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Research Article

Perception of Students towards Payment Banks: An Empirical Study in Rajasthan


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Abstract	Manuscript Information
<p>The rapid growth of digital banking and financial technology has significantly transformed the Indian banking sector, particularly since the Reserve Bank of India (RBI) established payment banks. Payment banks were founded to promote financial inclusion, stimulate cashless transactions, and make banking services more accessible to underprivileged communities. The current study explores students' perceptions and attitudes about payment banks in Rajasthan, with a focus on Banasthali University students. The study uses both primary and secondary data. Primary data were acquired from 200 respondents using a structured questionnaire utilising a cluster sampling method, while secondary data were gathered from journals, books, publications, and websites. Percentage analysis was utilized to evaluate and present data. The study's findings show that students have a positive opinion of payment bank services. Payment banks' main benefits, according to the majority of respondents, are easy cash management, encouraging digital payments, ease, and 24-hour service availability. The outcomes show that payment banks play a significant role in promoting digital financial transactions and fostering the development of a paperless economy among the younger generation. Respondents were less satisfied with security features and promotional offers, highlighting the need for stronger cybersecurity safeguards and customer-oriented incentives.</p> <p>The study proposes that payment banks have emerged as an effective and convenient digital banking option for students and young people. Continuous technical innovation, improved security measures, and customer-centric initiatives have the potential to expand payment banks' usage and efficacy in India. The study contributes to the existing literature on digital banking and financial inclusion by giving empirical evidence about students' attitudes toward payment banks in Rajasthan.</p>	<ul style="list-style-type: none"> ▪ ISSN No: 2583-7397 ▪ Received: 05-03-2025 ▪ Accepted: 25-04-2025 ▪ Published: 30-04-2025 ▪ IJCRM:4(2); 2025: 504-508 ▪ ©2025, All Rights Reserved ▪ Plagiarism Checked: Yes ▪ Peer Review Process: Yes
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KEYWORDS: Payment Banks, Digital Payments, Financial Inclusion, Student Perception, Cashless Economy, Digital Banking, Rajasthan.

1. INTRODUCTION

The Reserve Bank of India launched payment banks to encourage digital, paperless, and cashless banking. Traditional banks can provide the same functions as payment banks, but due to their structures and business goals, they may be unable to serve specific groups and areas. For example, while it is impractical for a bank to open branches in every town across the country, payment banks may bridge the gap by using mobile phones. The usage of internet-based banking by bank customers is essential since the expenses per transaction are lower than those of ATMs. Furthermore, it does not require any physical infrastructure.

The adoption of internet banking by bank customers is vital since the transaction costs are lower than those of an ATM. It also doesn't require any physical infrastructure. Most banks now offer services that allow internet banking customers to pay utility bills online. The majority of users haven't switched to internet banking. Even the small number of individuals who use the service has a direct impact on the banks' overall spending. Indian banking is experiencing a dynamic period as a result of the RBI's and the government of India's continuous policy modifications. In 2015, the RBI granted licenses to 11 companies to launch payment banks, aiming to increase banking inclusion. Three of the 11 companies have launched payment banks to attract consumers with technology-driven services.

2. Development of Payment Banks

Today's world and its generations are very smart. They always try to do more work in less time. India is one of the countries which consist of a major user of smartphones and mobile applications. These smartphones, internet facilities, and mobile applications are the key drivers for a cashless society. Mobile devices have transformed the entire world by a click of a button; anything from purchase, payment, or transfer can take place. With the increase in the availability of 4G networks across the country, digital payments are becoming faster without any inconvenience. On 23 September 2013, the Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households, headed by Nachiket Mor, was formed by the RBI. On 7 January 2014, the Nachiket Mor Committee submitted its final report. Among its various recommendations, it recommended the formation of a new category of bank called the Payments Bank. On July 17, 2014, the RBI revealed draft guidelines for Payment Banks, asking suggestions from interested parties and the general public. On November 27th, the RBI announced final standards for payment banks.

In February 2015, the RBI announced a list of companies that applied for a Payments Bank license. There were 41 applicants. It was also mentioned that an external advisory council (EAC), chaired by Nachiket Mor, would examine license applications. In February 2015, India Post disclosed plans to operate a Payment Bank through its vast network during the budget presentation. The external advisory committee, supervised by Nachiket Mor, submitted its results on July 6, 2015. The applicant entities were evaluated for their financial performance and governance difficulties. On August 19, 2015, the Reserve Bank of India granted "in-principle" licenses to eleven firms for Payment Banks. The "in-principle" license was valid for 18 months, during which period the businesses had to meet the conditions

and were not permitted to engage in banking activities. The RBI will give complete licenses under Section 22 of the Banking Regulation Act, 1949, once the requirements are fulfilled. Digital payment techniques include mobile banking, internet banking, banking cards, and mobile wallets.

