

# The Impact Of Payment Bank Services On Indian Banking Industry And Customers

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*Abstract: The Payment bank services have revolutionized the banking business. The very purpose of setting up of these banks is for the purpose of financial inclusion. The study on the Impact of Payment Banks on Indian Banking Services is mainly based on the possibility of payment banks in India. It's a new initiative taken through the Reserve Bank of India with the help of Governments of India. Mostly in the rural areas there is less inclusion of banking sectors which is one of the major drawbacks faced by the Indian economy now a days. This type of payment banks are build for focus for high volume but less cost transactions for low income households, rural areas peoples and small business mans. The main purpose of this examine paper is for study of the viability of payment banks with the opportunities and challenges for the most recent project taken by the RBI and Government of India. So, in this research report I have attempted to do a brief evaluation of all the perceptions of the people's opinion regarding to the payment banks and also build a conclusion for a better analysis.*

*Keywords: financial inclusion, payment banks, RBI, financial inclusion*

## I. INTRODUCTION

Payment banks are the latest initiative by the Reserve Bank of India and Government of India. These type of banks are just like any other commercial banks like private and public banks, they will only operate their systems on a smaller scale and also operate with such services which are having less risk of loans and credit. The motto of payment banks that they do not sell products and services which are Loans and Credit Cards.

Both RBI and administration of India are taking several initiative for promote the financial inclusion of the people of the rural areas, low income categories and small business mans. RBI is launching like examples, Pradhan Mantri Jan Dhan Yojna (PMJDY), they also launch the Digital India Campaign with the electronic mode of fund transfer as a mechanism such as NEFT, and They have also collaborated with the mobile payments tools like Airtel Payment Bank and Paytm Payment Bank. The Payment Banks are highly focused on the low cost of high amount of fund transactions. According to the research on January 7<sup>th</sup> 2014, the committee

on financial services for small scale business and industries and low income category submitted a research report showing a path for setting up the latest kind of banks which called payments banks.

So, Airtel which is a telecom company which is India largest telecom company which is the first company to launch the payment bank with the collaboration of Paytm have started the services in India for every sector of household peoples. The payment banks have several guidelines which have been enforced by the RBI.

*THE IMPACT OF THE PAYMENT BANKS ON THE INDIAN BANKING INDUSTRY ARE AS FOLLOWS:*

- ✓ So, the first impact will be that payment banks will increase in competition between industries:
- ✓ In now a days there is a lack of competition within the banking industries but because of the help of payment banks different banking industries players are bringing
- ✓ Innovative and different marketing ideas and techniques to increase their productivity and due to increase in competition the products and services offered are also improving in better quality.

