

## **Customers' Perceptions Towards Digitalised Banking System: An Analytical Study Of Payment Banks**

**Dr. Aparna Bhatia<sup>1</sup>, Dr. Megha Mahendru<sup>2</sup> and Dr. Harsandaldeep Kaur<sup>3</sup>**

<sup>1,3</sup>Associate Professor, University School of Financial Studies, Guru Nanak Dev University, Amritsar, India

<sup>2</sup>Assistant Professor, University School of Financial Studies, Guru Nanak Dev University, Amritsar, India

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**Abstract:** *The main aim of the article is to examine the customers' opinion regarding convenience, choice of services, reasons for using payment banks. The study collected data through a structured questionnaire from 285 respondents who are customers of payment banks. Frequencies and percentages are employed to analyse the responses given by the customers of payment banks. The findings of the study demonstrated that majority of respondents use payment banks frequently. Money transfer is the payment banks' most popular service while bill payment is the least used service. Convenience is the biggest reason influencing respondent's decision to use payment banks. Moreover, maximum number of respondents believe that payment banks are equally secure compared to traditional banks.*

**Keywords:** *Customers' Perceptions, Payment Banks, Traditional Banks, Low Income Households, Technology-driven environment.*

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### **I. INTRODUCTION**

The Reserve Bank of India (RBI) with the intention of providing banking and financial services to small businessmen, low-income households and migrant labourers has introduced the concept of Payments Banks (PBs), a new model of banking backed by secure technology-driven environment. RBI has issued comprehensive guidelines for setting up of payment banks. Payment Bank can accept demand deposits only to extent ₹2,00,000 but cannot engage in lending activities or issue credit cards. PBs can offer internet banking services, payment and remittance services through various channels, including branches and ATMs. They can issue ATM /Debit Cards /Pre-Paid payment instruments under Payment and Settlement System Act 2007. PBs are required to maintain minimum paid-up equity at ₹100 Crore. Moreover, Payment banks should uphold minimum capital adequacy ratio of 15% on the risk weighted assets and not less than 3% of leverage ratio. They are required to have at least 25% of payment bank's physical access point in rural location. They are registered under the Companies Act 2013 but are governed by a host of legislations such as Banking Regulation Act, 1949; RBI Act, 1934; Foreign Exchange Management Act, 1999, Payment and Settlement Systems Act, 2007. Airtel Payments Bank was India's first payment bank set up by Bharti Airtel in January 2017. India currently has 6 Payment Banks namely, Airtel Payment Bank, India Post Payment Bank, Fino, Paytm Payment Bank, NSDL Payment Bank and Jio Payment Bank.

As a specialized category of financial institutions, payment banks play a crucial role in extending basic financial services to segments of the population that have historically been underserved or excluded from the formal banking system. The main aim of payment banks is to empower individuals with the tools needed for financial stability and participation in the formal economy. These institutions heavily rely on digital platforms, mobile applications, and online interfaces to reach customers and enable seamless transactions. This digital approach not only enhances accessibility but also contributes to the reduction of cash transactions, promoting greater financial security and efficiency. Thus, it is imperative to analyse how payment banks are reshaping the banking sector and impacting users' financial behaviours and paving the way for a more inclusive and digitally-driven financial future. Moreover, analysing the perceived benefits, challenges, and the comparison with traditional banking methods can offer valuable insights into the preferences and needs of different customer segments.

Hence, the main aim of the article is to examine the customers opinion regarding convenience, choice of services, reasons for using payment bank.

