

Adoption of Payment Banks among Individuals in Delhi NCR

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ABSTRACT

Payment banks represent a novel category of financial institutions that offer limited services with convenient accessibility. The Reserve Bank of India established them with the primary goal of providing remittance services to various segments, including migrant laborers, low-income households, small businesses, and other unorganized sector entities. The role of awareness is pivotal in influencing people's attitudes toward the digitized payment system. Currently, payment banks confront several challenges, primarily due to their prohibition from lending money. Their primary source of revenue originates from the interest earned on government securities they can invest in. Despite these endeavors, payment banks grapple with significant financial losses, casting doubt on their viability. Notably, six out of the eleven existing payment banks are considering the possibility of transforming into small finance banks. In this context, this study focuses on the analysis of critical factors contributing to the sustainability of payment banks. The study incorporates the measurement of trust and its impact on the relationship, along with perceived usefulness and perceived ease of use. Additionally, the study considers actual usage as a reflection of the perceived utility and user-friendliness among respondents. Payment banks represent a transformative force in propelling India toward becoming a digital economy.

INTRODUCTION

The acceptance of payment banks is a key step forward in the country's drive towards financial inclusion and digitization. Payment banks, a relatively new addition to the Indian banking sector, have emerged as a viable answer to the issues of making financial services accessible and inexpensive to all segments of the population. In this research paper, we will look at the many aspects of payment banks and their role in promoting financial inclusion and digitization, with a specific emphasis on the unique setting of Delhi.

The Reserve Bank of India (RBI) initially introduced the concept of payment banks in 2014. These banks were envisioned as a new type of financial organisation, different from regular commercial banks, with a special responsibility to deliver basic banking services to the underserved and unbanked people through the use of digital technology. Payment banks, unlike full-fledged commercial banks, are not permitted to engage in lending operations, making them more specialised in their tasks. They can accept deposits (up to a certain limit), issue debit cards, enable online and mobile banking, and provide services like remittances and bill payments.

Payment banks' major purpose is to guarantee that those who do not have access to traditional banking services may participate in the formal financial system in a simple and affordable manner. The importance of financial inclusion in a country as varied and economically active as India cannot be emphasised. Around 190 million Indians are still unbanked, having only limited access to basic financial services. Payment banks intend to close this gap by making financial services more accessible through the creative application of technology.

Financial inclusion is the process of ensuring that all individuals and businesses, regardless of economic level, have access to a variety of financial services that match their requirements. These services include not only basic savings and payment alternatives, but also credit, insurance, and investment possibilities. Financial inclusion is critical in the Indian setting for a variety of reasons. For starters, it is critical for lowering economic disparity and poverty. Individuals with access to financial services are better able to save, invest, and establish financial security. It also allows people to obtain finance, which may be useful in founding or growing enterprises, so contributing to economic progress. Second, financial inclusion is necessary for both social and economic progress. When a major portion of the population is excluded from the official financial system, the government's efforts to distribute subsidies, social welfare programmes, and other benefits directly to the intended recipients are hampered. Financial inclusion has the potential to simplify these procedures while also reducing

leakage and corruption. Third, in an increasingly urbanised and digitally linked world, financial inclusion is consistent with the larger goal of encouraging inclusive growth. It enables individuals and enterprises to engage more completely in the economy, hence expanding economic prospects and narrowing the gap between rural and urban regions.

In the context of banking and finance, digitalization refers to the significant use of technology to expedite, streamline, and improve financial services. The growth of digitization has changed the way people and organisations perform financial transactions, manage their accounts, and get access to banking services. With its rapidly developing digital infrastructure and burgeoning tech-savvy population, India is particularly positioned to exploit digitalization for financial inclusion.

The confluence of financial inclusion and digitization takes on considerable relevance in Delhi, India's capital city. Because of the city's distinct demographic variety and economic differences, specialised solutions are required to ensure that all people, from busy metropolitan centres to huge slums, have access to financial services. Payment institutions play an important part in this endeavor, leveraging the potential of digitization to reach a diverse variety of demographics in Delhi.

In the subsequent sections of this research paper, we will explore the Literature of payment banks in India, the objective of the study and the methodology. Section 5 presents the results of the study and section 6 concludes the study.

REVIEW OF RELEVANT LITERATURE

(Pramani & Iyer, 2023) The research investigates Indian payment institutions' poor performance in promoting financial inclusion. Only six of the eleven licenced banks were active by March 2020, with profitability and client growth issues.