- ✓ The second impact because of payment banks are as payments are being set up by different industries they can also convince their present and past customers to come to their payment banks by giving them more returns, services etc like ex, Bharti Airtel its having approx 270 million customers and Airtel can convince by their marketing ideas to put their customers money to their payment banks and their rate of interest or rate of return is almost 7.25% on opening a saving bank account.
- ✓ Payment banks mainly focus on the rural areas to spread their networks with easy and fast access points within the rural areas. The payment banks have a expected reach to become better than the commercial banks. It will help the rural areas peoples and small business people to its banking systems.
- ✓ So, the next impact because of Payment banks are the customers are independent and free to open both the savings and current banks accounts which will attract business customers, wholesale customers, retails and also service related customers. The payment banks are also offering door to door step banking facilities. The maintenance cost is Rs 35 and also having low transactions cost. This type of facilities will be helping to increase the financial inclusion to a maximum extent.
- ✓ Payment banks will impact in inclusion of financial services by offering different payment services for the migrant workers and also for the low income category households that don't have knowledge about the banking facilities. The workers now with the help of payment banks can send their money to their villages.
- ✓ The increase in competition within the banking services of the urban and rural areas and all these competition will increase in benefits for the customers. And the increase in quality services and products and all easy access to financial services, etc.
- ✓ The main impact due to payment banks are they can increase in growth of rural areas banking services in coming time. According to the research papers which is highlighting the objectives which Reserve Bank of India are having for the founding of Payment Banks in the nation. The utmost focal point among these objectives is at responsibility of banks to promote financial addition in the country. The meaning of financial addition is "The amount of right of entry by all sections of society to official fiscal services such as deposit as well as credit with insurance and also pension services."
- ✓ According to my research there are three dimensions of financial inclusion which are Credit Penetration, Branch Penetration and Deposit Penetration. The research is explaining that – In 2014, just 50% of people in India were having a bank account and from out of which 40% were inactive. And as well the No. of ATMs per 100,000 of residents was 18 compare to around 50 in Indonesia and 125 in Brazil.
- ✓ This research document explains about the rules regulations and guiding principle for the Licensing of payment banks. Several initiatives have been organized by the RBI with help of administration of India and also other investors and promoters to increase financial addition.
- ✓ There is a slow rate of financial inclusion because lack of fiscally possible industry models to supply the consumers subdivision for low cost effective situation.
- ✓ So, Payment Banks are types of niche banks, which is implemented by Reserve Bank of India. These banks will serve small investments financial records and expenditure/ allowance services mostly focusing for the low income category households, small businessmen and migrant workers, by giving the facilities of more quantity little cost transactions records and payments in all electronic modes.
- ✓ Now, the most effective impact due to Payment Banks to making transfer of funds to rural and village areas makes lot faster and easier with low transaction cost. The average rate of growth of remittance is 10.3% from 2007 - 2013 and probable INR 366.11 billion, with having 50% contributions and deposits by the migrant workers.
- ✓ According to survey around 10% of the residents regularly transfer their money to their villages and rural areas.
- ✓ Every person who is using internet service can benefit banking services with no extra charges. It is a suitable, safe and cashless means of banking services, the stress in the lead of Digital India scheme will help in increasing the creation of payment banks in now a days.
- ✓ Telecom companies such as Airtel and Vodafone are making the banking facilities ease for the customers. Payment banks can be part of schemes launched by Government of India like Jan Dhan Yojna.
- ✓ Payment Banks are used as the consumer should have an active mobile number with a network operator available in the country, and also must have an existing active bank account. The consumer should have registration with bank account with the mobile Payment Banking service. The important features of this service are:-
  - ✓ Instant payment service
  - ✓ Instant fund transfer
  - ✓ Any day any time availability
  - ✓ Simple and easy to use
  - ✓ low-cost, fast and secure to use
  - ✓ Accessible worldwide
- ✓ Some of the most important rules, regulations and guidelines for use of payment banks by RBI are :-
  - ✓ Payment banks are capable to accept order deposits up to Rs 1,00,000.
  - ✓ They are able to issue ATM/ debit cards/ prepaid payments instruments.
  - ✓ They can advise internet bank services.
  - ✓ They can recommend payment of utility bills.
  - ✓ They can't issue Loans and credit facilities.
  - ✓ The smallest paid up capital is set at Rs 100Cr and the payment banks need to maintain a smallest amount weight ratio of 3%.
    - ✓ At smallest amount 75% of the deposits need to be saved in SLR based securities, or government bonds. The rest 25% can be saved as deposits in new banks.
  - ✓ The market is divided into two category customer segments- one is the banked and technology savvy segment with high internet usage access, and on the other is unbanked customer segment with limited internet usage

access and the main focus is on the unbanked and limited internet usage customers with extensive reach in rural areas.

- ✓ The previous governor of RBI Raghuram Rajan declared that these payment banks will act as a corresponding function toward the accessible marketable banks, and payment banks can only accept a deposit of Rs 1, 00,000, and they cannot offer credit to its customers.
- ✓ Payment banks owe rules of restrictions according near the presented policy by RBI, and it highlight on the use of technology to decrease expenditure in the extensive run.

## II. OBJECTIVE OF THE STUDY

- ✓ To make a brief study on top of the impact of payment banks on the Indian Banking services and also on the Indian residents. And especially to the small income category and small business households.
- ✓ The next purpose to be introspect the scope with the viability of expense Banks by various perceptions of the peoples of the Indian economy, and also including the financial viability with the opposition with the accessible marketable banks, etc.

## III. HYPOTHESES OF RESEARCH

- ✓ H1: Low income category households and small businessman's with low per capita income are mostly like for preferring the use of Payment Banks launched by the RBI and Government of India with low cost transaction facilities and high rate of return on the investment.
- ✓ H0: Due to these facilities all income group peoples also equally like to prefer opening account in Payment Banks.
- ✓ H1: People who all are under the younger age group between 18 – 25 or below 18 also are the most who prefer to use the Payment Banks.
- ✓ H0: As the younger age group but also the middle and upper age groups peoples are also get influenced to open account in Payment Banks.
- ✓ H1: The people with more awareness about the payment banks are most likely to open account in payment banks.
- ✓ H0: Populations which having more awareness are also in opposite direction to not using the payments banks, etc.

