

Customer Awareness on Payment Banks, the latest IT-enabled Indian Banks connecting people – An Empirical Study

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Abstract

After many decades, in the history of Indian Banking Sector, the RBI has issued 'in-principle' license for selected companies to launch Payment Banks. This is a major step of RBI to reach small villages and low income group of people as a part of financial inclusion. The utilization of Information innovation has been getting propelled day by day, and the Indian economy is moving towards cashless economy, there is a requirement for the general population to know about different IT-enabled banking services. The present paper provides a purview of awareness level among the people towards Payment Banks. The study is based on structured questionnaire. For the purpose of the study both primary data as well as secondary data has been used. A standard methodology has been adopted and various statistical tools like ANOVA, Post hoc test have been used to extract the output.

Key words: Payment Banks, IT-enabled banking services, awareness, cashless economy.

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Introduction:

Payment Banks are a part of a special category of banks which are authorized to offer a limited range of services to its customers, which include providing remittances and receiving payments. These banks primarily differ from Differentiated banks by the fact that they are not authorized to carry out lending services in the form of giving loans or issuing Credit Cards. Payment Banks have been vital to the realization of financial inclusion which promotes affordable financial services to the low-income and disadvantaged groups.

Financial inclusion aims at providing a platform for the low- income groups to save their life earnings. In the absence of such a platform, income of the disadvantaged sector including the rural laborers and the urban wage

workers is often saved in the form of gold or is used in overspending. Keeping in mind these obstacles to economic growth and prosperity, the development of payment banks was seen as a means to overcome these hindrances.

Payment Banks will utilize the Mobile Platform to facilitate transactions between two or more parties. They have been designed to deliver banking services in the most remote areas of the nation as a step towards economic progress. Payments banks will be available where physical penetration is difficult and is most likely to bring about a dip in the cost of banking services when compared to differentiated banks. They have become a means of reaching out to the erstwhile unbanked regions to incorporate those regions into mainstream financial systems by promoting financial inclusion.

Payment Banks are a partnership between Banks and telecom companies. Since the rural and remote areas lack the infrastructure for institutional development of Banks and financing systems, Payment banks which operate through the medium of mobile phones are best suited for such a situation. These banks are likely to aid the disadvantaged groups to carry out transactions electronically eliminating the role of middlemen, while at the same time facilitating organized finances throughout the country.

On 28 February 2015, during the presentation of the Budget it was announced that India Post will use its large network to run a payments bank. The external advisory committee headed by Nachiket Mor submitted its findings on 6 July 2015. The applicant entities were examined for their financial track record and governance issues. On 19 August 2015, the Reserve Bank of India gave "in principle" licences to eleven entities to launch payments banks:

1. Aditya Birla Nuvo Limited (Idea)
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. Department of Post, Govt. of India
5. Fino Pay Tech Limited
6. National Securities Depository Limited (NSE)
7. Reliance Industries Limited
8. Shri. Dilip Shanthilal Shanghvi (Sun Pharma)
9. Shri. Vijay Shekhar Sharma (Paytm)
10. Tech Mahindra Limited
11. Vodafone m-pesa Limited

Payment Banks – Do's and Don'ts

As per RBI norms, a payment banks do's and don'ts are listed here:

- They can't offer loans.
- They can't issue credit cards.
- They can raise deposits of upto Rs. 1 lakh, and pay interest on these balances just like a savings bank account does.
- They can enable transfers and remittances through a mobile phone.

- They can offer services such as automatic payments of bills, and purchases in cashless, cheque-less transactions through a phone.
- They can issue debit cards and ATM cards usable on ATM networks of all banks.
- They can transfer money directly to bank accounts at nearly no cost being a part of the gateway that connects banks.
- They can provide forex cards to travellers, usable again as a debit or ATM card all over India.
- They can offer forex services at charges lower than banks.
- They can also offer card acceptance mechanisms to third parties such as the 'Apple Pay'.

