

# CUSTOMERS' SATISFACTION TOWARDS SERVICES OF THE PAYMENT BANKS IN TUMKUR DISTRICT

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## Abstract

Safe, balancing and timely settlement of economic transactions can be done only when a strong payment system is in place. Indian financial sector has crossed through many strenuous pathways and it has witnessed remarkable changes since 1991. Large population of our county is not availed with banking facilities due to geographical reach, regional disparities, and lack of connection. The Reserve Bank of India gave nod to 11 banks for payment banks license on 19<sup>th</sup> August, 2015. A payments bank is like any other bank, but operating on a smaller scale without involving any credit risk. Stringent RBI policies do not allow for much room for independence of mode of functionality of these banks. Hence, the study is undertaken. The study provides findings and suggestions to improve the services of the payment banks.

**Key words:** Financial inclusion, payment banks, banking services, postal services, mobile banking, e-wallet.

## 1. Introduction

The modern economic transactions basically involve payments overshadowing the outdated barter system. More the economic transactions more would be the growth and greater the strength of the economy. The payment system facilitates trusted settlement and assures the participants about receipt of their value embedded in the economic transactions carried out by them. Therefore, a strong payment system is crucial for any economy. While the payment system has a much wider meaning, the role of banks in steering the settlements is not only incomparable but is also indispensable. With the explosion of borderless business, online transactions, transfers, and real time payments, the payment incidence has increased and has been a challenge for the banks to handle the number, nature, and payment speed. The Reserve Bank of India gave nod to 11 banks for payment banks license on 19<sup>th</sup> August, 2015. This is the first time in the history of India's banking sector that RBI is giving out differentiated licenses for specific activities. The nine organizations include, Aditya Birla Nuvo Limited, Airtel M Commerce Services Limited, Cholamandalam

Distribution Services Limited, Department of Posts, FinoPayTech Limited, National Securities Depository Limited, Reliance Industries Limited, Tech Mahindra Limited and Vodafone M-pesa Limited. The two individuals include Dilip Shanghvi of Sun Pharmaceuticals and Vijay Shekhar Sharma who operates Paytm. Airtel has propelled India's first payment bank, Paytm being the second and India Post Payment Bank being the third. The purpose of setting up of payments banks is to enhance financial inclusion by offering small savings accounts and payments/remittance facilities to labourers, low income households, small businesses, and other vulnerable populations. Payment banks have built on a new model that focused on bringing financial services to the hundreds of millions of un-served or under-served.

## 2. Payment banks

Payment bank is a type of bank which is a non-full service niche bank. With the motive of providing banking services for all areas which are not connected with banking facilities payment banks were introduced. Payment banks are more than a digital wallet. It can be a supermarket chain, mobile service provider, non-banking financial company, post office, co-operatives, etc. Payment banks are devised on the model of pre-paid instrument that loads cash into mobile and use it to do a variety of transactions such as money transfer via mobile to another mobile or to a bank account or to a point-of-sale outlets at big retailer and even to withdraw cash. It provides services through third-party individuals, referred to as payment bank agents.

## 3. Statement of the problem

Large population of our country is not availed with banking facilities due to geographical reach, regional disparities, and lack of connection. Stringent RBI policies do not allow for much room for independence of mode of functionality of these banks. Therefore, without any lending service, it is difficult for the payment banks to earn money. Therefore, the payment banks will pose competition to the tradition banking system in terms of attracting short-term depositors. For reducing the chance of misselling they require certified and well trained employees. India is cash based society and there is a huge penchant for physical cash, even in metropolitan cities. In the banked segment, the challenge for the payment banks is the resistance of change of the customers. In this context, the study was undertaken to know the customers' satisfaction with the services of the payment banks.

## 4. Objectives of the study

The objectives of the present study are:

1. To study the satisfaction level of customers about services of the payment banks in Tumkur district.

2. To offer suitable suggestions to improve the services of the payment banks.

## 5. Hypothesis

There is no significant relationship among the satisfaction level of customers belonging to different demographic profile towards services of the payment banks.

