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IMPACT OF PAYMENT BANKS ON INDIAN BANKS AND CUSTOMERS

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Abstract:

Payments banks are a new type of bank in India that was conceptualised by the Reserve Bank of India (RBI). It is a new project launched by the Reserve Bank of India with the help of Government of India. These banks can take a restricted deposit, which is now limited to Rs 200,000 per person and may be increased further in the future. These banks are unable to provide loans or credit cards.

The Study "Impact of Payment Banks on Indian Banks and Customers" is mainly based on Payment Bank in India. The main objective of study is to know about Payment Banks, Customers Attitude towards Payment Banks and Effect of launch of Payment Banks on existing commercial Banks. The Study is conducted on Primary data which is collected through Google form Questionnaire.

Keywords: Payment Banks, Customers, Commercial Banks.

Introduction:

The Indian financial system has seen substantial changes since 1991. The banking industry was one of the few industries that thrived following liberalisation, and its success may be credited to the RBI's key banking reforms as well as some significant technology advancements over the years.

The Reserve Bank of India envisioned Payments Banks as a new type of bank in India (RBI). These banks can take a restricted deposit, which is now capped at Rs 200,000 per person but might be raised in the future. These banks are unable to provide loans or credit cards. Banks of this type may handle both current and savings accounts. Payments banks can provide online and mobile banking as well as ATM and debit cards.

The main objectives of Payment Banks are Payment bank's mission is to provide banking services to rural and underserved areas. Migrant labour, small companies, and low-income households in rural places are served by these banks. Low-income individuals are encouraged to save by these institutions, which accept tiny deposits. Customers can

create accounts with payment banks even if they have no money in their account. The introduction of payment banks has made it easier for people in the developing world to move money around. Regional disparities have been reduced across the country thanks to payment banks. They offer full banking services to clients living in remote locations.

Functions of Payment Banks: Payment banks, like any other commercial bank, receive deposits from consumers. However, the Reserve Bank of India has established a ceiling of Rs.2,00,000 for these banks to receive deposits. They provide low-income people the opportunity to create a bank account with no balance. People are not compelled to keep a certain quantity of money in their accounts. Customers can get both virtual and real debit cards from payment banks. These cards can be used to make online purchases or withdraw cash from ATMs. Customers of Payments Bank can accept and send remittances from a variety of financial institutions. These banks make use of authorised payment systems like NEFT, RTGS, and IMPS. These banks are responsible for paying utility bills such as water, electricity, and gas. Currently 6 Payments Banks are active. There were 41 Applicants who applies for Payment Banks Licence these names were release by RBI Out of which only 11 got the License. Out of those 11 Payment Banks 3 Banks surrendered their license and 2 Payment Banks got defunct.

List of active Payment Banks:

- 1) Airtel Payment Bank
- 2) Paymt Payment Bank
- 3) Jio Payment Bank
- 4) Indian Post Payment Bank
- 5) NSDL Payment Bank
- 6) Fino Payment Bank

This Payment Bank service has the following vital features: -

- Instant payment service
- Instant cash transfer
- Any day, any time availability
- Simple and straightforward to use
- low-cost, quick, and secure
- globally accessible

The following are some of the most essential RBI rules, regulations, and recommendations for using payment banks: - Payment banks can receive order deposits of up to Rs a 200000.

They may offer ATM/ debit cards/ prepaid payment instruments, as well as advice on online banking and utility bill payment. But, they cannot issue loans or credit facilities.

The minimum paid-up capital is established at Rs 100 crore, and payment banks must maintain a minimum amount weight ratio of 3%.

At the very least, 75% of the deposits must be preserved in SLR-based instruments, such as government bonds. The remaining 25% can be saved in new banks as deposits.

Payment banks are subject to constraints based on the RBI's policy, which emphasises the use of technology to reduce spending in the long run.

Literature review:

- 1) Neha Mehta (L.J. Institute of Management Studies) and Sweety Shah (L.J. Institute of Computer Application – L.J. Institute of Management Studies) in their review journal **Payment Banks: Digital Revolution in Indian Banking System** (International Journal Of Management and Humanities, 2020). The goal of this study is to identify major factors that impact customers' decision to utilise payment banks for transactions. The criteria created for utilising payment banks include user-friendly, convenient, cost-effective, secure, and easy to manage funds. The purpose of the study was to 1) identify important characteristics that impact payment bank selection and usage. 2) Investigate the impact of demographic characteristics on the use of payment banks. The usage of payment institutions and online money-making apps has increased considerably during the monetization pause. To expand the number of subscribers or users, and therefore the system's acceptability, governments, banks,

and merchants must communicate and share information about payment banking, its significance, and simplicity of use.

