



# Benefits from Genesis of Payment Banks and Small Finance Banks- A study on inhabitants of Rajasthan

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## *Abstract*

*Saving and investment plays an important role in economic development of the country. Banks are an important part of the Indian financial system who acts as an intermediary in the saving investment process. Banks are the financial intermediary who accepts money in form of deposits and gives loans and advances to the individuals who are in need of finance. It encourages people to save and give good returns to them in form of interest. Remarkable changes have been seen in the Indian Financial system since 1991. Genesis of Payment Banks are viewed as a major innovative change in the Indian Banking Industry. Inclusion of these new banks in the Indian banking industry is a major step by the RBI for financial inclusion. This research is focused on providing a study of working and challenges of Payment Banks and their role in Financial Inclusion. Secondary data has been used to analyse their role in financial inclusion and as a result it was seen that all the three dimensions of financial inclusion shows increasing trend.*

**Keywords: Payment Banks, Small Finance Banks, Financial Inclusion**

## **INTRODUCTION**

Saving and investment plays an important role in economic development of the country. Banks are an important part of the Indian financial system who acts as an intermediary in the saving investment process. Banks are the financial intermediary who accepts money in form of deposits and gives loans and advances to the individuals who are in need of finance. It encourages people to save and give good returns to them in form of interest. Remarkable changes have been seen in the

Indian Financial system since 1991. Genesis of Payment Banks is viewed as a major innovative change in the Indian Banking Industry. Inclusion of these new banks in the Indian banking industry is a major step by the RBI for financial inclusion.

Payment Banks are the banks who can accept deposits up to Rs. 1 lac per customer. They can only accept deposits and cannot give loans and advances to their customer. Saving account and Current account both are the key instruments of Payment Banks and they also facilitates ATMs, Debit cards, Net Banking, Mobile banking. A committee named “Committee on Comprehensive Financial services for small businesses and low income households” was formed by the RBI and headed by Nachiket Mor on 23<sup>rd</sup> September (2013)<sup>2</sup>. Out of his various recommendations, the major recommendation was the formation of new banks called Payment Banks in India. Final report on this recommendation was submitted by Nachiket Mor on 7 January (2014)<sup>3</sup>. On 17 July 2014, RBI publicizes the draft guidelines for Payment Banks and invited the interested entities and the general public. RBI gave “in-principle” licences to eleven entities (Aditya Birla Nuvo Ltd., Airtel M Commerce Services Ltd., Cholamandalam Distribution Services Ltd., Department of Posts, Fino PayTech Ltd., National Securities Depository Ltd., Reliance Industries Ltd., Paytm, Sun Pharmaceuticals, Tech Mahindra Ltd., Vodafone M-Pesa Ltd.) to launch Payment Banks on 19<sup>th</sup> august (2015)<sup>4</sup>.

Small Finance Banks are a kind of speciality banks in India. Banks with a small Finance Bank license can provide basic banking service of acceptance of deposits and lending. The target behind foundation of these banks is to give money to those areas of the economy that are not being served by different banks, for example, Independent Venture Units, Small and Marginal Agriculturists, Micro and Small enterprises and Unorganised sector entities. Reserve Bank of India (RBI) exposed the draft rules for Small Finance Banks, looking for remarks for intrigued substances and the general public. The last rules were discharged by RBI on 27 November 2014. It was additionally declared that invested individuals ought to submit applications before 16 January 2015. In February (2015)<sup>5</sup>, RBI discharged the rundown of elements which had connected for a Small Finance Banks permit. There were 72 applicants. It was likewise declared that an outer admonitory advisory group headed by Usha Thorat will assess the permit applications. On 17 September (2015)<sup>6</sup>, the Reserve Bank of India (RBI) declared that it had given temporary licenses to 10 entities (Ujjivan, Janalakshmi, Equitas, AU Financiers, Capital LAB, Disha, ESAF, RGVN, Suryoday, Utkarsh ) that might need to change into Small Finance Banks within one year.

<sup>2</sup> [https://en.wikipedia.org/wiki/Payments\\_bank](https://en.wikipedia.org/wiki/Payments_bank)

<sup>3</sup> <https://www.mapsofindia.com/my-india/business/payment-banks-an-evolution-in-the-banking-sector>

<sup>4</sup> [https://rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=32615](https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32615)

<sup>5</sup> [https://en.wikipedia.org/wiki/Small\\_finance\\_bank](https://en.wikipedia.org/wiki/Small_finance_bank)

<sup>6</sup> [https://rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=32614](https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32614)

## REVIEW OF LITERATURE

The purpose of this review is to identify the key concepts, characteristics and ideas explaining the concept of Payment Banks and Small Finance Banks in different countries, their experience with it. The summary of previous studies would also be useful to understand the different approaches that have been carried out by researchers to identify the role of Payment Banks and Small Finance Banks in financial inclusion as well as its impact on Indian financial system.