In recent times, mobile wallets and UPI (Unified Payment Interface) applications have gained popularity. Paytm, Tez, PayPal, PhonePe, freecharge, Rupay, BHIM, and Aadhaar Pay are some of the most popular transaction applications, while each bank has its own banking app. There are social media firms like Amazon and Facebook, as well as electronic currencies like Bitcoin, that are interested in entering the payment market. Customers believe that the cashless society is more transparent and convenient. However, there are some drawbacks to using payment bank services, such as technological hurdles, lack of openness and transparency, consumer acceptance, and enough bank balance. To improve consumer happiness, we are focusing on increasing efficiency and user-friendliness.

3. Meaning of Payment Banks

A payment bank is a new entrant in India's banking industry, similar to traditional banks but limited to specific banking services. They are regulated by the Reserve Bank of India (RBI). A payment bank is similar to a typical bank but only offers a limited range of services. Payment banks are a relatively new concept in banking. A payment bank shall be governed by the apex or financial organization of India, banking corporation of India (RBI).

A payment bank has been designated as a "scheduled bank". Businesses must use the term "Payment bank" in their name to distinguish themselves from traditional banks. Payment banks are capable of offering more than simply providing banking-related services. The major purpose of launching these payment banks in India was to improve the monetary services reach to little business, migrant labor workers, poor, financially disadvantaged households, and remote parts of the country, specifically the unorganized sector in India.

3.1 Features of Payments Banks

Payment banks offer a range of basic financial services to the underbanked and unbanked population. Key features include:

1. Acceptance of Demand Deposit

Payment banks can accept demand deposits from individuals, small business units, or other entities up to Rs 2 Lakh. The payment banks are restricted to hold a maximum balance of Rs 2 Lakh per customer. Both savings and current accounts can be opened with payment banks. These accounts are designed to encourage small savings, especially among low-income groups and individuals in rural areas.

2. Issue of ATM / Debit Cards

Payment banks issue debit cards to their customers, enabling them to perform ATM withdrawals and point-of-sale (POS) transactions. This enhances accessibility to cash and supports digital payments

3. Third-Party Money Transfers

Payment banks offer a variety of digital options for domestic and international financial transfers, including NEFT

(National Electronic Funds Transfer), IMPS (Immediate Payment Service), UPI (Unified Payments Interface), and AEPS (Aadhaar-Enabled Payment System). These services make sure that transfers are quick, safe, and easy.

4. Internet Banking and Mobile Banking

Customers can access banking services through mobile applications, allowing them to check account balances, transfer funds, and pay bills conveniently anytime and anywhere.

5. Banking Correspondent of Other Banks

To expand their outreach, especially in rural and semi-urban areas, payment banks operate through a network of business correspondents or agents. A banking correspondent is a person or institution that provides banking services in an area that has no bank branch. This helps in providing banking services to unbanked and underbanked populations.

6. Basic Financial Services

Payment banks offer essential financial services such as utility bill payments, mobile recharges, telephone bills, water bills, etc., and payment services to their customers.

7. Leverage of Technology

Payment banks extensively use advanced technologies such as biometric authentication and QR codes to enhance security, efficiency, and user convenience.

8. Partnerships and Collaborations

Payment banks collaborate with various financial institutions and service providers to offer additional services like insurance, mutual funds, and pension schemes, thereby broadening their range of offerings.

3.2 Services Are Not Offered By Payment Banks

- Payment banks are prohibited from engaging in any type of lending activity, which means they are not permitted to offer any kind of loans.
- Payment Banks cannot issue credit cards
- Payment Banks cannot accept and hold deposits of above 2 lakh per account.
- These types of banks cannot accept deposits from NRIs

4. REVIEW OF LITERATURE

Thakur (2013) [6]. The study investigated the acceptability of mobile payments in India and the factors that influence consumers' willingness to use mobile payment banks. The study investigates the possibility of widespread adoption of mobile payments by the public as a whole in the country.

Chandarana (2015) [2] performed a study titled "Payment Banks: A Need of Digital India." It was stated that payment banks had altered the banking industry by using mobile platforms to provide basic banking services via mobile devices. Additionally, the choice to provide them a license will increase the security of funds sent via payment banks. It has been discovered that payment banks have provided India with an infinite number of exciting possibilities for digital financial inclusion.

