

Other than competitive forces, PESTEL analysis provides detail about the operational challenges PayPal Holdings, Inc. will face in the prevalent macro environment. For example, a highly profitable industry with a strong growth trajectory will not benefit PayPal Holdings, Inc. if it is in an unstable political environment.

Political Factors that impact PayPal, Inc.

Political factors have a significant impact on PayPal's long-term sustainability and profitability, political factors are important in determining the factors that can affect PayPal Holdings, Inc.'s long-term profitability in a specific country or market. As PayPal is multinational company, they need to adapt with the sensitivity in politics environment in the different countries. In a political context, diversifying systematic risks is the key to success in a dynamic international business environment. A country's political environment consists of numerous factors.

PayPal Holdings, Inc. operates in Credit Services in over a dozen countries, exposing itself to various political environment and political system risks. To be successful in such a dynamic Credit Services industry across multiple countries, it is necessary to diversify the systematic risks of the political environment.

PayPal should consider the following political factors:

- Political stability, as well as the importance of the credit services sector to the country's economy.
- Threat of military invasion
- The level of corruption, particularly in the financial sector.
- Government bureaucracy and interference in the Credit Services industry.
- Contract enforcement legal framework
- Pricing regulations
- Taxation (rates and incentives)
- Wage legislation - minimum wage and overtime
- Financial sector industrial safety regulations.

Economic Factors that impact PayPal, Inc.

PayPal must understand economic factors such as foreign exchange/interest rates, labor market conditions, inflation, and saving rates, among others, because they influence the country's overall economic environment. A thorough understanding of the economic environment can assist PayPal in estimating the industry and organization's growth trajectory. PayPal must consider the following economic factors in order to make informed decisions:

In the macroenvironmental factors such as the inflation rate, savings rate, interest rate and foreign exchange rate decide aggregate demand and aggregate investment. While microenvironmental factors such as competition norms have an impact on the firm's competitive advantage. PayPal Holdings, Inc. can forecast the growth trajectory of not only the sector but also the organization by using country economic factors such as growth rate, inflation, and consumer spending.

PayPal should consider the following economic factors:

- Economic system type in operating countries
- Government intervention in the free market and financial institutions
- Currency stability in the main country and exchange rates
- Financial market efficiency
- Comparative advantages of the host country and the financial sector in the specific country.
- Workforce skill level

- Labour costs and productivity in the economy
- Economic growth rate
- Unemployment rate
- Inflation rate

Social Factors that impact PayPal, Inc.

PayPal must consider the following social factors when conducting macro-environmental analysis as it's heavily influenced by societal norms, values, and trends. Through informed PESTEL analysis, PayPal can design effective marketing messages and meet corporate objectives by understanding demographic trends, power structures, consumer spending patterns, and shared beliefs. PayPal's marketing department can use information gleaned from social and environmental analyses to target specific consumer groups and increase the appeal of offered products to potential buyers.

The population's shared beliefs and attitudes play a significant role in how marketers at PayPal, Inc. As society have impact in the culture inside the business environment.

PayPal should consider the following social factors:

- Population demographics and skill level
- The social class structure, hierarchy, and power structure
- Education standard level
- Traditions (gender roles, social conventions etc.)
- Entrepreneurial spirit
- Personalities (health, environmental consciousness, etc.)
- Hobbies and interests

Technological Factors that impact PayPal, Inc.

'Technology' is the rapid advancement and technology around the world has increased the importance of understanding technological factors during the strategic decision-making process. A thorough examination of the technological environment can assist PayPal in capturing technological trends in order to gain certain business advantages, such as increasing profitability, accelerating the innovation process, and improving operational efficiency.

The technology are rapidly changes in industries. Example the transportation industry, as over the last five years, the industry has changed at a breakneck pace, leaving established players scrambling to keep up. Players such as Uber and Lyft now dominate the taxi industry. The automotive industry is rapidly moving toward automation, led by technology companies such as Google, and manufacturing is being disrupted by Tesla, which has declared an electronic car revolution.

PayPal should consider the following technological factors:

- Update technological developments by competitors
- The impact of technology on product offerings
- The impact of cost structure
- Technological diffusion rate

Environmental Factors that impact PayPal, Inc.

Due to the changing climate conditions, it is become more important on the rising environmental consciousness, this factor has become an important component of PESTEL analysis. PayPal's international presence necessitates careful consideration of these differences to avoid disadvantageous outcomes. Environmental analysis is important and required on the launching new product in the new market.

Not only between countries, within same countries, different state might have different laws. Hence why before launching new business in a new market or in existing market, a company should also assess the standard to operate required for the environmental.

PayPal should consider the following environmental factors:

- Weather and climate change
- Pollution laws
- Regulations for air and water pollution
- Recycling
- Waste management in the financial sector
- Attitudes toward "green" or ecological products

Legal Factors that impact PayPal, Inc.

