

*Research Article*

## An Empirical Study on Factors Affecting the Selection of Payment Banks Among Students

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Abstract	Manuscript Information
<p>Payment systems encourage financial stability and economic growth. It will speed up the financial inclusion process even more. One of the Reserve Bank of India's (RBI) key goals has been to provide efficient payment systems that are safe, affordable, accessible, and trustworthy. India has implemented one of the world's most advanced payment systems, whether it be quick or high-value, to accomplish these goals. Payment banks were established under a different kind of bank that is permitted to provide a restricted range of services related to money acceptance and transfer. They are mainly different from traditional banks in terms of services like they are prohibited from carrying out lending services and issuing credit cards. It provides the ideal way to establish a financial organisation without having to spend a lot of money on opening a branch. Since they are digital in nature, they can be run with very little infrastructure. Therefore, it may be inferred from this study that individuals have a favourable opinion of its use. Raising awareness and educating the underprivileged population are necessary to broaden their worldview. They should be granted more power in the future so they may grow the company they operate.</p>	<ul style="list-style-type: none"> <li>▪ <b>ISSN No:</b> 2583-7397</li> <li>▪ <b>Received:</b> 09-11-2023</li> <li>▪ <b>Accepted:</b> 22-12-2023</li> <li>▪ <b>Published:</b> 30-12-2023</li> <li>▪ <b>IJCRM:</b>2(6); 2023:206-210</li> <li>▪ <b>©2023, All rights reserved</b></li> <li>▪ <b>Plagiarism Checked:</b> Yes</li> <li>▪ <b>Peer Review Process:</b> Yes</li> </ul> <p><b>How to Cite this Manuscript</b></p> <p>Sharma P, Pareek A. An empirical study on factors affecting the selection of payment banks among students. International Journal of Contemporary Research in Multidisciplinary. 2023; 2(6):206-210.</p>

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## 1. INTRODUCTION

Payment systems encourage financial stability and economic growth. It will speed up the financial inclusion process even more. One of the Reserve Bank of India's (RBI) key goals has been to provide efficient payment systems that are safe, affordable, accessible, and trustworthy. India has implemented one of the world's most advanced payment systems, whether it be quick or high in value, to accomplish these goals. Few forms of payment have been established in the decade that followed; all effort has been made to raise the degree of faith and enhance the convenience of everyone. The RBI's role has evolved from that of a regulator and facilitator to that of the creator of India's structured payments ecosystem. Extended use of technology and innovation facilitates the eager and rapid adoption of this payments ecosystem. In India, the Payment Bank concept is an important milestone toward achieving the goals of developing the most advanced payment system in the world and increasing the number of people who have access to financial services. To facilitate transactions between two or more parties, they will use the mobile phone platform. They have been carefully chosen to offer banking services in the most isolated and underdeveloped regions of the nation in order to accelerate financial inclusion and economic development. Payment banks will be accessible in areas where physical development is not feasible and, more significantly, will result in cheaper banking service costs than traditional banks.

In the same way that traditional banks offer ATMs, debit cards, internet banking, and third-party transfers, it is connected to another bank with a smaller presence in the region. However, they are unable to give consumers credit; instead, they only offer interest to depositors and account holders. Anyone can deposit up to two lakhs (Rs. 200,000) into their account, but not beyond that, as stated on [www.rbi.org](http://www.rbi.org). The Reserve Bank of India states that reaching the population at large and promoting the process of financial inclusion are the main objectives of payment bank establishment. They mostly serve low-income households, unorganized sector businesses, mobile laborers, and those with little savings.

Nachiket Mor introduced the concept of payment banks in September 2013. The committee came up with the idea to establish payment banks with the idea that customers who deposit money there would receive a small interest rate. Payment banks were established under a different kind of banks that are permitted to provide a restricted range of services related to money acceptance and transfer. They mainly differ from traditional banks in terms of services, as they are prohibited from carrying out lending services and issuance of Credit Cards.