## 6. Methodology

The study is empirical in nature. There are 8 payment banks in Tumkur district as on March 2018. By adopting purposive sampling, 50 sample customers were selected from Indian post payment bank, 50 customers were selected from airtel payment bank and 50 customers were selected from paytm bank. Thus, the primary data were obtained from 150 customers using schedule method. The secondary were collected from journals, magazines, reports, books, other published sources, etc. Pre-testing of schedule was done to know the relevance of the questions. In order to analyze customers' satisfaction towards services of the payment banks, analysis of variance, student t-test, analysis of co-efficient of variation, multiple regression analysis and percentage analysis were applied.

## 7. Findings

1. The mean score (3.37) reveals that ease access is the key factor for the respondents to avail services from payment banks, followed by cashless mode (3.12) and security (2.78) in Tumkur district.
2. Ranging from 17 per cent to 29 per cent of the respondents use payment banks for utility bill payment, mutual funds and insurance products.
3. A significant relationship is found among the satisfaction of the respondents of different genders, age groups, educational status groups, occupations, and monthly income groups towards services of the payment banks. The overall satisfaction of all the 30 statements are considered as 'satisfied' by 42 per cent of the respondents, as 'partially satisfied' by 31 per cent of the respondents, as 'dissatisfied' by 27 per cent of the respondents.
4. Male respondents, respondents in the age group 31-40 years, respondents having post-graduation and above qualifications, respondents having monthly income Rs.40001 to 50000, businessmen, and customers of Paytm are highly satisfied about the services of payment banks.
5. There is consistency among the satisfaction of male respondents, respondents in the age group above 50 years, respondents who have post-graduation and above qualifications, respondents who have monthly income above Rs.50000, businessmen and customers of Paytm towards services of the payment banks.

6. There is a low degree of correlation (0.089) between the satisfaction level towards services of the payment banks and the selected independent variables. The R square indicates that 0.80 per cent of variation in the satisfaction level is explained by the independent variables taken collectively. The F value indicates that the multiple correlation coefficients are not significant. Gender, age, educational qualification, occupation and monthly income have no significant effect on the respondents' satisfaction towards services of the payment banks.
7. Respondents ranging from 55 per cent to 72 per cent have problems such as security issues/money laundering, absence of cheque book facility, restrictions in the payment model, threat of competition and high customer demands. Charges on every withdrawal, restrictions in the fund deployment and too much compliance are the problems of the customers with the payment banks.

## 8. Suggestions

1. To succeed, payment banks have to look for a right leadership with right mix of people since it is first of its kind in India.
2. Payment banks need to create a differentiation between them and business correspondents by exploring a remittance plus model which essentially means investing largely in customer centric product that will include face to face and remote transactions.
3. For payment banks to succeed, people will need to migrate to digital alternatives which will require behavioural changes. In India, most of the customers owns a debit card and prefer ATM transactions rather than mobile banking.
4. Payment bank is a great initiative which has the long-term potential of transforming Indian financial inclusion scenario.
5. The current product offerings from payment banks fail to meet the requirements of immigrants and daily wage labourers. Therefore, payment banks should customize its offerings to ensure that the needs of these unbanked segments are covered. Payment banks should ensure profitability of its operations.

## 9. Conclusion

The inclusion of payment banks in India is a big positive disruption to the banking sector and would surely see the cost associated with transfer of money or settlements diminish dramatically for end users. Payment banks have been bounded in banking operations, as they will not be allowed to do a business of lending activities. Indeed there is a question about who will take care of the credit needs of the unbanked. RBI evokes that payment banks will serve as a channel to allow people to

eventually migrate to full-service banks, which is quite likely. With the entry of payment banks, the process of shifting money from bank accounts to wallets will become truly seamless, and thus it is extremely possible that many customers may open payment bank accounts in addition to their regular bank accounts. They may segregate small-ticket payments from other bank payments by holding separate accounts.

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