PayPal cannot enter a new market without researching the legal and regulatory on the new market. To avoid getting into serious trouble, legal aspects must be carefully evaluated. Not following the rules in this area can result in unfavourable outcomes for PayPal.

The legal framework and institutions in some countries are insufficient to protect an organisation's intellectual property rights. A company should carefully consider its options before joining those markets, as doing so may result in the theft of the organisation's secrets.

PayPal should consider the following legal factors:

- Antitrust law throughout the country.
- Discrimination law
- Copyright, patents, and intellectual property law
- Consumer protection and e-commerce law
- Employment law
- Health and safety law

4.2.2 Porter's five forces analysis

To conduct an in-depth analysis of the industry, the strategic managers at PayPal Holdings Inc. can make use of the Porter Five Forces framework, which is a strategic management instrument. It will be of assistance to the Strategists at PayPal. in mapping the various competitive forces that are prevalent in the financial industry in both the domestic and the global marketplaces.

The Porter Five Forces model is one tool that can be used by strategists to evaluate the level of competition that PayPal. faces in the Consumer Financial Services business. An examination of PayPal. through the lens of Porter's five forces will assist in gaining an understanding of the nature and degree of competition as well as providing insight into how the company can successfully navigate this environment.

Even though, when viewed from the outside, various industries appear to be very different from one another, when carefully examined, these five forces determine the drivers of profitability in each industry. Strategic planners can use the Porter Five

Forces model to gain an understanding of the main drivers of profitability at PayPal Holdings Inc. in the financial services industry.

Porter's Five Forces are:

- Bargaining power of suppliers
- Buyer's bargaining power
- Threats of a new Entrants
- Threat of substitute products
- Rivalry among existing players in the industry

- **Bargaining Power of Suppliers**

Consumer Financial Services - Suppliers with significant bargaining power will extract a higher price from PayPal Holdings Inc. It will have an impact on PayPal Holdings Inc's ability to sustain above-average profits in the Consumer Financial Services industry.

For PayPal, its suppliers are the banks and companies around the globe that are responsible for operating financial networks. Because of the internet, all businesses now have equal access to suppliers, and as a result, businesses gravitate towards purchasing standardised products, which reduces the amount of differentiation that exists between different types of competitors. As a result, the bargaining strength of suppliers is low.

Standardized products or services prevent suppliers from charging exorbitant prices because there are too many other suppliers who can provide products that are virtually identical to the ones they offer. The banks, which are the suppliers to all online payment providers, are contending against one another to provide the highest quality services at the lowest possible interest rates. As a result, PayPal has a wide variety of options from which to select the vendors that work best with the platform. But PayPal is working hard to strike partnerships with most of the local banks so that it can offer a broader variety of services to its customers and encourage them to use PayPal. It will not need to worry about the suppliers who charge excessively high prices on one-of-a-kind products or services because, if they do, PayPal can simply look for additional suppliers who charge prices that are more reasonable. This means that PayPal will not have to worry about the suppliers.

In addition to this, the ratio of PayPal's suppliers' concentration to its own firm's concentration is high because the company has a high brand ownership. Brand equity can be defined as the power that a brand possesses, which is derived from the goodwill and name recognition that it has acquired over the course of time, and which ultimately results in higher sales volume and higher profit margins in comparison to other brands.

The high brand equity of PayPal will continue to encourage customers to use PayPal services, which will result in the bank being required to provide PayPal with an increased number of services. When banks increase the number of services they provide to PayPal, they will see an increase in their profits. However, this will have the indirect effect of weakening the negotiating power of suppliers, since the suppliers rely on PayPal for increased revenue.

- **Buyers' Bargaining Power**

When buyers tend to have strong bargaining power, it will be limiting a company to make sustainable earnings. Threat of new entrants in the financial services industry - if there is a significant threat of new entrants in the industry, existing players will be willing to accept lower earnings in order to mitigate the threats from new players.

Although the fees charged to PayPal users are higher than those charges from competitors, the fees are not reduced. This is because PayPal advances with better services to its users than its competitors, one example allowing customers to hold up to 19 currencies from various countries so they can easily make payments.

It is the only company that permits users to hold that many currencies and has high fixed costs to run such services. Customers who desire to bargain for reduced fees may constitute a small percentage of all PayPal users. If PayPal lowers its fee for such a small percentage of dissatisfied customers, the business may suffer significant losses.

As a result, even if some users are price sensitive and negotiate for lower fees, PayPal will not make any changes because losing a small percentage of its users would not significantly reduce its profit.

- How PayPal deal with buyer's bargaining power
 - To attract more buyers, PayPal can concentrate on innovation and differentiation. Product differentiation and product quality are essential to industry buyers, and PayPal Holdings can attract many customers by concentrating on these.
 - Because buyer's bargaining power is low, PayPal must develop a large customer base. This can be accomplished through marketing efforts targeted at increasing brand loyalty.
 - PayPal can use its economies of scale to create a cost advantage and offer at low prices to the industry's low-income buyers. This will allow it to attract a big number of buyers.

