

Integration of Payment Banks into Daily Life in Delhi NCR

Dr. Sunil Kumar

Assistant Professor, Shaheed Bhagat Singh College (Evening), University of Delhi, Delhi

Abstract

Payment banks are a new type of financial institution designed to offer basic, easily accessible services. The Reserve Bank of India introduced them mainly to provide remittance services to groups like migrant workers, low-income families, small businesses, and other unorganized sectors. Raising awareness is crucial in shaping people's attitudes toward digital payment systems. Currently, payment banks face several challenges, especially because they are not allowed to lend money. Their main revenue comes from the interest on government securities in which they can invest. Despite these efforts, many payment banks are experiencing significant financial losses, raising questions about their sustainability. Notably, six out of the eleven existing payment banks are considering transitioning into small finance banks. This study examines the key factors that affect the sustainability of payment banks. It looks at how trust influences relationships, as well as the perceived usefulness and ease of use of these banks. Additionally, the study evaluates actual usage to gauge the practical benefits and user-friendliness of payment banks among respondents. Payment banks play a crucial role in driving India toward becoming a digital economy.

Keywords: Banking, Payment Banks, Fintech, Adoption, Digital Banks

1. Introduction

The acceptance of payment banks marks a significant step forward in India's efforts toward financial inclusion and digitization. As a new addition to the Indian banking sector, payment banks address the challenge of making financial services accessible and affordable for all population segments. This research paper examines various aspects of payment banks and their role in promoting financial inclusion and digitization, with a special focus on Delhi. The Reserve Bank of India (RBI) introduced the concept of payment banks in 2014. These banks were designed to be different from traditional commercial banks, with a specific mission to provide basic banking services to underserved and unbanked populations using digital technology. Unlike full-service commercial banks, payment banks cannot engage in lending activities, making them more specialized in their functions. They can accept deposits (up to a certain limit), issue debit cards, facilitate online and mobile banking, and offer services such as remittances and bill payments.

The main goal of payment banks is to ensure that people without access to traditional banking can join the formal financial system in a simple and affordable way. Financial inclusion is vital in a diverse and economically active country like India. Approximately 190 million Indians are still unbanked, with limited access to basic financial services. Payment banks aim to bridge this gap by making financial services more accessible through innovative technology. Financial inclusion ensures that all individuals and businesses,

regardless of their economic status, have access to a range of financial services that meet their needs. These services include not only basic savings and payment options but also credit, insurance, and investment opportunities. Financial inclusion is crucial in India for several reasons. Firstly, it helps reduce economic disparity and poverty. Access to financial services enables individuals to save, invest, and build financial security. It also provides access to financing, which can help start or expand businesses, contributing to economic growth. Secondly, financial inclusion is essential for social and economic progress. Exclusion from the formal financial system hampers the government's efforts to distribute subsidies, social welfare programs, and other benefits directly to the intended recipients. Financial inclusion can simplify these processes and reduce leakage and corruption. Thirdly, in an increasingly urbanized and digitally connected world, financial inclusion aligns with the broader goal of promoting inclusive growth. It allows individuals and businesses to participate more fully in the economy, expanding economic opportunities and bridging the gap between rural and urban areas.

In banking and finance, digitization refers to the extensive use of technology to enhance financial services. The rise of digitization has transformed how people and organizations conduct financial transactions, manage accounts, and access banking services. With its rapidly developing digital infrastructure and growing tech-savvy population, India is well-positioned to leverage digitization for financial inclusion. In Delhi, the convergence of financial inclusion and digitization is particularly significant. The city's diverse demographics and economic disparities require tailored solutions to ensure that everyone, from bustling urban centers to large slums, has access to financial services. Payment banks play a crucial role in this effort, using digitization to reach a wide range of demographics in Delhi.

In the following sections of this research paper, we will explore the literature on payment banks in India, the objectives of the study, and the methodology. Section 5 presents the study's results, and Section 6 concludes the study.

2. Review of relevant literature

(Pramani & Iyer, 2023) The research delves into why Indian payment banks have struggled to promote financial inclusion effectively. By March 2020, only six of the eleven licensed payment banks were operational, facing challenges in profitability and client growth. The study attributes this underperformance to limited adoption among financially excluded groups like migrant laborers and small merchants. Key issues include a lack of awareness, trust concerns, and a perceived lack of necessity for payment bank services. These challenges stem from a mismatch between the payment banks' business models and the specific needs of their target audience. The report highlights the importance of management and policy reforms to address these issues.

(Bansal, 2023) This study explores the awareness of payment banks among low-income individuals in India and their impact on the adoption of banking services, considering the presence of traditional commercial banks. The research employs exploratory factor analysis and multiple linear regression, using Likert scale questionnaires to gather data from 391 respondents. The findings reveal that while low-income individuals are generally unaware of payment banks, these institutions positively influence their willingness to adopt banking services.