## IV. RESEARCH METHODOLOGY

The Payment Banks concept is a latest initiative in India and the function of this examine is to identify the impact, scale and awareness of payment banks in India. Hence, a research has been done by me to be aware of the point of view of the targeted segment which is low income category peoples and small businesses and competition with the existing commercial banks. A out of sorts sectional research have been done by collecting major data since the Indian residents, and then analyse the perspective of that residents. The intention of the payment banks are the low income category peoples and small business men and people from rural areas.

So, the method is performed is by using a sample respondents by selecting clustered possibility sample method: Some little amount of peoples from each of the dissimilar category of peoples is selected randomly.

- ✓ A closed ended questionnaire is used to which is made by me have been used to ask spectators, this data will help to analyse the hypothesis.
- ✓ Then convenience sampling method is used for the existing banking sectors of India, etc.

## V. DATA ANALYSIS

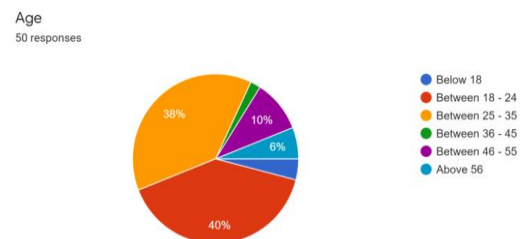


Figure 1: No. of respondents on the basis of age

- ✓ Below 18 -: 2 (4%)
- ✓ Between 18-24 -: 20 (40%)
- ✓ Between 25-35 -: 19 (38%)
- ✓ Between 36-45 -: 1 (2%)
- ✓ Between 46-55 -: 5 (10%)
- ✓ Above 56 -: 3 (6%)

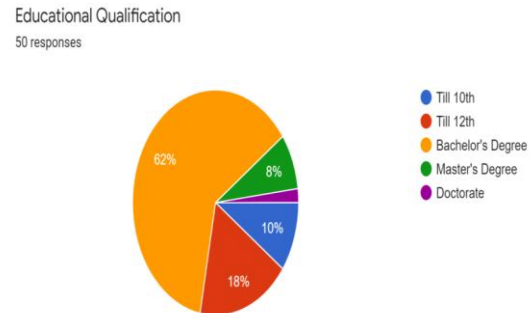


Figure 2: No. of respondents on the basis of educational qualification

- ✓ Till 10<sup>th</sup> -: 5 (10%)
- ✓ Till 12<sup>th</sup> -: 9 (18%)
- ✓ Bachelor's Degree -: 31 (62%)
- ✓ Master's Degree -: 4 (8%)
- ✓ Doctorate -: 1 (2%)

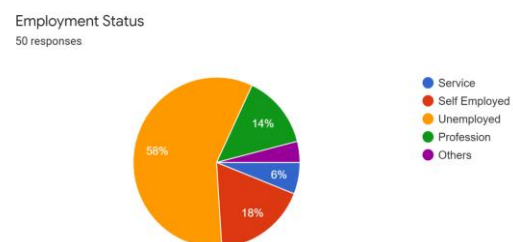


Figure 3: No. of respondents on the basis of employment status

- ✓ Service -: 3 (6%)
- ✓ Self Employed -: 9 (18%)
- ✓ Unemployed -: 29 (58%)
- ✓ Profession -: 7 (14%)
- ✓ Others -: 2 (4%)

Annual Income  
50 responses

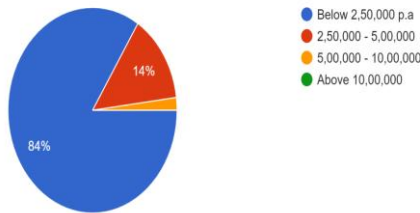


Figure 4: No. of respondents on the basis of annual income

- ✓ Below 25, 00,000 P.A -: 42 (84%)
- ✓ Between 2, 50,000-5, 00,000 P.A -: 7 (14%)
- ✓ Between 5, 00,000-10, 00,000 P.A -: 1 (2%)
- ✓ Above 10,00,000 P.A -: NIL

Are you aware of the Payment Banks and its services ?  
50 responses

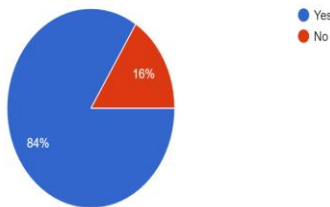


Figure 5: No. of respondents on the basis of awareness of payment bank services

- ✓ YES -: 42 (84%)
- ✓ NO -: 8 (16%)