Review of Literature

Dr. J.C Pandey (2009) elaborated the services rendered by Payment Banks. The researcher also explained the process of setting up a Payment Bank under the guidelines of RBI

G. Sivakrishna and S.Venugopal (2010) has made an empirical study on how ebanking helps to improve customer base. The study was also an attempt to analyse the customer perception, customer preferences and customer satisfaction levels towards ebanking services. Based on the study, the researchers concluded that with better understanding of customer perceptions, the banks will be able to determine required actions to satisfy the customers.

Dr. Malhotra (2010) discusses in her paper that the results show whether the private and foreign Internet banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks. She also identifies that the size of the bank, experience of the bank in offering Internet banking, financing pattern and ownership of the bank are found to be the most significant determinants of the successful payment banks.

Nidhi Chandaran (2011) also made a conceptual study on need of Payment Banks in India. The study was based on secondary data. The researcher also focused on PPI (Pre-payment Instruments), a conceptual study.

Dr. Srinivasan, Prof. Subramanian (2012) has made a detailed conceptual study of Payment Banks. The researchers mainly concentrated on finding an answer to certain questions like who are these payment banks, why do we need Payment Banks when we already have public, private, foreign and cooperative banks, what are the value-added services rendered by payment banks and so on. The researchers concluded there is much possibility in the near future to open more Payment Bank Accounts in addition to their regular bank accounts.

Rahmath Safeena et.al, (2012) in his study "Technology Adoption and Indian Consumers: Study on Mobile Banking" identified that the evolution of e-banking started from the use of Automatic Teller Machines (ATMs) and telephone banking (Tele-banking), direct bill payment, electronic fund transfer and a wide variety of allied services offered by the modern banking system.

Vishal R Sandanshive, Dr. Vivek V Katdare (2013) analyzed the 11 entities functional areas which are approved under In-principle by RBI. The paper also highlighted the benefits for the customers and to the different entities. The main objective of the research was to know the role of payment banks in the process of

financial inclusion. The study tells that telecom companies has greater advantage in partnering to the Payment Banks as they have already networks reaching to the rural customers.

Tavishi and Santosh Kumar (2013) in their study “An Empirical Study on Technology Adoption by Indian Banks” illustrated the factors influencing the customers to avail internet banking and mobile banking services in India and hence examined the impact of perceived usefulness and perceived risk on the use of internet banking and mobile banking.

Prema C (2013) in her research article “Factors Influencing Consumer Adoption of Internet Banking in India”, examined the process of internet banking services and made a detailed study on the benefits of internet banking to the common public. The researcher concluded that it is essential for the banks to create awareness to attract consumers’ attention to internet banking services.

R. Elavarasi (2014) in her research paper has identified the bank which provides better ebanking services to the customers and also analyzed the satisfaction level of the customers regarding the inter banking website of banks. It is evident that the age, educational qualification, occupation, income level of customers etc., are the factors which influence the usage of e-banking services by customers. The researcher concluded by stating that there is need for increased awareness of the e-banking services among the customers.

Dr. M.S. Rao (2014) stresses in his paper that there is a need for constant innovation in the retail banking sector. However, the updated technology and operational efficiency would provide a greater competitive edge for the retail banking business. Furthermore, he emphasized that it is increasingly important for the banks to improve the quality of the customer services and cut off predatory lending strategies, particularly in the area of credit cards interest payment.

Dr.Uday Singh Rajput (2015) in his research paper made a conceptual study on the customer perception towards e-banking services. The paper examined whether the customer’s choice of banks is influenced by the quality of e-banking services provided by the banks. The study revealed that education, gender and income play a vital role in the internet banking services by the customers. The researcher concluded that the timely upgradation of skills will create greater demand for he online banking by customers.

Varun Kesavan (2015) has made an attempt to analyse what and how are the innovative services provided by banks to the society. The author also tried to evaluate the benefits of these facilities to the customers and to the banks at large. The researcher concluded by stating that ICT enabled introduction of payment banks have made tremendous impact on the banking sector. He reiterates that priority banking is a symphony of banking benefits and more significantly, the personalized services which brings complete harmony to all the financial needs of a common man.