- **Threats of a new entrants**

One of the businesses that has been hit by a wave of new competitors as a result of this trend is the business of online shopping (or e-commerce). There are many new businesses that offer services that are comparable to those offered by PayPal, such as Billpoint, PayDirect, whose service was discontinued in late 2004, and BidPay, which ceased operations in 2006, are examples of such companies.

Despite this, there are still a number of new and previous competitors in the market, including Google Checkout, Wirecard, Moneybookers, The InstantPay (launching in January 2011). Even these companies are all still operating they has no impact on PayPal's revenue as the company has shown remarkable development over the course of many years. Its revenue was US\$ 60 billion in 2008, representing a 27% increase when compared to the previous year. In 2009, it was US\$ 71 billion, representing a 19% increase when compared to the previous year.

During the first few years of PayPal's existence, there were fewer companies offering a service similar to PayPal. As a result, PayPal had a larger market share, which resulted in an increase in the number of consumers who used PayPal to pay for goods and services. Internet technology has become more advanced over the course of time, which resulted in internet applications becoming very simple to use and attracting an increasing number of new users.

PayPal's portion of the market is decreasing as a result of new competitors entering the industry. This is due to the increased number of options available to consumers when selecting an appropriate online payment service provider to handle

the processing of their payment. In addition to this, some of PayPal's rivals have superior offers than PayPal does, such as lower transaction fees and a more secure overall process. This results in a reduction in the amount of customer loyalty that is shown towards PayPal, which poses a risk to the business.

- How can PayPal deal with the threat of new entrants.
 - PayPal has purchased Fraud Sciences, a company that specialises in online risk tools, with the intention of enhancing eBay and PayPal's proprietary fraud management systems and accelerating the development of enhanced fraud detection tools
 - PayPal can concentrate on innovation to distinguish its products from those of new entrants. One example on keep the client instead of losing to the new competitor, PayPal can invest money in sales and marketing to keep the strong brand stay in mind.

- **Substitute products and services**

Threat of substitute products and services in the Financial Services sector - If the threat of substitute products and services is high, PayPal must either constantly engage in R&D or risk losing out to industry disruptors. This will be able to determine the probability that customers of your industry will switch to purchasing a different product or using a different service that is offered by a company in a different industry.

A new substitutions danger has emerged in a variety of different industries as a result of the proliferation of internet-based approaches brought about by technological advancements. In addition to online payment companies, the market for e-commerce offers a wide variety of other payment options, including electronic banking, credit cards, debit cards, checks, money orders, and money transfers.

Consumers are more likely to use more traditional payment methods, such as these types of traditional methods, rather than PayPal when conducting local transactions. When a person purchases an item with a credit card, the only costs that they will be responsible for paying are the purchase price of the item and the interest that will be assessed by the bank. However, if customer pays the bank ahead of schedule, they won't be subject to any interest charges, and using this technique will save him money compared to using PayPal.

Even if a person does not possess a credit card, they are still able to use internet banking to make their payment because all that is required of them is a savings account with the specific bank. Aside from that, having a savings account at a bank is preferable to having a PayPal account because many of PayPal's customers have complained about the company unilaterally freezing their accounts and refusing to consider their explanations for doing so. Because it is not subject to the regulations that apply to banks, PayPal has the ability to immediately and without warning freeze the accounts of its customers. As a result of this, there will be an increased risk for PayPal that its customers will switch to using alternative payment processing services.

A significant number of PayPal customers have voiced their dissatisfaction with the level of protection offered against fraudulent activity. Users are more likely to fall victim to scams, and sensitive data are more likely to be compromised. Buyers also have the option of paying with a money order in the event that they do not want this scenario to play out. sequence of currency

- **Rivalry among existing firms**

It's difficult to maintain confidential status for offerings in today's increasingly internet-based marketplace, competition is becoming increasingly difficult to differentiate from one another. As a result, PayPal utilised the strategy of forming alliances in order to acquire a greater proportion of market shares than its other competitors.

For example on February 18, 2010, Facebook announced a collaboration with PayPal. As a result of this partnership, users are now able to pay for their Facebook Credits by utilising the services of the payment provider. However, the ability to pay for virtual transactions through PayPal is excellent considering that they have more than 81 million accounts, and Facebook had tested other payment solutions before making the decision to have a partnership with PayPal. This demonstrates that PayPal is capable of handling a large volume of online transactions without any problems

PayPal is ratcheting up the pressure on its competitors in the smartphone payment service market. In 2008 PayPal made the announcement that it would be joining the MyMoneyManager collection of mobile financial services offered by Sprint Nextel. It was the company's innovation strategy that allowed it to not only bring in new customers but also offer its existing customers a broader variety of services to choose from. Sprint is set to become the first major operator in the United

States to offer mobile money transfers between subscribers thanks to a partnership between PayPal, which will provide financial services to Sprint customers. Additionally, its charge is lower than that of Obopay. By taking this action, PayPal has increased the amount of pressure that is being placed on Obopay, and it has also demonstrated that the intensity of the competition it faces is very high.