- **Payment Banks: A Revolutionary Step in Indian Banking System by Saba Abid (2016)<sup>7</sup>**
- **Payment Banks In India: New Land Mark In Banking Sector By K. Lohithkumar (2016)<sup>8</sup>**
- **Genesis of Payment Banks: It's Stimulus on the financial inclusion in India by Madhavi Damle, Pushpendra Thenuan(2016)<sup>9</sup>**
- **Analysis Of In-Principle License Entities to act as Payments Banks: Financial Inclusion Perspectives by Vishal R. Sandanshive<sup>1</sup>, Dr. Vivek V. Katdare (2015)<sup>10</sup>**
- **Comparative Study on Online Banking, Mobile Banking and Payment Banks Nidhi Chandarana (2015)<sup>11</sup>**
- **Customer Awareness on Payment Banks, the latest IT-enabled Indian Banks connecting people – An Empirical Study by Varun Kesavan (2015)<sup>12</sup>**
- **Role of Payment Banks in India: Opportunities and Challenges by J.C. Pande (2015)<sup>13</sup>**
- **Strengths And Limitations Of Payment Banks In India by Pramod Kamble (2015)<sup>14</sup>**

## RESEARCH METHODOLOGY

The following methodology is proposed to be adopted for the study:

### Research Data and Sources:

- **Quantitative Data (Primary Data):**

Data collection is exclusively based on primary data; this is so because the topic selected has a minimal relevance with the secondary data.

<sup>7</sup> <http://www.iosrjournals.org/iosr-jef/papers/Vol7-Issue6/Version-1/J0706018183.pdf>

<sup>8</sup> <http://publications.anveshanaindia.com/wp-content/uploads/2016/10/PAYMENT-BANKS-IN-INDIA-NEW-LAND-MARK-IN-BANKING-SECTOR.pdf>

<sup>9</sup> <https://www.ijser.org/researchpaper/Genesis-of-Payment-Banks-It-s-Stimulus-on-the-financial-inclusion-in-India.pdf>

<sup>10</sup> <http://docplayer.net/amp/59162512-Analysis-of-in-principle-license-entities-to-act-as-payments-banks-financial-inclusion-perspectives.html>

<sup>11</sup> <http://www.ijetmas.com/admin/resources/project/paper/f201706121497275854.pdf>

<sup>12</sup> <http://www.ijcrt.org/papers/IJCRTICPN013.pdf>

<sup>13</sup> <http://www.managementjournal.info/index.php/IJAME/article/view/96>

<sup>14</sup> [http://primeresearchinstitute.com/images/Pdf\\_Files/3.%20Strengths%20and%20Limitations%20of%20Payment%20Banks%20in%20India.pdf](http://primeresearchinstitute.com/images/Pdf_Files/3.%20Strengths%20and%20Limitations%20of%20Payment%20Banks%20in%20India.pdf)

- **Objectives of the research:**

The main objective behind the establishment of Payment Banks is financial inclusion. This study is an effort to analyse the benefits of Payment Banks and Small Finance Banks to the people of Rajasthan.

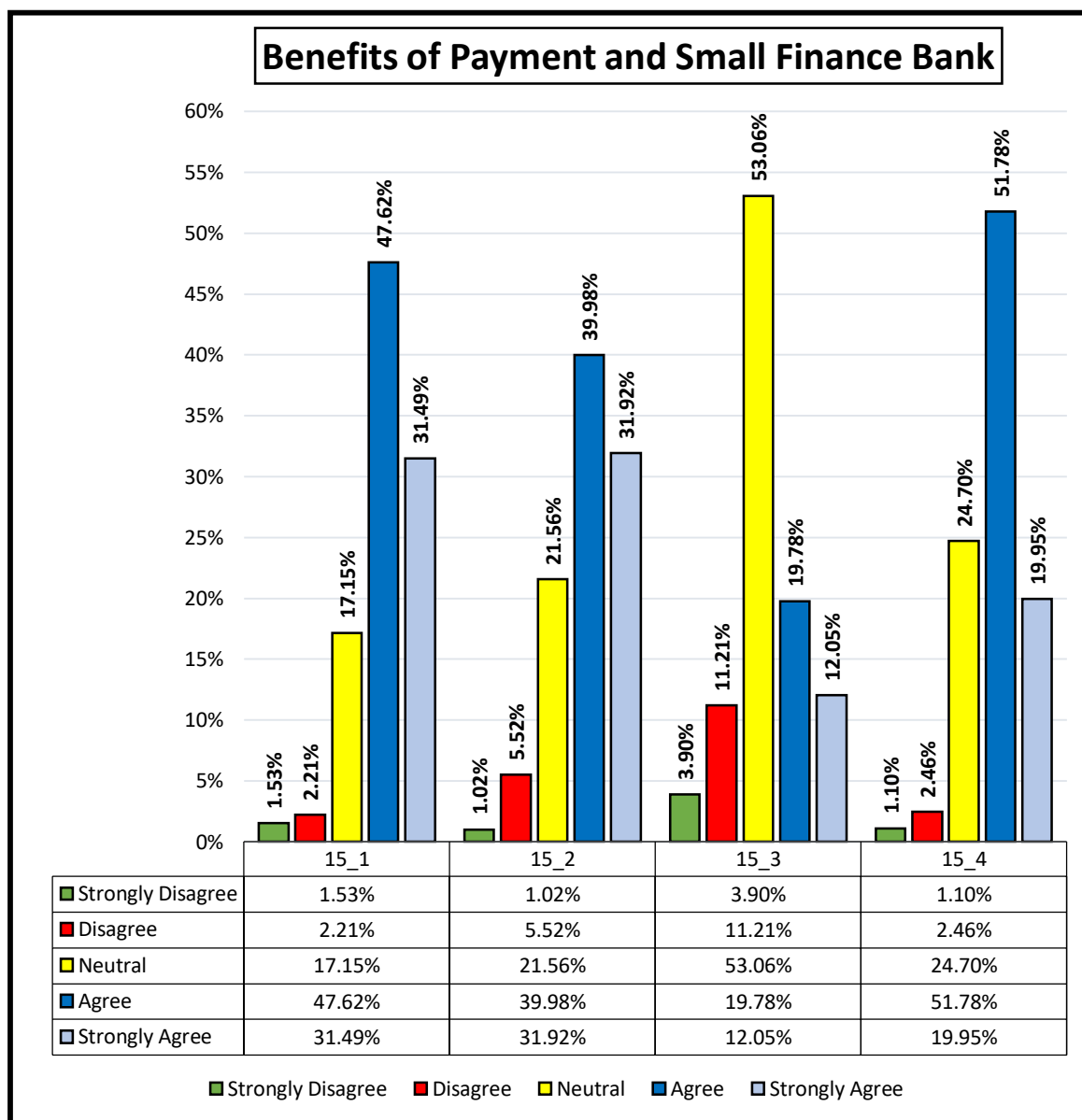
- **Scope of the study:** Rajasthan state
- **Sampling:** Non- Probability Sampling