Are you aware of Payment Bank operability guidelines, rules and regulations ?  
50 responses

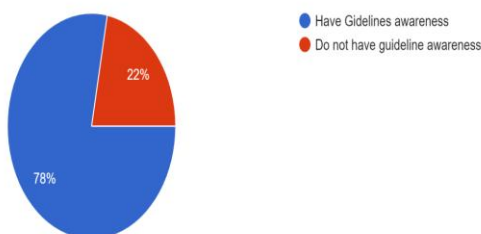


Figure 6: No. of respondents on the basis of awareness of rules & norms

- ✓ Have Guidelines awareness -: 39 (78%)
- ✓ Do not have guidelines awareness -: 11 (22%)

what do you consider as the main advantage for using Payment Banks ?  
50 responses

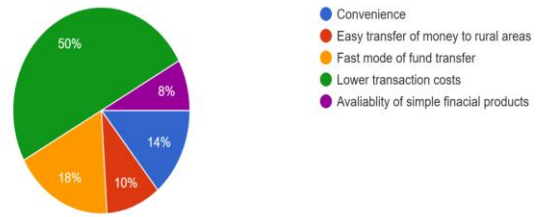


Figure 7: No. of respondents on the basis of advantage of payment banks

- ✓ Convenience -: 7 (14%)
- ✓ Easy transfer of money to rural areas -: 5 (10%)
- ✓ Fast mode of fund transfer -: 9 (18%)
- ✓ Lower transaction costs -: 25 (50%)
- ✓ Availability of simple financial products -: 4 (8%)

Whats your opinion for transfer of money and storing money in payments banks are safe or not ?  
50 responses

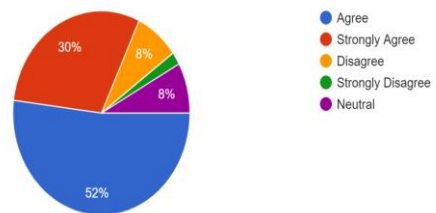


Figure 8: No. of respondents on the basis of security of operations

- ✓ Agree -: 26 (52%)
- ✓ Strongly Agree -: 15 (30%)
- ✓ Disagree -: 4 (8%)
- ✓ Strongly Disagree -: 1 (2%)
- ✓ Neutral -: 4 (8%)

What is your opinion on 7.25% return on investment being better than what other commercial banks offers ?  
50 responses

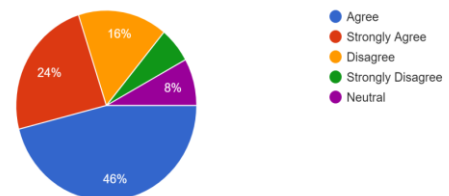


Figure 9: No. of respondents on the basis of return on investment

- ✓ Agree -: 23 (46%)
- ✓ Strongly Agree -: 12 (24%)
- ✓ Disagree -: 8 (16%)
- ✓ Strongly Disagree -: 3 (6%)
- ✓ Neutral -: 4 (8%)

Do you believe that payment banks give credit ?  
50 responses

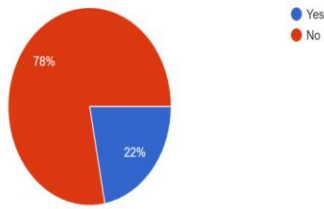


Figure 10: No. of respondents on the basis of credit extension by payment banks

- ✓ YES -: 11 (22%)
- ✓ NO -: 39 (78%)

What are your opinion on Inclusion of Payment Banks ?  
50 responses

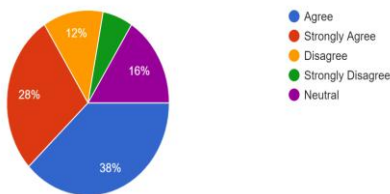


Figure 11: No. of respondents on the basis of inclusion policy of payment banks

- ✓ Agree -: 19 (38%)
- ✓ Strongly Agree -: 14 (28%)
- ✓ Disagree -: 6 (12%)
- ✓ Strongly Disagree -: 3 (6%)
- ✓ Neutral -: 8 (16%)

What are your opinion on viability of payment banks in low and medium income households and in rural areas ?  
50 responses