Pande (2015) [7] focused on the revolution taking place in the Indian banking industry. The Reserve Bank of India approved 11 entities to set up a Payments Bank. Payments Bank is a unique form of bank that aims to improve financial inclusion. These

banks offer restricted services and are not permitted to grant credit. The study concluded that the payment Banks are facing competition from existing commercial banks. Profitability is essential for these small-scale banks. Bankers should provide enthusiastic and innovative support to ensure consumers can simply use financial services and exceed their expectations, benefiting people from every demographic.

Naik, Firdous & Harika (2018) [3]. The paper examines the role of payment banks in India's financial inclusion framework, adopted by the RBI in 2014. These banks accept restricted deposits and attempt to reach unbanked and underbanked communities. It outlines the framework, benefits, and challenges faced by Payment Banks, with a focus on their role in M-Banking for financial inclusion.

Rathod, Vidhyashree & Joseph (2017) [4]. The study focuses on the transformation of the Indian economy to a cashless system. The Reserve Bank of India has made an important step in this area by issuing licenses to select companies to create Payment Banks. This action was created to provide financial access to poor communities in remote places. The purpose of this article is to assess the public's awareness of these IT-based banking services.

Agarwal (2016) [5] stated what the Payments Bank needs and its role in the economy. This study examines the confidence of private businesses and their application in the banking industry. This study is based on secondary data. Data is acquired from several sources, including websites, journals, reports, and newspapers. The study found that the payments bank is easily accessible and simple to use. Payment banks offer superior services at lower rates compared to traditional banks. Payments Bank has minimal limits and can do the transaction digitally with greater accuracy.

Aggarwal & Bhatnagar (2016) [8]. The future of payment banks and the challenges that traditional banks and payments banks will encounter are addressed. Payment banks are challenging traditional banks. Customers can easily use payment banks, which provide a wide range of services at affordable costs. Payments Bank delivers services to customers at their doorstep throughout the day and night. Payments banks are less capital-intensive and provide all of their services electronically to customers, whereas traditional banks are very capital-intensive and immovable.

Sirinivas (2017) [9] reviewed the Payments Bank's mission, history, and service offerings. It also focuses on mobile banking, the Pradhan Mantri Jan Dhan Yojana, and India Post Payment Bank. This study was based on secondary data obtained from newspapers and websites. The study found that advancements in computer and electronic technology have resulted in the emergence of new payment methods, including debit cards, credit cards, e-banking, and e-commerce. Online payment systems have been developed to replace cash and ensure digital transactions are secure.

Kokila and Krishnan (2019) [10] examined Bangalore college students' knowledge of and use of payment banks. According to the research, payment banks are a new way to encourage cashless, digital, and paperless banking. They serve both migrant workers and those from low-income households. Strict conformity to anti-money laundering regulations guarantees

safe, technologically advanced transactions. The researchers also noted that payment banks are essential in providing government financing support, such as gas, health care, and education subsidies, to the customer's account. It was discovered that consumers have a good understanding of the services that the payment bank offers. Additionally, college students' use of payment banks is rapidly increasing. According to the study's findings, college students utilize payment banks to settle fees and make purchases online, among other things.

Ahmad (2020) [11] payment bank concept comes in India to provide financial facilities to especially those people who are unbanked, small business or other small sectors. RBI gave licenses to payment banks, and with the help of small financial institutions and banks like Airtel payment bank, others are trying to reach those people who have low income and enjoy benefit of financial facilities.

5. OBJECTIVE OF THE STUDY

To determine the attitude and perception of students towards using payment banks.

6. RESEARCH METHODOLOGY

6.1 DATA COLLECTION

Conducting this study requires both primary and secondary data to analyze. The primary data are those that are collected afresh and for the first time, and it is originally. The primary data will be collected from students through Questionnaires, surveys, and observations. For secondary data, we will use books, journals, and websites.

6.2 Population

For this study, college students of Banasthali University studying various fields represent the population used for this study. With the advancement in technology, students are using apps for online payment to get to know what they think about mobile banking.

6.3 Sampling Size and Sampling Method

For the present study, students will select from the campus. For this study, a cluster sampling method is adopted for selecting the respondents. A well-defined questionnaire was designed. According to this study, data were collected from 200 students.