According to the study, this is due to limited adoption among financially excluded categories such as migrant labour and small merchants. A lack of understanding, trust concerns, and a lack of perceived need for payment bank services are all important considerations. These challenges are the result of a misalignment between payment bank business models and the unique needs of their target audience. The report emphasises the need of management and policy changes in addressing these difficulties. (Bansal, 2023) This study looks into the knowledge of payment banks among low-income people in India, as well as their influence on the acceptance of banking services in the presence of traditional commercial banks. Exploratory factor analysis and multiple linear regression are used in the investigation. Likert scale questionnaires were used to obtain data from 391 respondents. The findings show that low-income people are unaware of payment banks, but that they have a beneficial impact on their readiness to accept banking services.

(Mani & Agarwal, 2022) The purpose of this study is to assess the situation of payment banks in India, which were founded to promote financial inclusion and digital transactions. The study is based on a primary survey conducted with a standardised questionnaire. Customers value payment institutions for their simplicity, convenience, safety, and speed, according to the research. Payment banks are used by both male and female users of varied ages for specialised reasons such as cellphone recharge, ticket booking, and bill payments, but they are not used for all banking operations. The study gives useful insights into client perceptions of payment banks, providing recommendations for future decision-making to both payment bank operators and policymakers.

(Kunal & Sharma, 2022) The purpose of this study is to investigate consumer satisfaction with payment banks in India, which were established to promote financial inclusion. A questionnaire was used to obtain information from 200 clients. Security, responsiveness, service quality, simplicity of use, perks, time efficiency, and promotional programmes are identified as significant elements influencing consumer satisfaction in the research. According to regression modelling, there is a moderate relationship between these parameters and customer happiness and loyalty.

(K. P. Gupta et al., 2022) The purpose of this study is to look at the characteristics that influence Indian customers' acceptance of payment banks (PB), a mobile financial service developed to increase banking penetration in the country. The research identifies and prioritises significant aspects using a literature review and analytic hierarchy process (AHP). According to the research, "perceived benefits" are critical for payment bank service acceptance, with "monetary benefits," "time savings," "trust in service provider," and "financial risk" being the top four sub-factors that support effective PB service adoption.

(Kuriakose & Johnson, 2021) This study focuses on payment bank awareness in India, specifically in the Kottayam area of Kerala. In 2015, the Reserve Bank of India created payment banks to improve financial inclusion by harnessing digital technologies. According to the findings, the majority of respondents are unaware of payment banks, highlighting the necessity for these institutions to raise awareness about their digital financial services among the general people in India.

(Ghosh & Ranade, 2020) This research investigates the Reserve Bank of India's implementation of payment banks to promote financial inclusion among the unbanked population. It calls into question the viability of resolving the trilemma of financial inclusion, competitiveness, and profitability through technical innovation. According to the essay, overcoming this trilemma may need a fundamental shift in regulatory approach as well as official action to promote payment banks as a public benefit.

(Ashta & Pillarisetti, 2020) The study emphasises the difficulties encountered by Indian payments banks, which can collect microsavings but cannot provide microcredit. Their inability to produce adequate cash owing to low interest margins and restricted transfer payment fee has hampered their performance. To address these difficulties, payments banks are attempting to transition into small savings banks capable of providing microcredit, with the goal of increasing sustainability and financial viability.

(Kaur et al., 2022) This study looks at the elements that influence people's intentions to utilise payment bank services in India. It combines different quality characteristics with confidence and the reputation of the service provider. The study, which included 393 Indian users, discovered that contentment and intent to use have a considerable influence on actual usage. The reputation of the service provider, service quality, and trust are the primary elements determining satisfaction and intent to use. To increase consumer acceptance of payment banks, providers should prioritise satisfaction, with an emphasis on trust and a solid service provider reputation, as well as the deployment of current and secure technology.

Furthermore, personalised grievance redressal services are required to ensure that users receive correct service and information.

(S. Gupta et al., 2023) This study looks at the crucial success elements for payment bank widespread acceptance in the context of digital payment services. The Fuzzy Analytic Hierarchy Process is used in the research to prioritise critical elements. According to the findings, "ease of use" and "facilitating conditions" are the top priorities, while "personalization" is the least favoured. Although the study is confined to India's northern area, it provides useful data for marketers and politicians looking to improve the effectiveness of payment institutions.