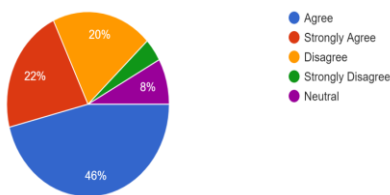


Figure 12: No. of respondents on the basis of opinion viability

- ✓ Agree -: 23 (46%)
- ✓ Strongly Agree -: 11 (22%)
- ✓ Disagree -: 10 (20%)
- ✓ Strongly Disagree -: 2 (4%)
- ✓ Neutral -: 4 (8%)

What are your opinion about Payment banks will serve to be a strong competition to commercial banks ?  
50 responses

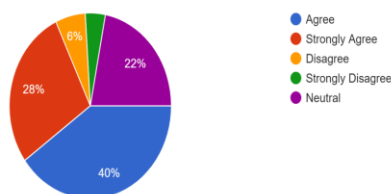


Figure 13: No. of respondents on the basis of competitive factors

- ✓ Agree -: 20 (40%)
- ✓ Strongly Agree -: 14 (28%)
- ✓ Disagree -: 3 (6%)
- ✓ Strongly Disagree -: 2 (4%)
- ✓ Neutral -: 11 (22%)

Do you want to open an account in payment banks ?  
50 responses

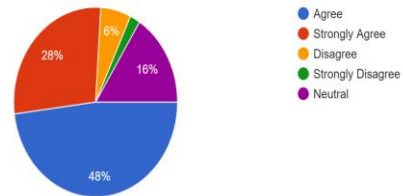


Figure 14: No. of respondents on the basis of account opening in payment banks

- ✓ Agree -: 24 (48%)
- ✓ Strongly Agree -: 14 (28%)
- ✓ Disagree -: 3 (6%)
- ✓ Strongly Disagree -: 1 (2%)
- ✓ Neutral -: 8 (16%)

## VI. FINDINGS OF THE STUDY

- ✓ Most of the persons are alert regarding the payment banks being initiate in our country by RBI but the operation guiding principle, benefits and ease of entrance haven't been prompted yet in the majority media. For this project to exist successful and accomplish the objectives to financial inclusion in the Rural India, it is essential that promotion and help centres or help desks are provide either by the government or the payment bank owners.
- ✓ While compensation wallets are largely used in our nation people are guaranteed about the safety and security of transaction during the expense banks.
- ✓ The striking interest rates provide by the payment banks is a immense selection as a fiscal tool for people with less than Rs 1, 00,000 for investing actions. Also, it is risk free as compared to stocks and mutual funds.
- ✓ Citizens are enthusiastic to open bank accounts in payments banks which is a great sign for the payment bank owners and the administration. This is largely due to the fact that they are virtually risk free and suitable.
- ✓ Effortlessness of transmit to rural areas and expediency and lost cost fund transfer are three most main advantages of the payment banks.

## VII. RECOMMENDATIONS

- ✓ According to opinion alertness campaigns should be conduct by RBI through media source via television marketing, newspapers etc.
- ✓ Airtel and Paytm should also help peoples in rural areas by opening customer care and helpdesk centres.



- ✓ Airtel has over 25,00,000 users in India, it can effectively use its customers as an advantage to convert these into payment bank user by offer cash backs, low cost transactions, offering more data, offering high rate of return.
- ✓ The government official stores or allowance kirana shops should accept payment banks payments via barcodes, etc.
- ✓ The unexploited consumers who are not a component of the banking systems they get convinced by the marketing and advertising of payments banks they can get knowledge about all services of payment banks with the help of the above mentioned help desks and customer care services.
- ✓ Thus, fiscal addition of these persons is easily manageable and would be present a immense footstep self-assured for the economic development of the country.

### VIII. CONCLUSION

The study, we can note that target market of the payment banks, the small trade owners, traveller worker, and other people from small income categories are enthusiastic to use payment banks if they are aware of it. But not adequate alertness is present among the people, and hence adequate awareness programs need to be organised by either the government, or the payment banks as their advertising strategy so that the consumers can make well-versed decisions.

People need to know that the payment banks are as secure and responsible, or even more, than the current business-related banks and the remuneration that come along. Also, the payment banks need to give more centre on remittances and effortlessness of use, since these are the two major reasons why people are adopting payment banks. Therefore, we can bring to a close by speak that if correct method are taken to take this programme forward, the payment banks can be a

great way to boost fiscal addition of small big business owners, migrant workers, people from rural areas, and other people near to the opinion earnings groups. Subsequently, this can largely make a payment in the growth story of India as an economy.

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