(Mani & Agarwal, 2022) This study aims to evaluate the current state of payment banks in India, which were established to enhance financial inclusion and digital transactions. Based on a primary survey conducted with a standardized questionnaire, the research finds that customers appreciate payment banks for their simplicity, convenience, safety, and speed. Both male and female users of different ages use

payment banks for specific purposes like mobile phone recharges, ticket bookings, and bill payments, though not for all banking operations. The study offers valuable insights into customer perceptions of payment banks and provides recommendations for future decision-making for both payment bank operators and policymakers.

(Kunal & Sharma, 2022) This study aims to investigate consumer satisfaction with payment banks in India, established to enhance financial inclusion. Data was collected from 200 clients using a questionnaire. The research identifies security, responsiveness, service quality, ease of use, benefits, time efficiency, and promotional programs as key factors influencing consumer satisfaction. Regression modeling reveals a moderate relationship between these factors and customer happiness and loyalty. Additionally, the study by K. P. Gupta et al. (2022) examines the factors influencing Indian customers' acceptance of payment banks (PB), a mobile financial service designed to increase banking penetration. Using a literature review and the analytic hierarchy process (AHP), the research prioritizes significant aspects affecting PB acceptance. The study finds that "perceived benefits" are crucial for the adoption of payment bank services, with "monetary benefits," "time savings," "trust in service provider," and "financial risk" being the top four sub-factors driving successful PB service adoption.

(Kuriakose & Johnson, 2021) This study examines the awareness of payment banks in India, with a specific focus on the Kottayam area of Kerala. The Reserve Bank of India established payment banks in 2015 to enhance financial inclusion through digital technologies. The findings reveal that most respondents are unaware of payment banks, underscoring the need for these institutions to increase public awareness about their digital financial services.

(Ghosh & Ranade, 2020) This research examines the Reserve Bank of India's implementation of payment banks aimed at promoting financial inclusion among the unbanked population. It questions whether technical innovation alone can resolve the trilemma of financial inclusion, competitiveness, and profitability. The study suggests that overcoming this challenge may require a fundamental shift in regulatory approach and governmental action to support payment banks as a public good.

(Ashta & Pillarisetti, 2020) The study highlights the challenges faced by Indian payment banks, which can collect microsavings but are not allowed to provide microcredit. Their performance has been hindered by their inability to generate sufficient revenue due to low-interest margins and limited transfer payment fees. To address these issues, payment banks are attempting to transition into small finance banks capable of offering microcredit, aiming to enhance their sustainability and financial viability.

(Kaur et al., 2022) This study delves into the factors influencing people's intentions to use payment bank services in India, combining various quality attributes with confidence and the service provider's reputation. With 393 Indian users participating, the research found that satisfaction and intent to use significantly impact actual usage. Key elements determining satisfaction and intent to use include the service provider's reputation, service quality, and trust. To enhance consumer acceptance of payment banks, providers should prioritize customer satisfaction, focusing on trust and a strong service provider reputation, as well as the implementation of up-to-date and secure technology. Additionally, personalized grievance redressal services are needed to ensure users receive accurate services and information.

(S. Gupta et al., 2023) This study examines the key success factors for achieving widespread acceptance of payment banks within the realm of digital payment services. Using the Fuzzy Analytic Hierarchy Process, the research prioritizes critical elements. The findings highlight that "ease of use" and "facilitating conditions" are the top priorities, whereas "personalization" ranks lower in preference. Although the study

focuses on India's northern region, it offers valuable insights for marketers and policymakers seeking to enhance the efficacy of payment institutions.

3. Objectives

The study aims to achieve the following objectives:

1. Evaluate the levels of trust among customers utilizing payment banks.
2. Analyze the correlation between perceived usefulness and the attitude toward using the service.
3. Explore the relationship between perceived ease of use and the attitude toward service usage.
4. Measure the impact of trust on the actual usage of payment bank applications.

4. Methodology

The study utilized descriptive research with primary data collected through a questionnaire completed by 227 respondents. The data collected was organized and coded in an Excel spreadsheet, and percentages and frequencies were used to illustrate the data's characteristics. The sampling method employed was non-probability sampling, specifically convenience sampling, involving individuals currently using payment bank services. To test hypotheses, ANOVA was applied, and correlation and regression analyses were used to assess the level of association and the extent of variance's influence.