Joseph Rozario (2016) insisted in his paper that the retail banking needs a continuous innovation and up gradation .He also examined that the banks should call for a constant evaluation and revalidation of the internal systems and processes to attain a paradigm shift in bank financing to suit the customer needs.

Scope of the Study:

The Payment Banks are the recent emergent in the Indian Banking Sector. Even though many research has been done on the Payment Banks, Its of Conceptual study. As far as the review of literature is concerned, there is no

research to be found on the customer's awareness and their view towards Payment Banks. The concept of Payment Banks is a great initiation taken by RBI as a part of Financial Inclusion. There is a greater scope for further study, as to know whether it is truly reaching to the rural consumers, farmers, merchants and totally to the unorganized sector as per its motto. The present paper helps the Payment Banks companies to create awareness among the people.

Objectives

1. To study the concept of 'Payment Banks'.
2. To know the awareness level of respondents towards Payment Banks.
3. To know whether the demographical variables has an influence on the awareness level of customers.

Statement of the problem

Indian banking sector tremendously moving towards Digitalization. To fulfill the objective of Financial Inclusion, the role of Payment Banks is enormous. Payment Banks focuses on reaching towards small merchants and low income group of people. Even though RBI has taken many initiatives to reach all the sectors of people, there is a necessity to study whether the people are aware about the Payment Banks and its facilities. To make India, a cashless economy, the complete knowledge about banking services is very much essential for the people. Hence, there is a need to study "**Customer Awareness of People towards Payment Banks**".

Research Methodology:

Data Collection: Primary Data is collected directly by interacting with the customers by using structured questionnaire method. Secondary Data was collected from the existing data sources, Catalogues, Internet, Magazines and Newspapers.

The Population

The population consists of Bangalore City.

Sample Size and Sampling Method: For purpose of the study, probability sampling technique has been adopted. 135 respondents based on different demographical variables i.e age and education were selected on convenience basis for the study.

Hypothesis:

- Ho: There is no significant relationship between the demographical variables such as age, gender, qualification, occupation, income on customer awareness of Payment Banks.
- Ha: There is a significant relationship between the demographical variables such as age, gender, qualification, occupation, income and the customer awareness on Payment Banks.

Analysis and Interpretation:

Demographical Variables:

1. Age

Hypothesis Ho: There is no significant impact of age on customer's awareness of Payment Banks.

Alternative Hypothesis Ha: There is a significant impact of age on customer's awareness of Payment Banks.

Table 1: Age and Awareness of customer on Payment Banks-Cross tabulation

Age	N	Mean	Std. Deviation
Upto 25 yrs	41	1.32	.471
26-35	34	1.15	.359
36-45	26	1.04	.196
46-55	22	1.18	.395
above 56 yrs	12	1.08	.289
Total	135	1.18	.384

Table 2: ANOVA Table

Total	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.440	4	.360	2.558	.042
Within Groups	18.294	130	.141		
Total	19.733	134			

The above table shows the results of ANOVA used to test age impact on customer awareness of payment banks. The significant P-value(0.042) clearly exhibits age has significant impact on the customer's awareness with regard to Payment Banks. Since the p value 0.042 is less than alpha 0.05, Null Hypothesis is rejected and Alternative hypothesis is accepted. Therefore, there is a requirement to know which age group differs significantly from the other. Hence, the Post Hoc test is conducted.

Table 3: Post Hoc test

	(I) Age	(J) Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	Upto 25 yrs	26-35	.170	.087	.295	-.07	.41
		36-45	.279*	.094	.029	.02	.54
		46-55	.135	.099	.652	-.14	.41
		above 56 yrs	.234	.123	.323	-.11	.57

	26-35	Upto 25 yrs	-.170	.087	.295	-.41	.07
		36-45	.109	.098	.800	-.16	.38
		46-55	-.035	.103	.997	-.32	.25
		above 56 yrs	.064	.126	.987	-.28	.41
	36-45	Upto 25 yrs	-.279*	.094	.029	-.54	-.02
		26-35	-.109	.098	.800	-.38	.16
		46-55	-.143	.109	.680	-.44	.16
		above 56 yrs	-.045	.131	.997	-.41	.32
	46-55	Upto 25 yrs	-.135	.099	.652	-.41	.14
		26-35	.035	.103	.997	-.25	.32
		36-45	.143	.109	.680	-.16	.44
		above 56 yrs	.098	.135	.949	-.27	.47
	above 56 yrs	Upto 25 yrs	-.234	.123	.323	-.57	.11
		26-35	-.064	.126	.987	-.41	.28
		36-45	.045	.131	.997	-.32	.41
		46-55	-.098	.135	.949	-.47	.27

*. The mean difference is significant at the 0.05 level.