Objectives

1. Assess the levels of trust among customers using payment banks.
2. Examine the relationship between perceived usefulness and the attitude towards using the service.
3. Investigate the relationship between perceived ease of use and the attitude towards service usage.
4. Quantify the influence of trust on the practical usage of payment bank applications.

METHODOLOGY

The study employed descriptive research with primary data, gathered through a questionnaire completed by 227 respondents. The collected data was organized and coded in an Excel spreadsheet. Percentages and frequency were employed to depict the data's characteristics.

The sampling method utilized was non-probability sampling, specifically, convenience sampling, involving individuals currently using payment bank services. To test hypotheses, ANOVA was applied, while correlation and regression analyses were used to assess the level of association and the extent of variance's influence.

RESULTS AND ANALYSIS

Table I. Demographics

| | | Number | Percentage |
|----------------|-----------|--------|------------|
| Gender | Male | 108 | 47.5 |
| | Female | 119 | 52.5 |
| Marital Status | Unmarried | 198 | 87.3 |
| | Married | 29 | 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 |
| | 180 | 38 | 8 | 1 |
| | 79.4 | 16.7 | 3.5 | 0.4 |
| Income | Below 20000 | 20K – 1Lakh | 1 lakh to 5 lakh | Above 5 lakh |
| | 99 | 22 | 21 | 85 |
| | 43.5 | 9.8 | 9.4 | 37.5 |

Source: Authors' own calculation

Table III. Regression between perceived usefulness& attitude

| | | | |
|----------------------|-------------|---------|----------|
| | Coefficient | T value | P value |
| Intercept | 2.94 | 8.84 | 2.68E-16 |
| Perceived usefulness | 0.32 | 3.62 | .00037 |
| R square | 0.05 | F | 13.02 |

Dependent variable: Attitude

Source: Authors' own calculation

Table IV. Regression between perceived ease of use & attitude

| | | | |
|----------------------|-------------|---------|----------|
| | Coefficient | T value | P value |
| Intercept | 2.28 | 8.23 | 1.56E-15 |
| Perceived usefulness | 0.33 | 5.36 | 2.15E-08 |
| R square | 0.12 | F | 28.64 |

Dependent variable: Attitude

Source: Authors' own calculation

Table V. Regression between Trust& actual usage

| | | | |
|----------------------|-------------|---------|----------|
| | Coefficient | T value | P value |
| Intercept | 2 | 8.6 | 6.15E-16 |
| Perceived usefulness | 0.51 | 9.3 | 3.36E-18 |
| R square | 0.28 | F | 83.7 |

Dependent variable: Usage

Source: Authors' own calculation

FINDINGS

In examining the cause-and-effect relationships, a regression analysis was performed on the following key variables: perceived usefulness, perceived ease of use, intention to use, attitude towards payment bank usage, actual usage, and trust. An overwhelming majority of respondents, 86%, expressed that payment banking services positively impact their personal and professional lives. An impressive 97% found that these services save them time and provide quicker transactions, while 88% felt that they could effectively manage their accounts through payment banks. Furthermore, 89% of respondents expressed satisfaction with the information provided by payment institutions.

A substantial 94% of respondents reported that learning to use payment bank services is straightforward. Additionally, 89% believed that payment banks make meeting all their banking needs simple, and 93% found transactions through payment institutions to be hassle-free. According to 91% of the respondents, these processes involve minimal mental effort. The consensus among the majority was that learning and comprehending payment bank services were uncomplicated

In terms of future usage, 89% of respondents expressed their desire to continue using payment bank services, while 81% indicated that they would not explore other alternatives. Notably, 38% of respondents disagreed with the idea of discontinuing payment bank services, demonstrating their intent to persist. An overwhelming 89% expressed contentment with payment bank services, with 86% feeling extremely comfortable utilizing them, and 84% 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, 78% of respondents reported that they use payment banks for all their transactions, surpassing the use of traditional bank services by 88%. An impressive 82% found payment banks to be more efficient, effective, and convenient, while 88% 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.

When it comes to trust, 75% of respondents indicated that they trust payment banks. A significant 80% believed these institutions to be trustworthy, and 78% agreed that they operate in their clients' best interests. A notable 77% 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, 66% of respondents perceived that payment banks go to great lengths to ensure client satisfaction, with 77% believing they uphold their promises. A substantial 73% perceived them as demonstrating strong honesty, while 83% believed they conduct business fairly. An impressive 74% of respondents agreed that payment banks efficiently meet their demands, with 73% considering them highly responsive. Additionally, 84% 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.

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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