6.4 Statistical Tools & Techniques

To boost the meaning of the study, tabulation, analysis, and interpretation are performed based on the data/information collected from the various sources. The analysis method used for the study is tables, graphs and more were used in the research. Whenever it was required for easy understanding, clarity of thought, and a more realistic presentation of the research Descriptive statistics aim to describe the relationship between variables in a sample or population. Descriptive statistics, expressed as mean, median, and mode, present conclusions that reveal. Data analysis will be done using the percentage analysis.

6.5 Formulas of Statistical Tools and Techniques Used

1. Percentage Analysis

$$\text{Percentage} = \frac{\text{Total Number of Respondents}}{\text{Number of Respondents}} \times 100$$

7 Analysis and Interpretation

7.1 Opinion of Respondents regarding Services provided by Payment Bank

Table 1: Xxxxxx

Opinion Regarding Payment Banks Services	Frequency	Percentage (%)
Easy Cash Management	180	90
Encourage Digital Payments	174	87
Convenience	142	71
Serve their customers 24x7	136	68
Secure	69	34.5
Offers and Discounts	47	23.5

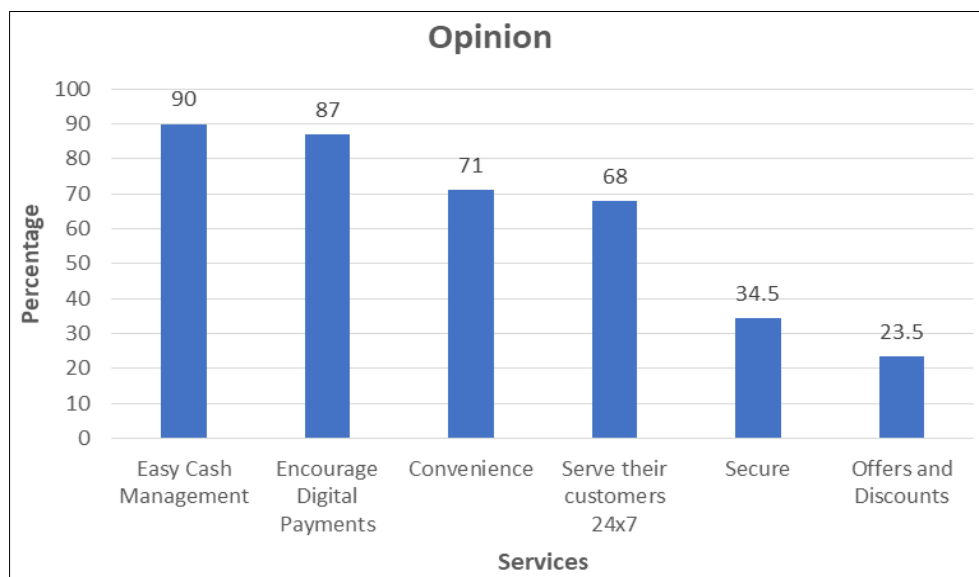


Fig 1: Opinion of Respondents regarding Payment Bank Services

According to the table, the majority of respondents preferred payment banks for their "easy cash management" (90%) and role in "encouraging digital payments" (87%). "Convenience" (71%) and "24x7 services" (68%) were also significant influences on respondents' beliefs. However, fewer respondents identified "Security" (34.5%) and "Offers and Discounts" (23.5%) as significant positives. This demonstrates that respondents mostly prefer using payment banks for their convenience and fast digital transaction processing.

8. CONCLUSION

The study's findings demonstrate that respondents have a positive opinion of payment bank services, especially in terms of convenience and digital financial management. The majority of respondents cited easier cash management and facilitation of digital payments as the most important benefits provided by payment banks. Furthermore, 24/7 accessibility and convenience were deemed major variables influencing customer desire and usage. These findings show that payment banks play an important role in creating a cashless economy and increasing digital financial inclusion for users.

However, respondents' fairly low responses in regard to security and incentives or discounts indicate that they are still concerned about the safety and value-added benefits related to payment bank services. As a result, payment banks should focus on upgrading cybersecurity safeguards, raising user knowledge of secure digital transactions, and offering appealing rewards to increase customer trust and adoption.

Overall, the study suggests that payment banks have emerged as a realistic and easy digital banking option, particularly for boosting digital transactions and efficient financial management. Continuous technology advancements, customer-centric services, and increased security measures can help payment banks gain acceptability and success in the Indian banking sector. Payment Banks seek to revolutionize the banking industry by utilizing mobile technology to facilitate effortless transactions. The option granted permission for several of the country's largest businesses and mobile telecommunications organizations to commence. The payment banks promise to be the same game-changer in India.

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