In addition to that, the advancement of technology brought about by the internet also causes competitors' prices to become more competitive. Despite the fact that PayPal's charges and fees for conducting online payments are marginally higher than those of its primary competitors, the company still manages to attract a significant number of repeat customers in addition to new ones.

Because none of PayPal's competitors are able to offer such a comprehensive selection of services, using PayPal is the superior option in comparison to those other options. Customers who have a PayPal account can pay for a wide variety of additional services and products, which makes the transaction process significantly simpler. Customers do not need to create a new account solely for the purpose of making that particular purchase.

How PayPal can handle the rivalry among existing firms.

- PayPal should concentrate on differentiating its products so that the actions of rivals have less of an impact on its consumers who seek its unique products. As the industry expands,
- PayPal can concentrate on acquiring new customers rather than retaining existing ones.
- PayPal can perform market research to better understand the industry's supply-demand situation and avoid overproduction.

4.3 SWOT Analysis

By conducting a SWOT analysis, a company will be able to gain a better understanding of how PayPal has grown to become one of the most successful online banking solutions in the world.

SWOT stands for strengths, weaknesses, opportunities, and threats. The first two elements of the SWOT analysis are referred to as internal factors, while the two subsequent elements are referred to as external factors. Internal factors are those that

can be controlled by the entity being analysed in the SWOT analysis, which in this case is a company. This is the reason why strengths and weaknesses are referred to as internal factors. These internal factors are susceptible to being influenced, developed, or mitigated.

Threats and opportunities, on the other hand, are not within the company's sphere of influence because they happen unannounced and sometimes even when they are not anticipated. This makes it impossible for the company to prepare for them. These aspects of the situation are beyond the control of the company in any way.

It was up to the founders of PayPal to make this feasible by making efficient use of their resources, so the fact that the company now operates on a global scale demonstrates that this is a strength of the company. Because of this, we can recognize this as an internal factor affecting the business. On the other hand, this may become a problem for them if there are a significant number of new challengers entering the market.

Because they do not have any influence or control over their rivals, we consider this to be a danger rather than a weakness. They have no influence over the number of businesses that start up in their industry and start giving them a run for their money. Therefore, this is an external element.

Table 5: SWOT analysis PayPal Holdings, Inc.

Strength	Weakness
<ul style="list-style-type: none"> • Brand name • Usability • International brand • Innovation • Tech Expertise • Pandemic advantage 	<ul style="list-style-type: none"> • High fee • Frauds • Restriction • Internet dependence • Controversial
Opportunities	Threats
<ul style="list-style-type: none"> • Market expansion • Digital crypto • Technology development • Cashless economy 	<ul style="list-style-type: none"> • Political tension • High competition • Cyber crime • Young industry

Source: Author, 2023

PayPal Strength

- **Brand name**

The main advantage has always been and will continue to be its well-known brand name. Paypal has become a household name due to the high quality of its products and the positive reputation it has earned over the years. Because of its brand name, the company has seen a significant increase in the number of customers it serves, which also distinguishes it from its competitors.

According to Statista, PayPal has become a very popular method of conducting online transactions in the United States in recent years. PayPal accounts for approximately 22% of all internet transactions in the United States. The PayPal mobile application is currently used by the greatest number of people. By 2020, the total value of all online transactions conducted through PayPal will be approximately 246.7 billion dollars. It has increased by 38% over the previous year.

When the idea of making an online payment, whether for the purpose of purchasing something, sending or receiving money from someone else, or both, PayPal is the first thing that comes to mind. As a result, the company's ability to establish such a strong reputation for itself as a brand is truly remarkable.

- **Usability Convenient user friendly**

PayPal's online platform is one of the most polished platforms available today, with layout and interface that are very convenient and easy to use. The company has refined its core procedures and services, making PayPal's online platform one of the most refined platforms available today, giving users and businesses a frictionless experience. Because of the platform's simplicity, any non-tech person can easily figure out by its layout how to perform online transaction and users from all over the world have been able to access and use its services without incident. Overall, it has given the company a distinct advantage over its competitors.

Companies that provide straightforward and simple-to-understand products and services outperform their competitors; even tough consumers take them for granted. PayPal is extremely simple to use if a person has some level of familiarity with technology. As a result, the company has a strong point in that it is very easy to acquire new customers.

- **International/ Global presence brand/ customer base**

PayPal is a global brand that offers online payment and transaction services in over 200 countries. The business has a significant competitive advantage because of its global reach. Because of this, the business serves the largest number of clients in its industry.

A sizable number of new users have been attracted to PayPal as a result of the company's efforts to expand into new markets. The company's subsidiaries allow it to offer its services in virtually every country, with a few notable outliers. The company's global reach is a key factor in its continued success.

