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## Research Paper

## A Study on Awareness and Usage of Payment Banks Among Students

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### ABSTRACT

The Reserve Bank of India (RBI) has launched payment banks with the primary goal of expanding digital, cashless, and paperless banking in our country. It's a related concept that gives various financial institutions that are not banks the authority to provide every Indian citizen with basic bank services. A payments bank might be a unique type of bank with the specific goal of serving the underbanked and unbanked. A payments bank might be a unique kind of bank with the specific goal of serving the underbanked and unbanked. Millions of individuals still do not have bank accounts, even though the Pradhan Mantri Dhan Yojana has reduced the number of unbanked individuals in the nation.

The RBI has granted "in-principle" licenses to certain entities to establish Payment Banks, marking an important turning point in the history of the Indian banking sector. This is a significant step in the RBI's financial inclusion efforts to reach low-income groups and small communities. The public at large must be aware of the various IT-enabled banking services, as the use of information innovation has been growing daily, and the Indian economy is transitioning to a cashless economy.

A new era in banking has begun with the rise of payment banks. The utilisation of digital payments is based on the payment method. In terms of technological innovation as well as the availability of a variety of safe, secure, creative, and effective payment systems, the online era has made the nation a force to be reckoned with in the global payments area. The creation of Payment Banks has been a step toward achieving the goal of financial inclusion as well as ensuring the creation of a safe and reliable payment system for digital money exchanges. The primary goal of the establishment of the payment bank in India was to facilitate rapid and simple online transactions in order to save time. This study gives an overview of students' awareness of payment banks. The organised questionnaire is the basis of the investigation. Both primary and secondary data have been used for this research. The output has been extracted via statistical methods, such as the percentage method and the chi-square test.

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**KEYWORDS:** Payment Banks, IT-enabled banking services, financial inclusion, cashless economy.

## 1. INTRODUCTION

Payment banks are related to a particular category of banks that are permitted to provide their clients with a limited number of services, such as receiving and transferring money. The main distinction between these banks and other banks is that they are not permitted to provide lending services, such as offering credit cards or providing loans. Financial inclusion, which encourages low-income and underprivileged groups to access affordable financial services, has been made possible in a significant way due to payment banks.

The purpose of financial inclusion is to provide low-income groups a way to preserve their life earnings. Without such a platform, the income of the underprivileged, including rural and urban wage workers, is frequently kept as treasure or spent on excessive expenditure. The creation of payment banks was thought of as a way to get over these hurdles to economic growth and achievement.

The Mobile Platform will be used by payment banks to enable transactions between two or more parties. As an initiative toward economic development, they were created to provide financial services in the least developed regions of the country. When compared to specialised banks, payment banks will be accessible in areas where physical penetration is challenging and will probably result in a reduction in the cost of banking services. By encouraging financial inclusion, they have evolved into a way to connect with formerly unbanked areas and bring them into regular banking systems.

Banks and telecom companies work together to create payment banks. Payment banks that use mobile phones are the most appropriate in rural and remote locations, as these areas lack the infrastructure needed for the establishment of banks and financing systems. In addition to promoting structured banking across the nation, these institutions are anticipated to support underprivileged groups in conducting payments online, reducing the requirement for mediators.

## 2. HISTORY OF PAYMENT BANKS

During the budget presentation on Friday, 28, 2015, it was revealed that India Post would operate a payments bank using a wide-ranging network. On July 06, 2015, the Nachiket Mor-headed external advisory committee turned in its conclusions. The financial history and governance concerns of the applicant businesses were investigated. Eleven organisations received “in principle” licenses from the Reserve Bank of India on August 19, 2015, to establish payment banks:

1. Aditya Birla Nuvo Limited (Idea)
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. Department of Posts, Govt. of India
5. Fino Pay Tech Limited
6. National Securities Depository Limited (NSE)
7. Reliance Industries Limited
8. Shri. Dilip Shanthilal Shanghvi (Sun Pharma)
9. Shri. Vijay Shekhar Sharma (Paytm)
10. Tech Mahindra Limited
11. Vodafone M-Pesa Limited

## 3. Payment Banks – Do’s and Don’ts

The following are a payment bank’s dos and don’ts in accordance with RBI guidelines: They are unable to provide loans. Credit cards cannot be issued by them. Similar to a savings bank account, they can make deposits up to Rs. 2 lakhs. They have the ability to facilitate remittances and transfers using a mobile phone. They can provide services like automatic bill payment and phone. They can provide services like automatic bill payment and phone-based, cashless, chequeless transactions.