- 2) Prof. Ashok Nagar (Professor, UCCMS, MLSU, Udaipur) Dr. Garima Kaneria (Post - Doctoral Fellow, ICSSR, UCCMS, Udaipur) in their reviewed journal **Payment Banks-A New Step Towards Digitalization (2020)**. The Reserve Bank of India's decision to let these new banks into the Indian banking system is seen as a significant step toward financial inclusion. Payment Banks' operations and difficulties, as well as their role in Financial Inclusion, are the subject of this study. To explore their financial inclusion participation, secondary data was used, and it was discovered that all three aspects of financial inclusion are rising.
- 3) Purnima Sarkar (Asst. Professor, Finance in Amity Global Business School, Bhubaneshwar) in their research paper **The Impact Of Payment Bank Services On Indian Banking Industry And Customers** (International Journal of Innovative Research and Advanced Studies (IJIRAS), 2020). The study's objective 1)Conduct a preliminary research of the impact of payment banks on Indian financial services and the people who live in India. Low-income and small-business households, in particular. 2) The second purpose is to assess the feasibility of expenditure banks across a range of views on the Indian economy, as well as their financial viability in contrast to widely accessible marketable banks, and so on. Payment banks' target market of small company owners, travellers, and other persons in low-income categories, according to the poll, are excited about using them if they are aware of them. However, due to a lack of public knowledge, appropriate public awareness campaigns must be organised by either the government or payment institutions as part of their advertising strategy so that clients may make educated decisions. Payment banks may be an effective instrument for promoting financial inclusion among small business owners, migrant workers, those living in rural regions, and others who fall into the lower income brackets. As a result, this can contribute significantly to India's economic growth trajectory.
- 4) Geetha. M. Iyer, Shrey Bhansali, Tanmayee Bhatt, Mohak Chhatwani, Animesh Deshpande did research on **Role of Payment Banks in India: Opportunities and Challenges (International Journal of Advance in Agriculture Science, 2018)**.The scope of payment banks in India is the topic of this study paper, which is a recent project undertaken by the Reserve Bank of India and the Government of India. One of the greatest difficulties facing the Indian economy today is the banking sector's non-inclusion in rural India. Payment banks are also being established to focus on low-income consumers and small enterprises with high volume but low-value transactions. The purpose of this research paper is to look into the viability of payment banks as well as the benefits and drawbacks of this new venture.
- 5) Anusha Goel (University of Delhi) in their review Article **Payment Banks: A New Landscape For Indian Banking Sector (2015)**Payments banks provide India a unique chance to expand its digital financial inclusion. In terms of expanding the breadth and efficiency of the financial inclusion process, the payments-bank model has the potential to be a game-changer. Due to excessive costs and lavish interiors, incumbent banks have shied away from providing modest remittance services to people. Only reasonable constraints will guarantee that this innovation succeeds, and entities' major economic interests in terms of both products and delivery systems will be adequately aligned with the inclusion aim. A product that results in a change in behaviour must be linked with raising awareness. In order to improve service quality and efficiency, it will be necessary to invest in information technology.

Research Methodology

Objective of the study

- 1) To learn about payment banks in India.
- 2) To investigate the distinctions between traditional and payment banks.
- 3) Research the impact of payment bank launches on existing commercial banks, with a focus on the Indian banking system.
- 4) To find out how customers feel about payment banks.

5) Conduct a cross-sectional research of payment bank customers of various ages, genders, and educational levels.

Research Plan:

Data Source: Primary Data
 Research Design: Descriptive Research
 Research Approach: Survey
 Research Instrument: Questionnaire
 Method of Contact: Personal
 Sample Size: 80 Respondents

Statistical Tools

SPSS (Statistical Package for Social Science)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Do you know about Payment Banks?	Between Groups	.113	2	.056	.479	.621
	Within Groups	9.429	80	.118		
	Total	9.542	82			
Do you believe that Payment Banks give credit?	Between Groups	.678	2	.339	.510	.602
	Within Groups	53.130	80	.664		
	Total	53.807	82			
Do you feel that, Payment Bank are more useful than Regular Banks?	Between Groups	1.682	2	.841	1.019	.365
	Within Groups	66.005	80	.825		
	Total	67.687	82			
What is your opinion will serve to be a strong competitor to commercial banks?	Between Groups	.245	2	.123	.126	.882
	Within Groups	77.755	80	.972		
	Total	78.000	82			
Are you satisfied with the Services of Payment Banks in which you are having your Deposits?	Between Groups	.869	2	.434	2.521	.087
	Within Groups	13.782	80	.172		
	Total	14.651	82			
What is your opinion for transfer of money and storing money in Payment Bank is safe or not?	Between Groups	.676	2	.338	.448	.641
	Within Groups	60.384	80	.755		
	Total	61.060	82			
Are you agreeing that Payment Banks are offering higher Rate of Interest on Deposit as compared to regular Banking system?	Between Groups	8.425	2	4.213	3.590	.032
	Within Groups	93.864	80	1.173		
	Total	102.289	82			