### **II. Review of Literature**

Payment Banks is a new concept in the Indian Banking System in which banking services are provided through smart phones to the underserved sections of the society. Several researchers have conducted conceptual studies on the role, opportunities and problems of Payment Banks in India. **Garg and Kapoor (2017)** studied the opportunities and challenges of payment banks in India. The study found that customers consider payment banks as more innovative and transformative. The study concluded that payment banks had huge opportunities to excel their performance. **Kumari (2017)** measured the problems and prospects of India Post Payment Bank. The study emphasised that India Post payment bank faced several problems while providing service to the customers like lack of technology usage, frequent transfer of personnel, and poor network connectivity. **Mittal et al., (2017)** investigated the reasons that affect the usage of payment banks by the customers in Delhi NCR. The study suggested that convenience or ease in use of technology had a positive impact on the use of payment banks. It was further observed that customer used payment banks for services such as mobile recharge and payment of bills, while they still preferred universal banks for savings. **Nazneen and Sreevani (2017)** studied the impact of demonetisation on Paytm services. The study divulged that Paytm provides services like instant fund transfer from one account to other account, booking air tickets, broadband payments, mobile recharges and online settlements. **Rathod et al. (2017)** analyzed the awareness level among the people towards Payment Banks and its usage through information technology enabled services. The study reported that many people were not aware about Payment Banks as it was being new instilled in India. **Shivnani and Siwach (2017)** studied the customer opinion towards Airtel payment banks in India. The study concluded that Airtel payment banks offer higher interest rate to attract customers. It delivers prompt service in terms of money transfer and acknowledgement for all transactions. **Tadse and Nannade (2017)** studied the usage of Paytm by smart phone users. The study concluded that smart phone users actively use digital wallet services offered by the Paytm. **Vaishnavi and Shruthi (2017)** intended to analyze the innovative service of payment bank. The study concluded that adoption of payment bank had stringent effect in financial penetration among the customers and payment banks were the most effective mechanism for digital transactions among the tech-savvy banking customers. **Vijaya and Manthiri (2017)** studied the awareness of customers on banking services provided by the India Post in Sivagangai district. The study concluded that the bank used mobile banking services, digital wallet and employment suitable technology to offer fast and reliable services. **Gupta (2018)** studied how customers perceive Payment banks by using Multidimensional scaling. The finding of the study revealed that Paytm Payment bank being the most trustworthy and high utility providing brand while **Komirisetty and Simha (2018)** evaluated the growth of Paytm in India. The study found that customers had fear on using payment bank services due to poor awareness, lack of transparency, anonymity in transactions and poor technical knowledge. **Naik et al. (2018)** examined the role of payment banks in India. The study concluded that competition with traditional banks with payment banks would improve quality of payment banks service which finally leads for financial inclusion. **Suja (2018)** scrutinized the success and failure of payment banks. The findings of the study showed that the main constraints of payment banks include no lending, no credit card, intense competition, payment nature, and lack of incentive. **Bansal (2019)** analyzed the awareness level regarding payment banks in India among low-income group people and the impact of payment banks on acceptability of banking services by low-income group. The results revealed that there was low awareness level regarding payment banks in India among low-income group people. **Karthika and Lekshmi (2019)** studied the services offered by Airtel payment bank in Kanyakumari district. The study showed that Airtel payment bank promotes digital payment and an efficient platform for transferring fund from one account to another account. **Jingar and Gupta (2019)** studied the awareness, promotional strategies opted by Paytm & BHIM to attract customers in Udaipur district of Rajasthan. The study found that fear of fraud & security was the most common factor that restricts tribal people to access payments bank services. **Kavitha and Rajeswari (2019)** studied the uses of Paytm services and behaviour of Paytm users. The study revealed that ease of usefulness, perceived use, convenience, anytime and anywhere access, simple to avail and speed and new technology influenced the behavior of Payment banks' customers. **Kokila and Krishnan (2019)** examined the awareness and usage of Payment Banks among 200 college students in Bangalore City. The results of the study reported that 32% respondents were using Payment Banks since 2018. 51% of respondents felt there was no risk while 39% considered convenience in using payment banks apps. **Chandrasekaran & Vinothkumar (2020)** examined the impact of payments bank in Indian financial inclusion. The study concluded that easy to access, faster acceptance of customer demands and suitable offers are the most important strategies of payment banks to attract customers. **Joshi (2020)** conducted comparative study on adaptability of payment banks by retail organized vs. unorganized sectors of Ahmedabad city. The study found that customers were not awareness about Fino and India Post Payment Bank but customers had sufficient awareness on Paytm, Airtel Payment Bank, and Jio Payment Banks. The study concluded that both organized and unorganized sectors were adapting payment bank services for their small transactions. **Kalaiselvi & Karthika (2020)** assessed the customer loyalty towards Paytm. The study highlighted that better security and privacy, offers, convenience, ease of use, cashless economy initiative and advertisement influenced the customer to adopt Paytm services. The study concluded

that customers are highly satisfied with the services offered by the Paytm to the customers. **Prakash (2021)** aimed to study the acquaintance, acceptance and perspectives on Payment banks among college students in Coimbatore City during the pandemic period. The study found that more male use payment bank technique to settle their business transactions. Moreover, on the basis of age, under 30 years were the majority of users and aged people were uncomfortable with cashless transactions.

Thus, the review of literature suggests that majority of studies give narrative description of role, challenges, and development of Payment Banks. Less work is available that empirically analysed the awareness of PBs. Also, some researchers have considered selective bank only for conducting the study. This provides a limited interpretation about the banks and the results cannot be generalized for all payment banks. In addition, since the inception of these banks in 2015, there are currently 6 payment banks operating in the country. None of the studies has evaluated the perception of customers of payment banks in Amritsar. Hence, the present study is conducted to fill the gap in the literature.