Having a large customer base, much less a worldwide one, is invaluable for any business. PayPal is an example of a company that can easily expand due to low entry barriers. Right now, about 200 different nations and regions use them.

Strategic mergers and purchases have allowed them to rapidly expand into new international markets. For example, they're able to do business in China thanks to their relationship with Baidu. PayPal is doing incredible things in India. In addition to being usable in the nation, they also boast one of the largest engineering teams in the world, second only to their American counterparts.

- **Innovation / Diverse service portfolio**

PayPal's business strategy has been refined, but the company is still striving to provide its customers with the most innovative payment solutions possible. Innovation is critical to a company's success in the highly competitive market for online payment solutions. PayPal has grown its customer base by making innovative improvements to its products, services, and technological processes.

PayPal is a forward-thinking company, not only in terms of the solutions it provides, but also in terms of its business history. Looking back at their business history, they have always been on the cutting edge. They put in a lot of time and effort over many years to refine and improve their business strategy in order to get to where they are now in the world.

PayPal caters to a wide range of consumers and provides a wide range of services. PayPal users include corporate vendors, merchants, businesses, and even regular customers. Each of them has a distinct set of prerequisites. Some of the most important services provided by PayPal include online invoicing, a virtual terminal, the option to sell digital products, PayPal Here, the PayFlow Payment Gateway.

- **Tech expertise / background**

After purchasing PayPal in 2002 for \$1.5 billion, eBay made significant enhancements to its encryption system and ensured that it is now one of the most financially secure platforms available. PayPal's platform now has an additional level of protection thanks to the Two-step verification procedure as well as other cutting-edge technological tools.

- **Growth during pandemic**

Because of the pandemic crisis, banks and other financial institutions all over the world have been forced to close their doors and secure their doors. The entirety of the scenario served to support the idea of conducting business online. Because of this reason, the yearly revenue and profit both saw increases of 19.15% and 23.9% respectively.

PayPal Weakness

- **High fee**

Due to the lack of competition, PayPal has been able to take advantage of its dominant position in the online payments market and charge high fees to customers. While the majority of customers are willing to pay these fees, some have chosen to shift their business to less expensive competitors. Overall, the platform's high costs are a major design flaw.

PayPal can charge higher transaction fees due to the significant market share it currently holds; as a result, the company views this as a competitive advantage.

Service or product charges customers in some way, as this could be seen as weakness due to the high fee, PayPal can be expensive. There are other options on the market, and while they may not be as good, the prices for these alternatives are more appealing.

Many financial analysts have praised the transaction fee charged by PayPal. Chargebacks, transactions, card authorisation, and international card transactions all incur a hefty fee from the company. For the company to gain more customers, the pricing range should be reduced.

- **Frauds**

PayPal has been the victim of several cyberattacks, each of which has undoubtedly tarnished the company's reputation. Their online banking platform lacks the level of security that one would expect from such a service. The ability to send money online, along with other benefits, has helped to attract a large number of customers. However, there has been an increase in the incidence of cybercrime and the risk of online fraud in recent years.

This problem must be addressed as soon as possible so that it can be resolved before things spiral out of control for the company and cause them to lose followers. Because of the platform's nature, it attracts many con artists who attempt to con people out of their money. This is one of the reasons why some businesses and customers have switched to competitors. PayPal has always struggled to deal with fraudulent activity. Furthermore, the company has been the victim of numerous phishing and hoax attacks, both of which have harmed its reputation.

- **Restrictions / Prohibited in some countries**

PayPal has imposed some restrictions on specific businesses. As a result of these restrictions, the company has lost significant business, and competitors have begun to capitalize on the opportunities presented by PayPal's constraints. Some of these constraints are the result of political tensions, while others are the result of internal company policies.

As most of us are aware, PayPal currently serves over 200 countries worldwide by providing online financial transaction services. Many developing countries, including Pakistan and Sri Lanka, have significant untapped economic expansion potential. Once established in those markets, the company will attract the attention of millions of new potential customers.

- **Internet dependence**

In practice, PayPal is only useful when connected to the internet is required for the completion of a variety of local and commercial transactions, including the easy transfer of funds online; money cannot be transmitted without an internet connection. Obtaining a fast internet connection should not be a problem in developed countries. This leaves a lot of room for countries or regions where citizens do not always have access to reliable internet connections.

PayPal should be able to devise a funding method that does not necessitate constant internet access, so PayPal should have a backup plan in place. Instead, could learn how to invest in appropriate infrastructure for areas with limited internet access. There are many countries where dependable internet access remains a significant challenge.

- **Controversial**

Many people have complained that PayPal has frozen their accounts, terminated them against their will, or withheld their money. If these controversies and accusations are proven to be true, and the company is acting in this manner for no legitimate reason, the company will be held accountable. It would cause many potential customers to back out of their purchase.