## DATA ANALYSIS AND INTERPRETATION

### 1. Benefits of Payment and Small Finance Bank

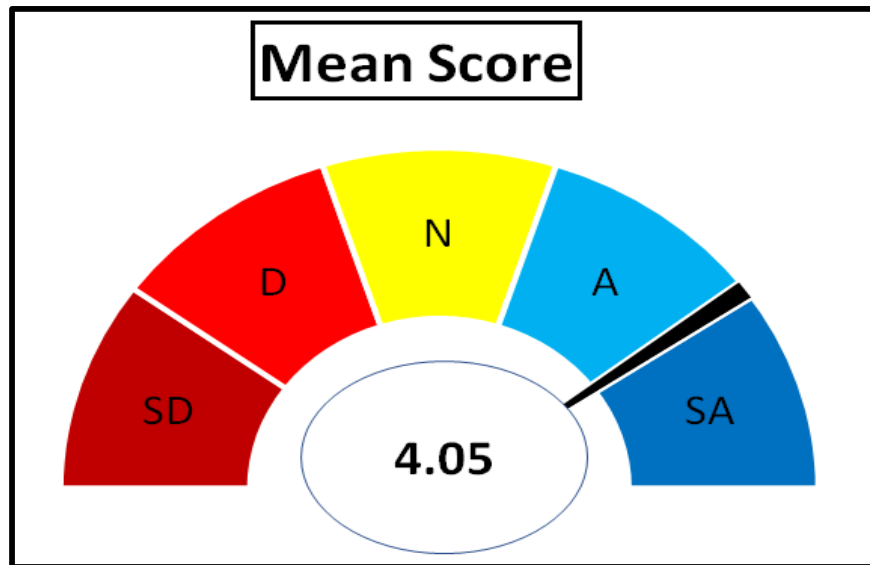
**Table 1**  
**Benefits of Payment and Small Finance Bank**

St_No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean	t-test
								Stand Dev.	Sign
15_1	Zero balance account	18	26	202	561	371	1178	4.05	42.91
		1.53%	2.21%	17.15%	47.62%	31.49%	100.00%	0.84	0.00
15_2	The account number is easy to remember as it same as mobile number	12	65	254	471	376	1178	3.96	35.91
		1.02%	5.52%	21.56%	39.98%	31.92%	100.00%	0.92	0.00
15_3	High interest rates	46	132	625	233	142	1178	3.24	9.06
		3.90%	11.21%	53.06%	19.78%	12.05%	100.00%	0.94	0.00
15_4	Safe and secure transactions	13	29	291	610	235	1178	3.87	37.69
		1.10%	2.46%	24.70%	51.78%	19.95%	100.00%	0.79	0.00
15_5	Easy to access services	18	11	224	582	343	1178	4.03	43.94
		1.53%	.93%	19.02%	49.41%	29.12%	100.00%	0.81	0.00
15_6	Fast and reliable transactions	3	16	342	489	328	1178	3.95	40.76
		.25%	1.36%	29.03%	41.51%	27.84%	100.00%	0.80	0.00
15_7	Cash backs and discount offers	43	53	226	483	373	1178	3.92	31.57
		3.65%	4.50%	19.19%	41.00%	31.66%	100.00%	1.01	0.00
15_8	Free talk time or free insurance offers	92	125	422	381	158	1178	3.32	10.45
		7.81%	10.61%	35.82%	32.34%	13.41%	100.00%	1.08	0.00