Payment bank is a new entity within the banking industry. Since it is not feasible for a bank to establish branches in villages throughout the nation, payment banks will use mobile platforms. Payment banks were established to improve low-

income people's, enterprises', and small depositors' access to official financial channels or services. With a focus on promoting digital, paperless, and cashless banking in our country, the Reserve Bank of India (RBI) recently launched payment banks. Payment bank is a unique financial institution dedicated to serving the underbanked and unbanked. The PMJDY has lowered the number of unbanked individuals in the nation. Payment banks seek to serve these clients, especially those from lower-income households and migrant workers, and include them into the regulated economy.

### What are Payment Banks:

A payment bank is a new player in India's banking sector. Payment banks are similar to regular banks in several ways; however, they are only able to offer a limited variety of financial services. Essentially, the idea of a payment bank is relatively new to the banking industry. The Reserve Bank of India (RBI), the most powerful financial authority in India, is responsible for regulating payment banks. A particular category for a payment bank is "scheduled bank." However, in order to differentiate itself from other traditional banks, the companies must include the term "payment bank" in their names. Additionally, payment banks are permitted to carry out only certain selective functions of banking.

### Importance of Payment Banks:

For the first time in Indian history, the RBI has given banking authority to several non-banking financial sectors and has already given small-scale banks a second set of unique licenses. By offering a safe payment gateway for all transactions, the proposed initiative seeks to reshape the Indian economy. By offering all services on mobile devices and charging a very small fee for each service, it also reaches migrant workers and lower-income groups. With the goal of transforming India, the RBI frequently promotes digital payments as a step in its efforts to eliminate black money and encourage cashless transactions.

## 2. 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 unorganized sector entities. Payment banks create an opportunity for digital financial inclusion in India. This concept was newly introduced in India. It discusses the payment banks concept, how it performs, and whether people are aware of this concept. These banks provide various services only for small business owners, laborers, households, and farmers — particularly for those who have small savings. CRISIL research and other experts advised that telecom operators play a vital role in setting up payment banks and creating network opportunities

in rural areas. (Goyal, 2015). (Sakpal, 2019) RBI set up payment banks to achieve the goal of financial inclusion. This study mainly focuses on payment banks and how people use them. Digital wallets are the main modes of online payments. People can use payment banks through small retail shops. People need to believe that it is safe and secure. If the number of threats is reduced, usage of payment banks will increase. There is a need to create awareness among people to use digital wallets. This will help reach small businesses, households, and others who have small savings. This bank can be accessed by small merchants due to its small network and ability to make small payments.

(Mehta, 2019) To achieve financial inclusion, the payment banks concept was introduced in India and this is a more innovative category of banks. Usage of payment banks increased during demonetization. Demonetization helped shift our economy toward a cashless economy. Payment banks have rapidly grown. People can use payment banks through various applications for bill payment, recharge, and shopping. This has increased the usage of payment banks through electronic modes and spread awareness about payment banks.

(Chandrasekaran, 2020) This study discusses the impact of payment banks on Indian financial inclusion. It describes the establishment of new banks to include people in banking who belong to the under-banked segment. Payment banks were announced by RBI to promote digital transactions. Payment banks play a vital role in financial inclusion through mobile banking and various schemes. This is possible only with the adoption of technology.

Rupa et al (2021) conducted a study on how college students used payment banks during the COVID-19 pandemic. It was determined that the majority of survey respondents exchanged money through payment banks. When it came to using payment banks for financial transactions, Paytm Bank was the first option. According to the study's conclusions, additional awareness initiatives are needed to boost their use, and people should be informed about the variety of services they offer.

Gupta (2022) This study concluded that the implementation of payment banks is the primary focus. Payment banks utilize

electronic banking systems to help low-income groups, small businesses, and workers save money and conduct business dealings using electronic payments. Due to their excellent services, clients are happy and satisfied with the various payment banks and financial institutions that are currently licensed and operating in India.

### 3. OBJECTIVES OF STUDY

- To determine the factors affecting the selection of payment banks among students.