They are able to issue ATM and debit cards that can be used on all banks’ ATM networks. As a component of the gateway that links banks, they can send money straight to bank accounts at almost no cost.

## 4. REVIEW OF LITERATURE

In November 2014, the Reserve Bank of India (RBI) gave licenses to 11 companies for setting up Payment Banks with the aim of providing basic banking facilities to migrant workers, low-income households, small businesses, and other unorganised sectors. Payment bank creates an opportunity for digital. Payment bank creates an opportunity for digital financial inclusion in India. This concept was newly introduced in India. It discussed the payment banks concept, how it performs, and whether people are aware of this concept or not. These banks provide various services only to small business owners, labourers, households, and farmers. These banks were introduced for those people who have small savings. CRISIL Research and other experts advised that telecom operators play a vital role in setting up payment banks and give opportunities to make networks in rural areas. (Goyal, 2015) Manikandan and Chandramohan (2015). This study proposes to evaluate user utilisation of mobile wallet services. It was discovered that a mobile wallet is a digital method of retaining money that is equivalent to a physical wallet. The study findings revealed that mobile wallets allow for faster and more convenient transactions. In addition, it enables secure payment and transfers across multiple locations. In addition to money transfers, it enables low-cost banking for the unbanked people, providing faster and higher-quality services. The survey found that mobile wallets meet the needs of consumers as well as retailers through safe, convenient, and user-friendly technologies. Customers can enjoy a variety of benefits from mobile wallets.

Pareek, A., & Raman, P. (2016). The arrival of payments banks in India and how that can help enhance financial inclusion via the internet. The Reserve Bank of India (RBI) recently granted new licenses, and the research identifies the challenges facing payments banks in India and how this new payment system would revolutionise the flow of money.

Manikandan and Chandramohan (2016). The study found that using cards for banking provides high-quality service standards. Plastic money meets customer demands. The study looked at management students’ awareness of mobile wallet services. The study discovered that increased smartphone

usage, along with an increase in the number of mobile wallet service providers, contributes to the growth of such services. Customers from various backgrounds are educated about and mindful of mobile wallet services. In addition, the service quality features of mobile wallet providers and payment banks attract students to use their services. The survey found that female students are more aware of mobile wallet services than male students. More discounts and promotional offers encourage young people to adopt mobile wallets.

Mittal et al. (2017) Indian banking is in an active phase due to the frequent changes in RBI and government policies. RBI permitted payment banks to establish a new version of banks, but with some limits. Payment banks are making an effort to attract clients with technology-driven offerings. These banks will help to make banking more convenient for customers by using technology to acquire an advantage over rivals. Customers largely utilise payment banks for services such as mobile device recharge and bill payment, but universal banks are still preferred for savings. Customers' mindsets can be changed through proper promotion and awareness by payment banks.

Shrey, Bhansali, et al (2018). The Reserve Bank of India and the Government of India have launched a plan to set up payment banks in India. One of the biggest challenges confronting the Indian economy presently is the absence of the banking sector in rural India. Payment banks are also being created, with particular focus on low-value, high-volume transactions involving low-income individuals and small businesses.

Ahmed, M., & Gugloth, S. (2018). The concept of payment banks was introduced to service migrant workers and lower-income households, to include them in the formal financial system. Payment banks can perform all function like a formal bank does. These banks reached unbanked areas to facilitate banking services. It is difficult for a bank to open branches in each village across the country; rather, payments banks can overcome this gap by utilising mobile phones. It is an innovative approach to the banking system.

Sakpal and Soni (2019) developed a method to evaluate possibilities and obstacles for the long-term viability of digital payment banks in India. User's knowledge of payment banks was found to be sufficient. The government has given payment banks the permission they need. However, customers usually think that, as they are private companies, their deposits are not secure. Customers usually use payment bank services to pay bills and recharge their phones, but they still prefer a universal bank for savings. The results of the study demonstrated that the main barriers to utilising digital payment

banks had insufficient technology access, a lack of security, no interest in the balance, and a lack of other services. According to the study findings, reducing these obstacles will improve payment bank usage patterns.

## 5. OBJECTIVES

1. To identify awareness of payment banks among students
2. To explore the impact of demographic variables on awareness and usage of payments banks

## 6. RESEARCH METHODOLOGY

### 6.1. Data Collection

Conducting this study requires both primary and secondary data to analyse. The primary data is collected for the first time, and it is original. Data is collected from students through a questionnaire. Secondary data is collected from journals and websites.

### 6.2. Population

This study included college students studying in various fields.

### 6.3. Sample Size and Sampling Method

For this study, data were collected from 200 students. The cluster sampling method is used for selecting respondents.