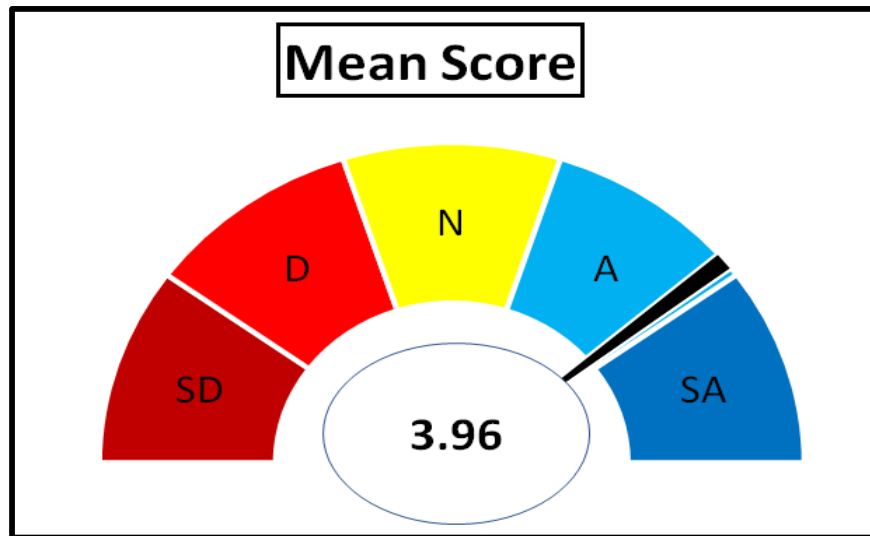
**Figure 1 (A) Benefits of Payment Banks**

Table 1 and Figure 1 (A) and Figure 1 (B) enlist a set of 8 Likert statements that were asked from the respondents to identify their awareness level with regard to the benefits from Payment and Small Finance Banks. The respondents were asked to rate their responses from strongly disagree to strongly agree and mean, standard deviation and t-test were calculated on the responses of the respondents. Each of the eight Likert statements has been individually stated below, have been depicted pictorially, which have also been interpreted thereafter.



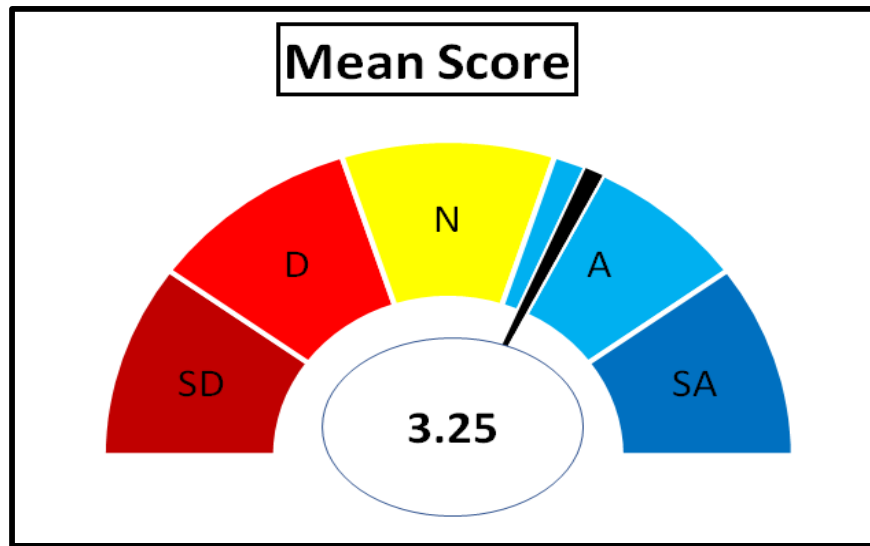
*Figure 1.1 Mean Score\_ Zero balance account*

- 1.1 The first statement from the Likert set was “**Zero balance account**” Table 1 and Figure 1 (A) represent the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 18 in all (1.53%), those who disagreed were 26(2.21%), those who neutral were 202(17.15%), the number of agreed respondents were as high as 561, 47.62%) and that who strongly agreed were 371(31.49%). On analyzing the primary data further, the mean score was calculated at **4.05**, (Figure 4.20) which states that on an average respondent “**Strongly Agreed**” to the statement, and calculated standard deviation was **0.842**, which was found to be less than 1 which implies that respondents have the common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that the “**Zero balance account**” can be considered is a very strongly appealing factor with reference to the benefits from small and payment banks.