The post hoc tests has p value 0.029 which is less than 0.05, hence it shows a significant difference among the age group of upto 25 years and 36-45 years with regard to the awareness level about Payment Banks. Upto the age group of 25 years has highest level of awareness about Payment Banks.

2. Education

Hypothesis Ho: There is no significant relationship between Education and customers' awareness of Payment Banks.

Alternative Hypothesis Ha: There is a significant relationship between Education and customers' awareness on Payment Banks.

Table: 4: ANOVA Table (Education and customer's awareness)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.624	3	.208	1.425	.238
Within Groups	19.110	131	.146		
Total	19.733	134			

Result: Since the p value 0.238 is greater than alpha 0.05, the null hypothesis is accepted. There is no significant relationship between Educational Qualification and their awareness level about Payment Banks.

3. Gender

Hypothesis Ho: There is no significant relationship between Gender and customers' awareness of Payment Banks.

Alternative Hypothesis Ha: There is a significant relationship between Gender and customers' awareness of Payment Banks.

Table 5: ANOVA Table (Gender and customer awareness)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.033	1	.033	.225	.636
Within Groups	19.700	133	.148		
Total	19.733	134			

Result: Since the p value 0.636 is much greater than alpha 0.05, the null hypothesis is accepted. There is no significant relationship between gender classification and their awareness level about Payment Banks.

4. Occupation

Hypothesis Ho: There is no significant relationship between Occupation and customers' awareness of Payment Banks.

Alternative Hypothesis Ha: There is a significant relationship between Occupation and customers' awareness of Payment Banks.

Table: 6: ANOVA Table (Occupation and customer's Awareness)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.839	4	.210	1.443	.224
Within Groups	18.895	130	.145		
Total	19.733	134			

Result: Since the p value 0.224 is greater than alpha 0.05, the null hypothesis is accepted. There is no significant relationship between Occupation and their awareness level about Payment Banks.

5. Income

Hypothesis Ho: There is no significant impact of income on customers' awareness of Payment Banks.

Alternative Hypothesis Ha: There is a significant impact of income on customers' awareness of Payment Banks.

Table: 5.2: ANOVA Table (Income and Awareness of customer's)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.783	4	.196	1.343	.257
Within Groups	18.950	130	.146		
Total	19.733	134			

Result: Since the p value 0.257 is greater than alpha 0.05, the null hypothesis is accepted. There is no significant relationship between Income level and their awareness level about Payment Banks.

Suggestions:

It is observed from the study that all the respondents are not aware of Payment Banks. As it is still new to India, where 'In-Principle' approved companies has to take up the task in reaching out all the people about the usage and services of Payment Banks. Payment Banks could play a major role in making India a cashless economy and it will add a prominent contribution towards Financial Inclusion. As per the study, there is a necessity to create awareness particularly with middle-age group of people about the benefits of Payment Banks. Even though Payment Banks are approved by Government, people tend to think it's purely private companies and a sort of hesitation to keep their huge deposits (i.e. upto 1 lakh) in Payment Banks. Hence the companies can create a complete awareness about Payment Banks which helps for digitalized India.

Conclusion

With the entry of payment banks, the process of shifting money from bank accounts to wallets will become truly seamless, and thus it is extremely possible that many customers may open payment bank accounts in addition to their regular bank accounts. They may segregate small-ticket payments from other bank payments by holding separate accounts. This is a key value proposition and would be really a game change in Indian Banking System. But as it is a new instill in India, many people are still not aware about Payment Banks, its services, benefits and security norms. Hence, the holders of Payment Banks have to create awareness among people.

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