### 6.4. Hypothesis

**H<sub>0,1</sub>** = Various demographic parameters, such as education, age, region, etc., have no significant impact on payment banks usage.

**H<sub>2,1</sub>** = Various demographic parameters, such as education, age, region, etc., have a significant impact on payment banks usage.

### 6.5. Statistical tools and techniques

The analysis method used for this study is tables, graphs, etc. Data analysis will be done to test formulated hypotheses, and these hypotheses will be tested using analysis tools like the chi-square and percentage analysis.

## 7. Analysis and interpretation

Distribution of Respondents based on Level of Awareness regarding Payments Banks

Table 1

Awareness of Payment Banks	Frequency	Percentage
Yes	200	100
No	0	0
Total	200	100

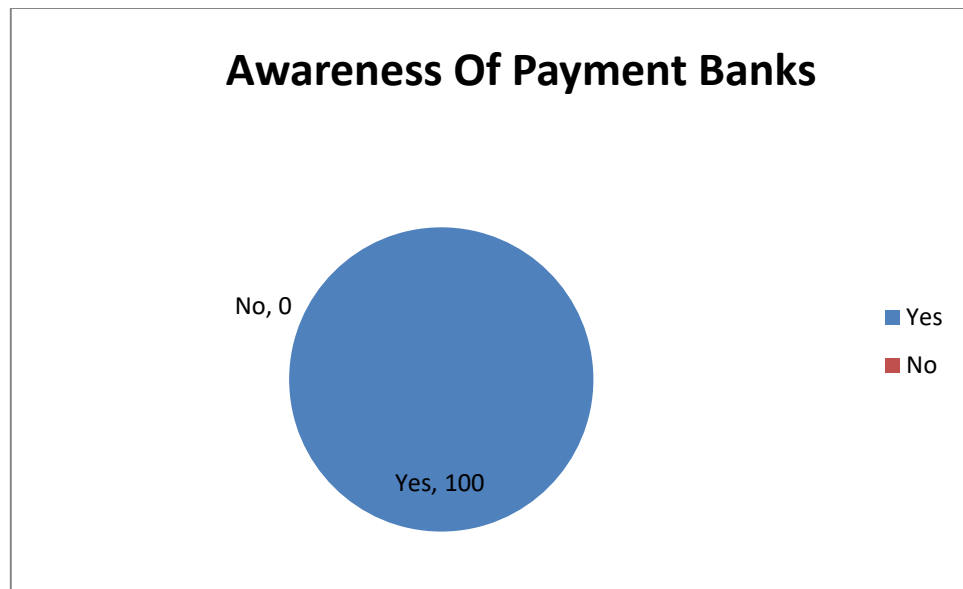


Figure 1: highlights the level of awareness regarding payment banks.

100 per cent of respondents are fully aware of payment banks. 0 per cent of respondents are not aware about payments bank; everyone is aware of the payment

### Hypothesis Testing

Table 2

	Age	Gender	Education	Region
Frequency of usage of Products and services of Payments Banks?	0.9959	0.967	0.991	0.77

The association between demographic variables (Age, Gender, Education, and Region) and the frequency of usage of products and services of payment banks was examined using the Chi-square test at the 0.05 level of significance.

At 5 % level of significance (0.05), chi-square values Age ( $X^2 = 0.9959$ ), Gender ( $X^2 = 0.967$ ), Education ( $X^2 = 0.991$ ), and Region ( $X^2 = 0.77$ ) show a significant association with the frequency of usage of products and services of payment banks. This shows that differences in demographic variables influence how frequently respondents use payment bank services.

The Null Hypothesis ( $H_0$ ) is rejected, whereas the alternative hypothesis ( $H_1$ ) is accepted, indicating that all demographic variables have a significant effect on payment bank usage frequency.

### 8. CONCLUSION

Many users will likely open payment bank accounts in addition to their regular bank accounts, as the introduction of payment banks will make the process of transferring funds from bank accounts to wallets genuinely smooth. By keeping different accounts, they may keep small-ticket payments apart from larger bank transactions. This is an essential value offer that would completely transform the

Indian banking system. However, as Payment Banks are still relatively new in India, many individuals are still unaware of their services, advantages, and security standards. As a result, Payment Bank owners must raise public awareness.

The study suggests that payment banks have achieved overall awareness and acceptance among students. The findings indicate that demographic characteristics such as age, gender, education, and area have an important effect on the frequency with which payment bank services are used, leading to the rejection of the null hypothesis regarding demographic impact on usage. The data clearly show that payment banks meet students' needs for daily financial transactions and have been established as an important alternative to traditional financial institutions.

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