**Figure 1.2 Mean Score\_ Account number is easy to remember as it same as mobile number**

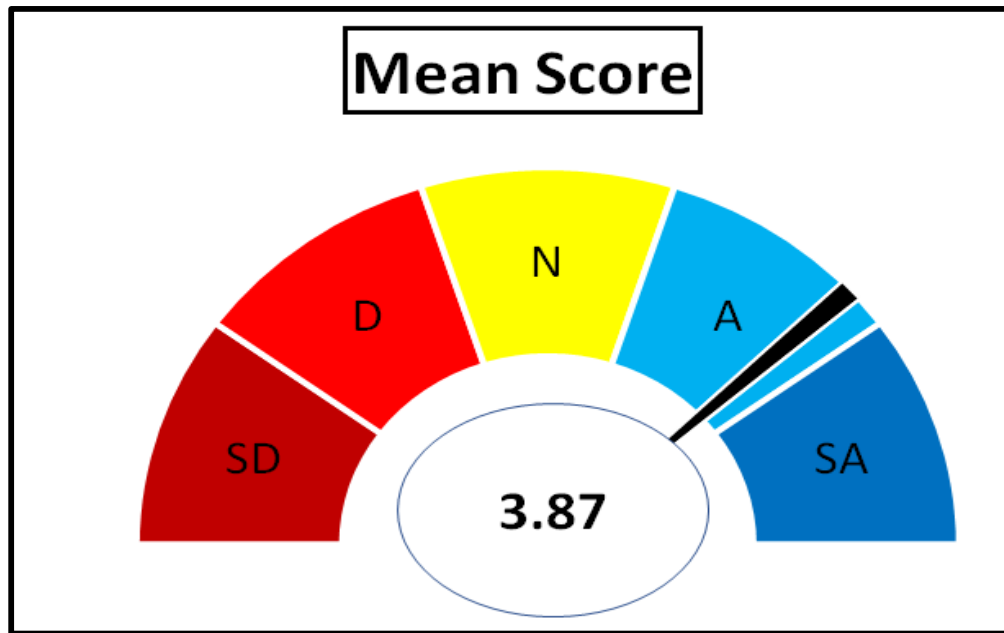
- 1.2 The second statement from the Likert set was “**Account number is easy to remember as it is same as a mobile number**” Table 1 and Figure 1 (A) showcases the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 12 in all (1.02%), those who disagreed were 65 (5.52%), those who were Neutral to the statement were 254 (21.56%), those who agreed were as many as 471 (39.98%) and the respondents who strongly agree 376 (31.92%). On analyzing the primary data further, the value of Mean score was **3.96**, as depicted in **Figure 1.2** states that respondents on an average lie within the “**Agree**” range on the speedometer, and calculated standard deviation was **0.92**, which was found to be less than 1 which implies that respondents have the common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, it can be put as “**Account number is easy to remember as it same as a mobile number**” can be considered a strong advantage as rated by the respondents for the small and payment banks.



*Figure 1.3 Mean Score\_ High-interest rates*

- 1.3 The third statement from the Likert set was “**Absence of high-interest rates**” Table 1 and Figure 1 (A) and Figure 4.22 illustrates the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 46 in all (3.91%), those who disagreed were 132, (11.21%), those who stood neutral to the statement were as high as 625 (53.06%), those who agreed were 233 in all (19.78%) and the number that strongly agreed were 142 in all (12.05%). On analyzing the primary data further, it was found that, calculated Mean score was **3.25**, which states that respondents on an average fall within the “**Agree**” range, and calculated standard deviation was **0.941**, which was found to be less than 1, which implies that respondents have a common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that the “**absence of high-interest rates**” can be considered as an appealing factor that enables the respondents to go for small and payment banks.





*Figure 1.4 Mean Score\_ Safe and secure transactions*

- 1.4 The fourth statement from the Likert set was “**Safe and secure transactions**” Table 1 and Figure 1 (A) and Figure 1.4 depicts the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were just 13(1.11%), those who disagreed were 29(2.46%), the neutral respondents were 291(24.7%), the respondents who agreed were as many as 610(51.78%) and those who strongly agreed were 235 (19.95%). On analyzing the primary data further, it was found that, calculated Mean score was **3.87**, which states that the average number of respondents fall within the “**Agree**” range of the factor, and calculated standard deviation was **0.792**, which was found to be less than 1 which implies that respondents have a common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that “**Safe and secure transactions**” can be considered as a significant factor that makes the respondents go for small and payment banks.