### 4. RESEARCH METHODOLOGY

For the present study, the cluster sampling method has been adopted. This study is conducted on 200 students of a university in Rajasthan. According to this study, the population is of a homogenous nature. Both primary and secondary data are needed to conduct and analyse this study. Primary data is that which is collected afresh and for the first time in its original form. The primary data will be collected from students (UG, PG, Researchers) through questionnaires, surveys, and observations. For secondary data, books, journals, and websites will be used. Data analysis will be done using percentage analysis, mean, and rank analysis.

#### Formulas of Statistical Tools and Techniques Used:

##### 1. Percentage Analysis

$$\text{Percentage} = (\text{Number of Respondents} / \text{Total Number of Respondents}) \times 100$$

##### 2. Mean Score (Likert Scale Analysis)

$$\text{Mean Score} = \Sigma(f \times w) / N$$

Where:

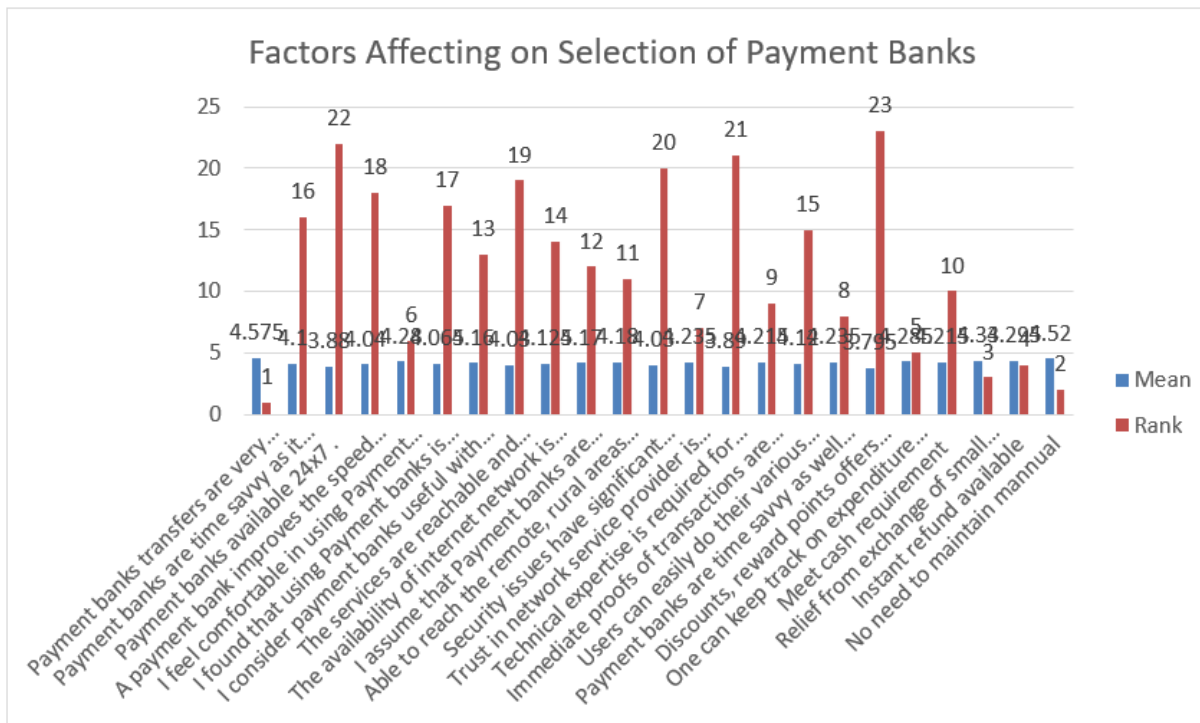
- f = Frequency of responses
- w = Weight assigned to each response
- N = Total number of respondents

##### 3. Mean Rank

The factor with the highest The mean score was given Rank 1.