Do you want to open an account in Payment Bank?	Between Groups	3.347	2	1.674	2.023	.139
	Within Groups	66.171	80	.827		
	Total	69.518	82			

❖ Hypothesis:

The Study's hypothesis is that most of the customers are aware but they don't have appropriate knowledge about Payment Bank and they didn't use Payment Bank.

❖ Limitation:

Because time was a key constraint, the study's conclusions may have been influenced. Some respondents were hesitant to reveal their responses. All of the conclusions and recommendations have been based on the fundamental information supplied by the Google form that has been circulated.

❖ Findings:

- Most people are aware of payment banks, but they are unaware of the benefits and ease of operation of payment banks since they are not widely publicised in the main media.
- According to the findings of this survey, 41.7 percent of respondents are ready to create accounts with Payment Banks.

❖ Suggestion:

- Payment banks have the potential to play a significant role in transforming India into a cashless economy, as well as make a significant contribution to financial inclusion. According to the survey, there is a need to raise knowledge about the benefits of Payment Banks, particularly among middle-aged persons. Despite the fact that Payment Banks are licensed by the government. As a result, businesses may raise entire knowledge about Payment Banks, which aids in digging.

❖ Conclusion:

- Accounts to wallets will become completely seamless, and as a result, many consumers may create payment bank accounts in addition to their regular bank accounts. They can keep small-ticket payments distinct from larger bank payments by keeping different accounts. This is a critical value proposition that would be a game changer in the Indian banking system. However, because it is a new instillation in India, many individuals are still unaware of Payment Banks, their services, perks, and security regulations. As a result, owners of Payment Banks must raise public awareness.

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- 5) Dr. Rajsee Joshi (Assistant Professor Faculty of Management GLS University, Ahmedabad, India) in their reviewed article **Payment Banks – Its Adaptability By Retail Organized Vs. Unorganized Sectors (2020).**
- 6) Dr.R.CHANDRASEKARAN, (Assistant Professor, Department of Commerce Finance, Dr.N.G.P. Arts and Science College (Autonomous), Coimbatore. Tamil Nadu) S.VINOTHKUMAR, (Assistant Professor, Department of Commerce Finance, Dr.N.G.P. Arts and Science College (Autonomous), Coimbatore, Tamil Nadu) in their reviewed research paper **Impact Of Payment Banks In Indian Financial Inclusion** (JAC : A Journal Of Composition Theory, 2020)
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- 8) Subodh Sakpal (Oriental Institute of Management, University of Mumbai, Mumbai) Dr. Rashmi Soni (K. J. Somaiya Institute of Management Studies and Research, Mumbai) in their research paper **A Study of Opportunities and Challenges Faced Towards Sustainability of Digital Payment Banks in India** (Journal of Xi'an University of Architecture & Technology, 2019).
- 9) Dr. Kishore Kumar Das (Associate Professor & Head – Department of Business Administration, Ravenshaw University, Cuttack, India)Rupsa Mahapatra (Rupsa Mahapatra, Research Scholar in Management, Ravenshaw University, Cuttack, India) in their review article **Customer perception towards Payment Bank: A Case study of Cuttack City. (International Journal of Management (IJM), 2019)**
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- 16) Reddy, Kotha Samhitha, Srignesh,M in their research paper **Payment Banks in India**(Indian Institute of Management Bangalore, 2015)

- 17) Dr. Utkarsh Goel Dr. Rishi Manrai (Symbiosis Centre for Information Technology India) in their research paper **Payment Banks: Sustainable Game Changer Or A Passing Fad.**
- 18) Heera Rajput Bhattu (Professor, Dept of Computer Science Engineering Sreenidhi Institute of Science and Technology Hyderabad, India) Nidhi Bhaskar (Student, Dept. of Electronics and Computer Engineering Sreenidhi Institute of Science and Technology Hyderabad, India) Mohammed Mushtaq Ahmed Ali (Student, Dept of Computer Science and Engineering Sreenidhi Institute of Science and Technology Hyderabad, India) in their research paper **Ease Of Using Payment Banks In India With Suitable Application Of Software Technology.**
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