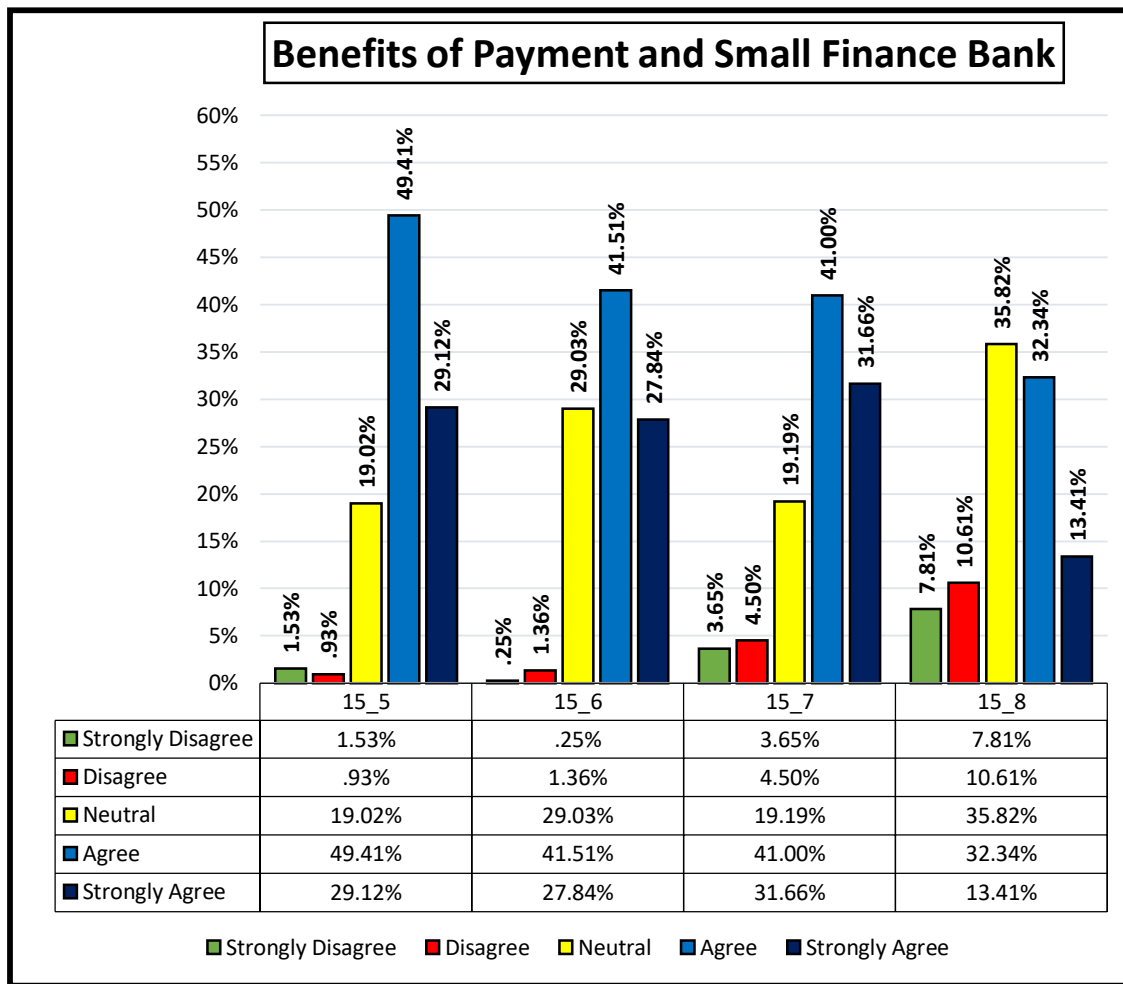


Figure 1 (B) Benefits of Payment and Small Finance Bank

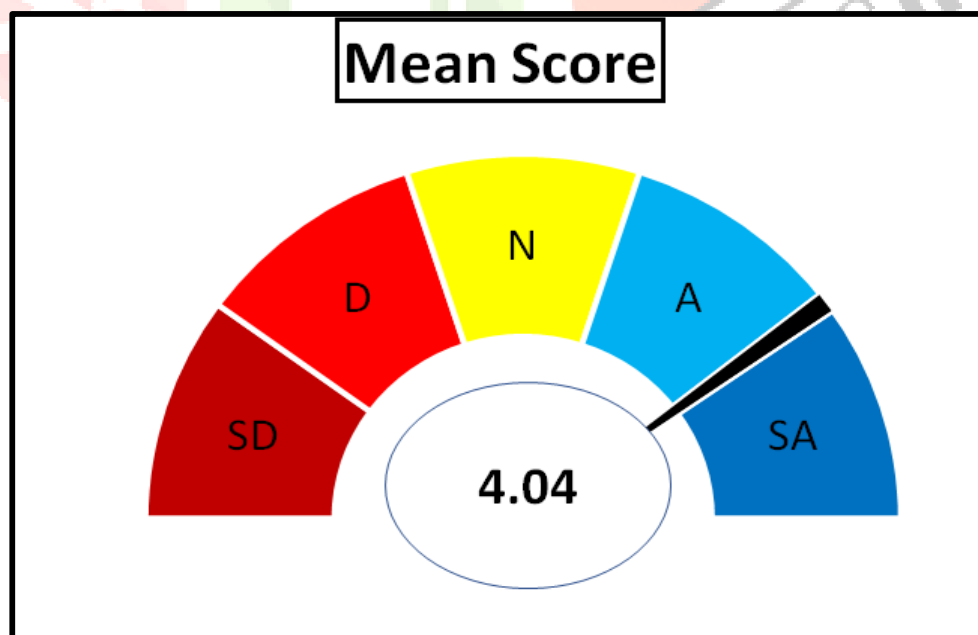
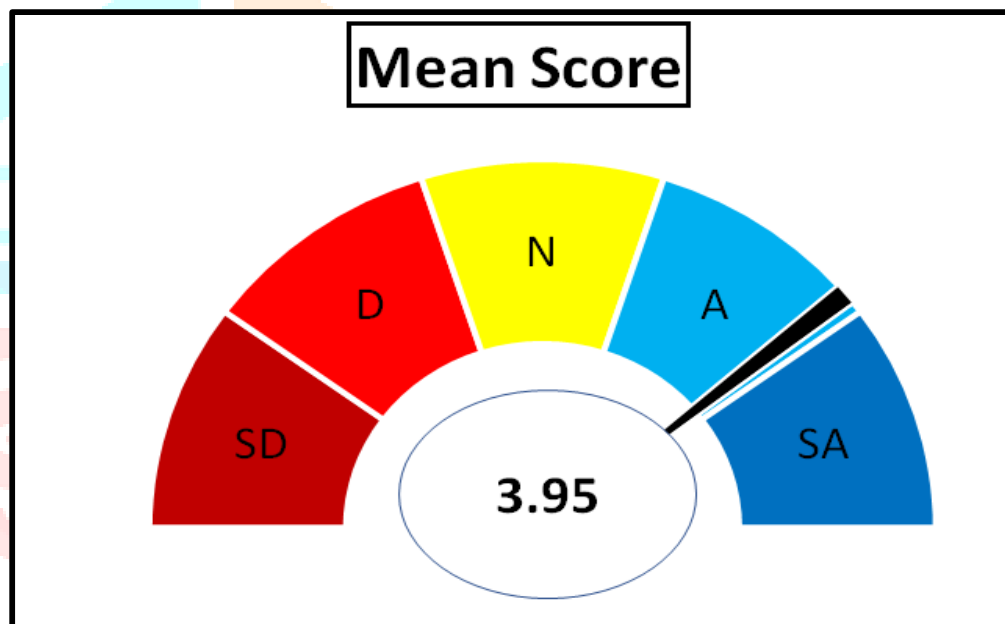