	Variables	5 Strongly agree (%)	4 Agree (%)	3 Neutral (%)	2 Disagree (%)	1 Strongly Disagree (%)	Mean	Rank
Factor-1 Transaction Speed	Payment banks transfers are very quick when compared to traditional methods	128(64)	60(30)	11(5.5)	1(0.5)	0(0)	4.575	1
	Payment banks are time savvy as it saves energy and travel time because there is no need to stand in queue in banks	28(14)	163(81.5)	8(4)	1(0.5)	2(0.16)	4.1	16
	Payment banks available 24x7 .	51(25.5)	84(42)	61(30.5)	1(0.5)	0	3.88	22
	A payment bank improves the speed of transaction.	38(19)	131(65.5)	30(15)	1(0.5)	2(.016)	4.04	18

Factor – 2 Compatibility	I feel comfortable in using Payment banks as it suits me. I think that using Payment banks fits my lifestyle	74(37)	109(54.5)	16(8)	1(0.5)	0	4.28	6
	I found that using Payment banks is hassle-free	45(22.5)	124(62)	30(15)	1(0.5)	0	4.065	17
	I consider payment banks useful with the way I like to shop.	59(29.5)	115(57.5)	25(12.5)	1(0.5)	0	4.16	13
Factors-3 Connectivity	The services are reachable and portable.	45(22.5)	117(58.5)	37(18.5)	1(0.5)	0	4.03	19
	The availability of internet network is required to ensure success of Payment banks	59(29.5)	108(54)	32(16)	1(0.5)	0	4.125	14
	I assume that Payment banks are accessible anywhere and anytime	60(30)	115(57.5)	24(12)	1(0.5)	0	4.17	12
	Able to reach the remote, rural areas and unbanked area to make them accessible for banking facilities.	57(28.5)	123(61.5)	19(9.5)	1(0.5)	0	4.18	11
Factor- 4 Security	Security issues have significant impact on use of Payment banks.	48(24)	111(55.5)	40(20)	1(0.5)	0	4.03	20
	Trust in network service provider is vital for safe transaction	67(33.5)	114(57)	18(9)	1(0.5)	0	4.235	7
	Technical expertise is required for performing secured transfers through payment banks	32(16)	115(57.5)	52(26)	1(0.5)	0	3.89	21
	Immediate proofs of transactions are available	66(33)	112(56)	21(10.5)	1(0.5)	0	4.215	9
Factor – 5 Convenience and Benefits	Users can easily do their various payments anywhere and anytime	53(26.5)	119(59.5)	27(13.5)	1(0.5)	0	4.12	15
	Payment banks are time savvy as well as energy and money	69(34.5)	110(55)	20(10)	1(0.5)	0	4.235	8
	Discounts, reward points offer provided by Payment banks attract more users	27(13.5)	106(53)	66(33)	1(0.5)	0	3.795	23
	One can keep track on expenditure incurred	70(35)	118(59)	11(5.5)	1(0.5)	0	4.285	5
Fcator -6 Easy cash management	Meet cash requirement	60(30)	124(62)	15(7.5)	1(0.5)	0	4.215	10
	Relief from exchange of small denomination	78(39)	111(55.5)	10(5)	1(0.5)	0	4.33	3
	Instant refund available	72(36)	116(58)	11(5.5)	1(0.5)	0	4.295	4
	No need to maintain manual	111(55.5)	83(41.5)	5(2.5)	1(0.5)	0	4.52	2



The analysis shows that the selection of payment banks is mainly influenced by transaction speed, convenience, and easy cash management. Quick transfer of money (Mean = 4.575, Rank = 1), no need to maintain manual records (Mean = 4.52, Rank = 2), and relief from exchange of small denominations (Mean = 4.33, Rank = 3) were the most preferred factors.

Factors related to compatibility, connectivity, and security received moderate support, whereas discounts and reward point offers were least preferred by respondents (Mean = 3.795, Rank = 23). Overall, convenience and speed have a stronger influence on the selection and usage of payment banks.

### 5. CONCLUSION

In the end, we can say that the establishment of payment banks is a revolutionary step toward creating outstanding payment system technology. The success of digital banking is enhanced by them. Additionally, it provides the ideal way to establish a financial organization without having to spend a lot of money on opening a branch. Since they are digital in nature, they can be run with very little infrastructure. It is widely used by students and highly preferred for quick payments, paperless transactions, and no need to maintain a manual record. Therefore, it may be inferred from this study that individuals have a favorable opinion of its use. Raising awareness and educating the underprivileged population are necessary to broaden its worldview. They should be granted more power in the future so they may grow the company they operate.

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