PayPal has been involved in a few controversies in the past, relating to shams and other forms of fraudulent behaviour. As a result of PayPal's involvement in these scandals, the company's reputation and brand name have suffered; as a result, PayPal has lost some customers and given competitors an opportunity to fill a void. In the past, these controversies have been PayPal's weakness.

PayPal Opportunity

- **Market expansion / Business connect**

Expansion PayPal already has a solid foundation for its business; however, as previously stated, the company does not operate in all countries. PayPal would benefit from entering these markets and expanding its customer base. Similarly, the company can expand into emerging economies to gain market share and build its foundation. Even though PayPal is already present in 200 countries worldwide, there are many regions where their services are not available. International expansion is unquestionably the way to go because it provides more opportunities for business growth.

PayPal's customer database could grow if the company formed alliances and relationships with companies that provide financial assistance to both consumers and businesses.

- **Digital Crypto**

By introducing these transactions, cryptocurrency PayPal can benefit from expanding into the cryptocurrency market. Many online customers are shifting to cryptocurrency payments and using various services for those; however, if the company expands into the market, it may attract more customers.

PayPal should be willing to accept cryptocurrency transfers on its platform. In the near future, cryptocurrency is expected to become a huge deal. Everything has gone digital; it is only a matter of time before currency follows suit. This is an exciting area for the company to investigate and develop. They may in fact be the forerunners in allowing digital crypto trade.

Many online businesses and freelancers use digital cryptocurrency for a variety of purposes. It enables them to conduct safe and secure transactions, and many platforms accept digital currency as a mode of payment. People's acceptance of the internet and digital literacy, access to internet connections, and widespread use of mobile devices has increased. PayPal should also think about launching its own digital currency in order to facilitate secure transactions.

- **Tech development**

Technological advancement Despite the fact that PayPal already has the technology needed to power its business model, the company could benefit from incorporating some new features into its products. Although the company has established a monopoly in which it does not need to change much, competitors are incorporating new improvements into their products, and if PayPal follows suit, it will be able to outperform its competitors in those areas.

PayPal has a significant obligation to always be prepared for emerging technological trends because it operates in the highly innovative and ever-changing field of technology.

They already have a significant technological advantage in terms of the breadth of their operations, and they have the potential to hone this advantage even further to become future leaders in technological innovation. Because the online banking industry is still in its infancy, they have a lot more to learn.

- **Cashless economy**

There has been a recent uptick in activity regarding cashless economies, and an increasing number of nations are heading in that direction. To cover the void, PayPal ought to step in and provide microtransactions that are both quick and straightforward. It would be of tremendous assistance to the business in terms of increasing its share of the market.

PayPal Threat

- **Political tension / instability**

The problems with political tensions between the United States and China are a recent example of this. These types of political activities have the potential to limit PayPal's activities and reduce its user base. Because PayPal's primary operations are based in the United States, any political tensions between the United States and other countries can have an effect on the company's operations. As a result of broader political tensions, the company is vulnerable to risk. The United States and China are perpetually at odds on political issues. Due to the current state of affairs, doing business between the two countries is extremely difficult. It is likely only a matter of time before another political issue arises, forcing PayPal to withdraw from the Chinese market.

Additionally, because of ongoing political conflicts between countries around the world, many parts of the world still do not use PayPal.

- **High Competition**

PayPal faces competition as well, which is a risk because the company has the largest market share in the online payment business, making it an appealing target for most other businesses. PayPal is up against a slew of other companies, including Google Wallet, We Pay, and others. These firms are all competing for the same market share as PayPal. The threat of competition has always existed for PayPal, and it will continue to exist in the future as companies such as Google Wallet, Payoneer, WePay, and other financial service providers expand. Their market share, as well as the number of regular users, is increasing. PayPal faces a significant challenge as their wealth grows.

- **Cybercrime / cyber attacks**

The business that is PayPal is currently being run in several countries around the globe. The United States and other nations each approach the issue of cyberattacks in their own unique ways. Some people are very strict, while others are very indolent. It raises the likelihood of criminal activity taking place online.

Because of the industry in which it functions, PayPal is subject to many potential instances of cybercrime. Since the company deals with the money of its customers, hackers and other unauthorized parties attempt to target the platform to steal money from its users' accounts. This threat since beginning already been a threat, if it's not handle properly will cause damage on its reputation.

- **Young industry**

Young industry offers many opportunities for companies to grow and expand, but it is also true that this opportunity is not exclusive; anyone can participate and do well provide they have the appropriate resources.

Because the trend of online banking is still developing in many regions, there aren't very many obstacles to overcome in order to get started in this business. It's possible that regionally focused and locally based rivals in a variety of areas will render PayPal's services obsolete.

- **Financial / Banking services**

When PayPal entered the market for financial services, it immediately gained a competitive advantage by being able to facilitate internet transactions. These days, many traditional financial institutions, such as banks, offer online money transfers and other internet business services to their customers. Local banks are a more reliable financial institution than their internet counterparts.