Figure 1.5 Mean Score\_ Easy to access services

1.5 The fifth statement from the Likert set was “Easy to access services” Table 1 and Figure 1 (B) and Figure 1.5 depicts the true picture for the responses collected from 1178 respondents for the above-

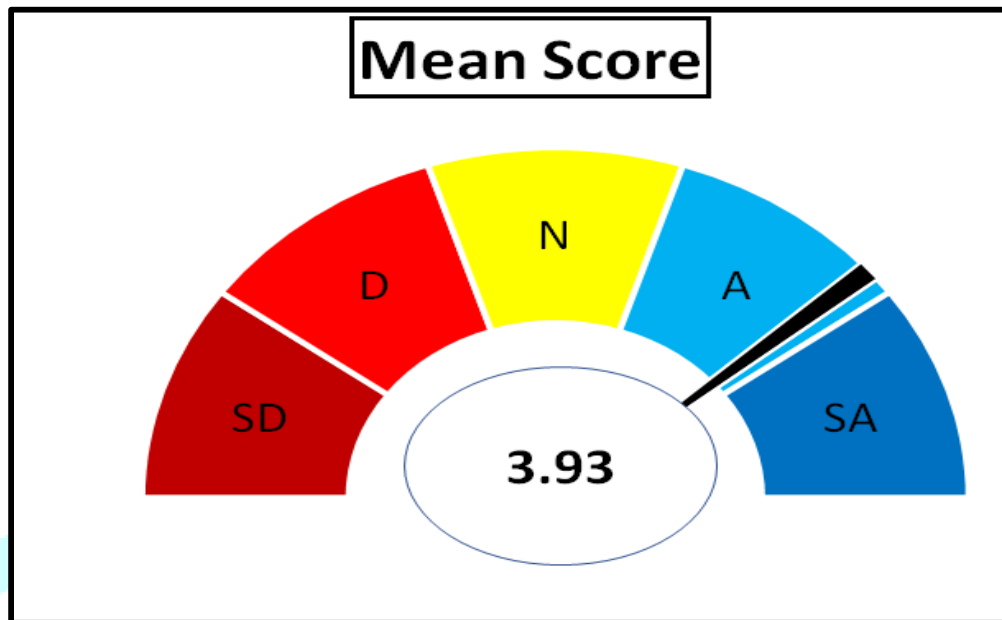
mentioned statement. The respondents who strongly disagreed were 18(1.53%), those who disagreed were just 11 (0.93%), the respondents who rated neutral were 224(19.02%), those who agreed were as many as 582, (49.41%) and lastly, those who strongly agreed were 343(29.12%). On analyzing the primary data further, it was found that, calculated Mean score was **4.04**, which states that the average number of respondents fall with the “**Strongly Agree**” range of the statement, and calculated standard deviation was **0.809**, which was found to be less than 1 which implies that respondents have a common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that “**Easy to access services**” can be considered a very significant factor that compels the respondents to go for the small and payment banks.