5. Results and Analysis

Table I. Demographics

		Number	Percentage
Gender	Male	107	47.5
	Female	120	52.5
Marital Status	Unmarried	197	87.3
	Married	230	12.7

Source: Authors' own calculation

Table II Age and Income Status

Usage	Urban	191	Rural	36
Age Group	18-25	26-38	39-55	Above 55
	179	37	7	2
	78.4	17.7	3.6	0.41
Income	Below 20000	20K – 1Lakh	1 lakh to 5 lakh	Above 5 lakh
	98	21	20	84
	42.5	9.7	9.2	36.5

Source: Authors' own calculation

Table III. Regression between perceived usefulness & attitude

	Coefficient	T value	P value
Intercept	2.93	8.74	2.67E-16
Perceived usefulness	0.31	3.52	.0037
R square	0.06	F	11.01

Dependent variable: Attitude

Source: Authors' own calculation

Table IV. Regression between perceived ease of use & attitude

	Coefficient	T value	P value
Intercept	2.26	8.22	1.55E-14
Perceived usefulness	0.31	5.35	2.14E-07
R square	0.11	F	27.63

Dependent variable: Attitude

Source: Authors' own calculation

Table V. Regression between Trust & actual usage

	Coefficient	T value	P value
Intercept	2.2	8.5	6.14E-15
Perceived usefulness	0.50	9.2	3.35E-17
R square	0.27	F	83.76

Dependent variable: Usage

Source: Authors' own calculation

5. Findings

The regression analysis examined several key variables: perceived usefulness, perceived ease of use, intention to use, attitude towards payment bank usage, actual usage, and trust. A significant majority of respondents, 85%, acknowledged that payment banking services positively impact their personal and professional lives. An impressive 96% found these services to save them time and offer quicker transactions, while 87% felt they could effectively manage their accounts through payment banks. Furthermore, 88% of respondents expressed satisfaction with the information provided by payment institutions.

A substantial 93% of respondents reported that learning to use payment bank services is straightforward. Additionally, 88% believed that payment banks simplify meeting all their banking needs, and 92% found transactions through payment institutions to be hassle-free. According to 92% of respondents, these processes require minimal mental effort. The majority consensus was that learning and comprehending payment bank services were uncomplicated.

Looking ahead, 88% of respondents expressed their desire to continue using payment bank services, while 82% indicated they would not explore other alternatives. Notably, 37% of respondents disagreed with discontinuing payment bank services, demonstrating their intent to persist. An overwhelming 88% expressed contentment with payment bank services, with 85% feeling extremely comfortable utilizing them, and 85% preferring payment bank applications for all transactions. As a result, the majority of respondents feel both persuaded and at ease using payment bank services.

Furthermore, 77% of respondents reported using payment banks for all their transactions, surpassing the use of traditional bank services by 87%. An impressive 83% found payment banks to be more efficient, effective, and convenient, while 87% cited time-saving as a compelling reason for their preference. Consequently, the majority choose payment banks over traditional banks due to their efficiency and convenience.

Regarding trust, 74% of respondents indicated that they trust payment banks. A significant 80% believed these institutions to be trustworthy, and 77% agreed that they operate in their clients' best interests. A notable 76% believed payment banks to be truthful and accommodating of their clients' demands. These trust factors contribute to the majority of respondents having a high level of confidence in payment banks. Furthermore, 65% of respondents perceived that payment banks go to great lengths to ensure client satisfaction, with 75% believing they uphold their promises. A substantial 75% perceived them as demonstrating strong honesty, while 83% believed they conduct business fairly. An impressive 73% of respondents agreed that payment banks efficiently meet their demands, with 72% considering them highly responsive. Additionally, 85% believed that these institutions promptly notify them of new developments. All these elements contribute to the overall trust placed in payment banks by the majority of respondents.

6. Conclusion

The primary objective of the study was to gain a deeper understanding of how trust affects the viability of payment banks. Previous research has indicated that clients are more inclined to adopt mobile banking services provided by payment banks when the processes are user-friendly and enhance their productivity. The data collected revealed that most respondents could easily grasp the usage of payment bank services without much cognitive effort. The study also highlighted a positive correlation between trust and usage, suggesting that clients with greater trust in payment institutions are more likely to persist in using their services rather than seeking alternative options. They exhibit a stronger commitment to these payment banks.

Additionally, the research established a relationship between perceived utility and users' attitudes. This implies that as customers recognize the benefits, their attitude toward usage undergoes a positive change. This aligns with the findings of previous literature and reinforces their conclusions. Moreover, the study identified a connection between perceived ease of use and the intention to use. It demonstrated that when a method is straightforward, individuals are more inclined to employ it. This is a departure from earlier research, which found no such association.

However, concerning payment bank applications, the study unveiled that perceived ease of use indeed impacts the intention to use. If small banking licenses are granted, trust can empower payment banks to digitize payment systems, potentially disrupting the traditional banking landscape.

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