5. Results and Discussion

After conducting a comprehensive analysis of PayPal's internal and external, concludes that PayPal is still a leading player in the digital payment processing market, due to the broad range of services to customers and merchants.

The company has been successful in growing the number of customers and revenue stream revenue streams thanks to the company's use of innovative technology, strategic collaborations, and highly effective marketing campaigns. The business has also shown a strong commitment to ensuring the safety, even though scam artists, and criminals who operate online pose an ever-increasing threat, which is only expected to increase over time. It is imperative that PayPal put in place precautionary measures to reduce the likelihood of similar incidents occurring in the future of its users and preventing fraudulent activity, which has contributed to the growth of the users' trust and confidence in the company.

Additionally, this has recognized several potential areas for future growth and improvement for PayPal. Some of these potential areas include expanding into new markets and industries, developing new payment processing technologies, and improving customer service and support.

PayPal has shown is a highly innovative and successful business in the payment processing industry, and that its continued growth to hold a dominant position in the highly competitive market for businesses that provide online financial services and success are likely to continue in the years to come. In general, this thesis has demonstrated that PayPal still hold a dominant position in the highly competitive market for businesses that provide online financial services

6. Conclusion

The master's thesis focused on analysing PayPal Holdings, Inc. The rising of Fintech industry in a digital payment sector especially during pandemic (Covid-19) heavily influences PayPal business as they gain more popularity. PayPal is chosen because it's the pioneer and dominance in the industry, with 435 million active users.

The analytical data is being used to analyse the internal and external from company environment to determine the trends, new technology and consumer behaviour. The analysis focus on literature review and practical component. Internal analysis focus on the company organization internally (something that can be handled inside the company) with company culture and financial statements. Whilst for external PESTEL, Porter's five component and SWOT analysis is being used.

From the financial analysis, PayPal shown solid success in the recent years, especially during Covid-19, with growth of customers base and revenue, even in 2019 PayPal becomes first foreign payment platform to be approved for online payment in China and the revenue rising from 21% to 21.5 billion in 2020 (PayPal, 2023).

PESTEL analysing the businesses in adapting to market and environmental changes. It's provided business with data to decide in the future as they able to evaluate the risk and rewards of various strategic options and to choose the one that is will likely to succeed.

Porter's five forces are used as it's benefit for PayPal to identifying rivalry in the industry. This will allow PayPal to understand better the position in market to be able make strategic choices, attract new clients, developing strategies for cost decrease. While by asses the threat of substitute product and services, PayPal able to develop strategies on how their product to stay in the competitive industries.

With SWOT analysis, to can assess PayPal's present business environment's strengths, weaknesses, opportunities, and threats. PayPal has a strong brand and a big user base, but it confronts challenges such as reliance on eBay and cybersecurity threats. To overcome these challenges and continue to develop in the online payment industry, PayPal can explore new possibilities for expansion, such as entering new markets and forming strategic partnerships.

The conclusion is that PayPal Holding's inc. is still in an excellent situation in rising demand for digital payment solutions and has the potential for continued expansion in the years to come

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Appendix

Income statement PayPal Holdings, Inc. 2019 – 2022, in USD thousands

Period Ending:	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total Revenue	\$27,518,000	\$25,371,000	\$21,454,000	\$17,772,000
Cost of Revenue	--	--	--	--
Gross Profit	\$27,518,000	\$25,371,000	\$21,454,000	\$17,772,000
Operating Expenses				
Research and Development	\$3,253,000	\$3,038,000	\$2,642,000	\$2,085,000
Sales, General and Admin.	\$20,221,000	\$18,009,000	\$15,384,000	\$12,897,000
Non-Recurring Items	\$207,000	\$62,000	\$139,000	\$71,000
Other Operating Items	--	--	--	--
Operating Income	\$3,837,000	\$4,262,000	\$3,289,000	\$2,719,000
Add'l income/expense items	-\$471,000	-\$163,000	\$1,776,000	\$279,000
Earnings Before Interest and Tax	\$3,366,000	\$4,099,000	\$5,065,000	\$2,998,000
Interest Expense	--	--	--	--
Earnings Before Tax	\$3,366,000	\$4,099,000	\$5,065,000	\$2,998,000
Income Tax	\$947,000	-\$70,000	\$863,000	\$539,000
Minority Interest	--	--	--	--
Equity Earnings/Loss Unconsolidated Subsidiary	--	--	--	--
Net Income-Cont. Operations	\$2,419,000	\$4,169,000	\$4,202,000	\$2,459,000
Net Income	\$2,419,000	\$4,169,000	\$4,202,000	\$2,459,000
Net Income Applicable to Common Shareholders	\$2,419,000	\$4,169,000	\$4,202,000	\$2,459,000