*Figure 1.6 Mean Score\_ Fast and reliable transactions*

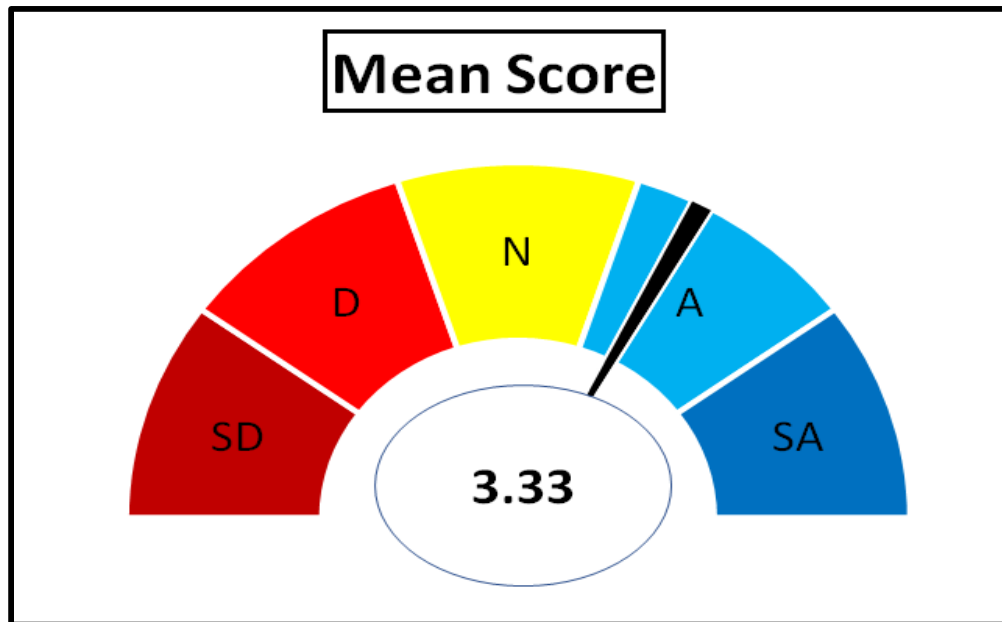
- 1.6 The sixth statement from the Likert set was “**Fast and reliable transactions**” Table 1 and Figure 1 (B) and Figure 1.6 depicts the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 3(0.26%), those who disagreed were 16(1.36%), those who stood neutral were 342 (29.03%), those who agreed were 489 (41.51%) and those who strongly agreed were 328(27.84%). On analyzing the primary data further, it was found that, calculated Mean score was **3.95**, which states that the average number of respondents fall within the “**Agree**” range of the statement, and calculated standard deviation was **0.802**, which was found to be less than 1 which implies that respondents have a common answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3.

To conclude, we can state that “**Fast and reliable transactions**” can be considered to be an important factor that the respondents consider when going for the small and payment banks.



*Figure 1.7 Mean Score\_ Cash backs and discount offers*

- 1.7 The seventh statement from the Likert set was “**Cash backs and discount offers**” Table 1 and Figure 1 (B) and Figure 1.7 depicts the real picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 43(3.66%), those who disagreed 53(4.5%), those who were neutral 226(19.19%), the number that agreed were 483(41%) and those who strongly agreed were 373(31.66%). On analyzing the primary data further, it was found that, calculated Mean score was **3.93**, which states that on an average the respondents fall within the “**Agree**” range of the statement, and calculated standard deviation was **1.006**, which was found to be more than 1 which implies that respondents have a different answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that “**Cash backs and discount offers**” can be considered to be an important factor that the respondents consider when going for the small and payment banks.



**Figure 1.8 Mean Score\_ Free talk time or free insurance offers**

1.8 The seventh and the last statement from the Likert set was “**Free talk time or free insurance offers**” **Table 1 and Figure 1 (B) and Figure 1.8** depicts the true picture for the responses collected from 1178 respondents for the above-mentioned statement. The respondents who strongly disagreed were 92 (7.81%), those who disagreed were 125 (10.61%), those who stood neutral were 422 (35.82%), the respondents who agreed were 381 (32.34%) and those who strongly agreed were 158 (13.41%). On analyzing the primary data further, it was found that, calculated Mean score was **3.33**, which states that respondents “**Agree**” to the statement, and the calculated standard deviation was **1.082**, which was found to be more than 1 which implies that respondents have a different answer for the statement. The calculated value of the t-test (test value 3, df.1177) was found to be Positive, with a p-value of less than 0.05, which confirms that the mean value of responses is **more** than 3. To conclude, we can state that “**Free talk time or free insurance offers**” can be considered to be an important factor that the respondents consider when going for the small and payment banks.

## CONCLUSION

Saving and investment plays an important role in economic development of the country. Banks are an important part of the Indian financial system who acts as an intermediary in the saving investment process. Banks are the financial intermediary who accepts money in form of deposits and gives loans and advances to the individuals who are in need of finance. It encourages people to save and give good returns to them in form of interest. Remarkable changes have been seen in the Indian Financial system since 1991. Genesis of Payment Banks is viewed as a major innovative change in the Indian Banking Industry. Inclusion of these new banks in the Indian banking industry is a major step by the RBI for financial inclusion. To analyse the objective, set of 8 Likert statements that were asked from the

respondents to identify their awareness level with regard to the benefits from Payment and Small Finance Banks. The respondents were asked to rate their responses from strongly disagree to strongly agree and mean, standard deviation and t-test were calculated on the responses of the respondents. As a result it was found that in all the statements the value of t- test is positive which proves that the respondents were agreed to all the statements.

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