Source: Nasdaq.com, 2023

Cash flow PayPal Holdings, Inc. 2019 – 2022, in USD thousands

Period Ending:	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Net Income	\$2,419,000	\$4,169,000	\$4,202,000	\$2,459,000
Cash Flows-Operating Activities				
Depreciation	\$1,317,000	\$1,265,000	\$1,189,000	\$912,000
Net Income Adjustments	\$2,531,000	\$2,008,000	\$1,415,000	\$1,775,000
Changes in Operating Activities				
Accounts Receivable	-\$163,000	-\$222,000	-\$100,000	-\$116,000
Changes in Inventories	--	-	-	-
Other Operating Activities	-\$1,112,000	-\$1,664,000	-\$1,291,000	-\$1,645,000
Liabilities	\$821,000	\$241,000	\$804,000	\$686,000
Net Cash Flow-Operating	\$5,813,000	\$5,797,000	\$6,219,000	\$4,071,000
Cash Flows-Investing Activities				
Capital Expenditures	-\$706,000	-\$908,000	-\$866,000	-\$704,000
Investments	-\$2,907,000	-\$1,483,000	-\$12,190,000	-\$4,985,000
Other Investing Activities	\$192,000	-\$2,758,000	-\$3,489,000	-\$53,000
Net Cash Flows-Investing	-\$3,421,000	-\$5,149,000	-\$16,545,000	-\$5,742,000
Cash Flows-Financing Activities				
Sale and Purchase of Stock	-\$4,056,000	-\$3,211,000	-\$1,498,000	-\$1,273,000
Net Borrowings	\$1,789,000	-\$89,000	\$3,966,000	\$2,955,000
Other Financing Activities	-\$335,000	-\$1,036,000	-\$573,000	-\$504,000
Net Cash Flows-Financing	-\$1,110,000	-\$557,000	\$12,454,000	\$4,187,000
Effect of Exchange Rate	-\$155,000	-\$102,000	\$169,000	-\$6,000
Net Cash Flow	\$1,127,000	-\$11,000	\$2,297,000	\$2,510,000

Source: Nasdaq.com, 2023

Balance sheet PayPal Holdings, Inc. 2019 – 2022, in USD thousands

Period Ending:	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Current Assets				
Cash and Cash Equivalents	\$7,776,000	\$5,197,000	\$4,794,000	\$7,349,000
Short-Term Investments	\$3,092,000	\$4,303,000	\$8,289,000	\$3,412,000
Net Receivables	\$44,751,000	\$41,787,000	\$36,764,000	\$26,934,000
Inventory	–	–	–	–
Other Current Assets	\$1,898,000	\$1,287,000	\$1,148,000	\$800,000
Total Current Assets	\$57,517,000	\$52,574,000	\$50,995,000	\$38,495,000
Long-Term Assets				
Long-Term Investments	\$5,018,000	\$6,797,000	\$6,089,000	\$2,863,000
Fixed Assets	\$1,730,000	\$1,909,000	\$1,807,000	\$1,693,000
Goodwill	\$11,209,000	\$11,454,000	\$9,135,000	\$6,212,000
Intangible Assets	\$788,000	\$1,332,000	\$1,048,000	\$778,000
Other Assets	\$2,455,000	\$1,737,000	\$1,305,000	\$1,292,000
Deferred Asset Charges	–	–	–	–
Total Assets	\$78,717,000	\$75,803,000	\$70,379,000	\$51,333,000
Current Liabilities				
Accounts Payable	\$4,994,000	\$4,188,000	\$3,029,000	\$2,392,000
Short-Term Debt / Current Portion of Long-Term Debt	\$40,107,000	\$38,841,000	\$35,418,000	\$24,527,000
Other Current Liabilities	–	–	–	–
Total Current Liabilities	\$45,101,000	\$43,029,000	\$38,447,000	\$26,919,000
Long-Term Debt	\$10,417,000	\$8,049,000	\$8,939,000	\$4,965,000
Other Liabilities	–	–	–	–
Deferred Liability Charges	\$2,925,000	\$2,998,000	\$2,930,000	\$2,520,000
Misc. Stocks	–	–	\$44,000	\$44,000
Minority Interest	–	–	–	–
Total Liabilities	\$58,443,000	\$54,076,000	\$50,360,000	\$34,448,000
Stock Holders Equity				
Common Stocks	–	–	–	–
Capital Surplus	\$18,954,000	\$16,535,000	\$12,366,000	\$8,342,000
Retained Earnings	-\$16,079,000	-\$11,880,000	-\$8,507,000	-\$6,872,000
Treasury Stock	\$18,327,000	\$17,208,000	\$16,644,000	\$15,588,000
Other Equity	-\$928,000	-\$136,000	-\$484,000	-\$173,000
Total Equity	\$20,274,000	\$21,727,000	\$20,019,000	\$16,885,000
Total Liabilities & Equity	\$78,717,000	\$75,803,000	\$70,379,000	\$51,333,000

Source: Nasdaq.com, 2022