### **III. Research Methodology**

The study involves collection of primary data through structured questionnaire from customers of payment banks in Amritsar. 15 questionnaires were not found suitable for the purpose of further analysis and hence 285 respondents formed the effective sample of the study. For the purpose of examining the data, Descriptive statistics such as sum, frequencies and percentages have been used.

### **IV. Results and Analysis**

The following section represents the results of study.

#### **a. Convenience in Using Payment banks**

**Table: 1 Classification on the Basis of Convenience in Using Payment Banks**

<b>Convenience in using Payment Banks</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>Yes</b>	198	69.4
<b>No</b>	4	1.4
<b>To some extent</b>	83	29.1
<b>Total</b>	285	100

The majority of respondents (69.4%) stated that the ease and convenience in using Payment Banks have made possible in the modern world to make and receive payments through their apps. However, 30.6% respondents expressed conflicting views about usage of Payment banks.

#### **b. Frequency of Using Payment banks**

**Table: 2 Classification on the Basis of Frequency of Using Payment banks**

<b>Frequency of Using Payment Banks</b>	<b>Number of respondents</b>	<b>Percentage</b>
<b>Day-to-day</b>	174	61.0
<b>Weekly</b>	74	25.9
<b>Once a month</b>	37	12.9
<b>Total</b>	285	100

Based on the data, it appears that customers use payment banks fairly frequently; that is, a sizable portion of respondents use payment banks both weekly (25.9%) and daily (61.0%). This shows that payment banks have developed into a practical and dependable choice for a large number of respondents, enabling people to swiftly and simply handle their money on a regular basis. Nevertheless, just 12.9% of respondents said they used payment banks on a monthly basis.

#### **c. Choice of Services to use Payment Banks**

**Table: 3 Classification on the Basis of Choice of Services to use Payment Banks**

<b>Particulars</b>	<b>No of respondents</b>	<b>Percentage</b>
<b>Deposits and savings accounts</b>	37	13.1
<b>Money transfer</b>	155	54.3
<b>Bill payments</b>	8	2.8

<b>Online shopping</b>	85	29.8
<b>Total</b>	285	100

Based on the data gathered, it appears that money transfer is the payment banks' most popular service i.e. 54.3% of respondents use Payment banks for it. Payment banks are often used as a convenient way to transfer money between accounts or individuals. Additionally, online shopping and deposit and savings accounts are also popular services, with 29.8% and 13.1% of respondents using them, respectively. This suggests that payment banks are being used for a variety of purposes, from managing savings to making purchases online. The least used service is bill paying, which is utilized by just 2.8% of respondents. Overall, these results suggest that payment banks are being used for a variety of purposes.

**d. Reasons for using payment bank**

**Table: 4 Classification on the Basis of Reasons for using payment bank**

<b>Particulars</b>	<b>No of respondents</b>	<b>Percentage</b>
<b>Convenience</b>	181	63.5
<b>Lower transaction fees</b>	82	28.7
<b>Trust in the brand</b>	14	5
<b>Recommendation from friends/family</b>	8	2.9
<b>Total</b>	285	100

It looks like convenience is the biggest reason influencing respondent's decision to use payment banks, with 63.5% of respondents citing it as a reason. This is not surprising, as payment banks are often used as a convenient way to manage finances on a regular basis. Additionally, lower transaction fees are also a reason for some respondents, with 28.7% citing it as a reason. Trust in the brand is also a reason for some respondents as 5% respondents mark it as a reason. Finally, recommendation is the least common reason, with only 2.9% of respondents.

**e. Security of Payment Banks versus Traditional Banks**

**Table: 5 Classification on the Basis of Security of Payment Banks versus Traditional Banks**

<b>Particulars</b>	<b>No of respondents</b>	<b>Percentage</b>
<b>More secure</b>	87	30.5
<b>Equally secure</b>	182	63.8
<b>Less secure</b>	16	5.7
<b>Total</b>	285	100

63.8% of respondents believe that payment banks are equally secure compared to traditional banks, while 30.5% of respondents believe that they are more secure. Only 5.7% of respondents believe that payment banks are less secure than traditional banks.

**V. Conclusion**

Payment Banks have emerged as a significant development in the banking sector, offering advantages such as financial inclusion, accessibility, cost-effective services, and promotion of digital payments. The main aim of the article is to examine the customers opinion regarding convenience, choice of services, reasons for using payment bank. The findings of the study demonstrated that majority of respondents use payment banks frequently. Money transfer is the payment banks' most popular service while bill payment is the least used service. Convenience is the biggest reason influencing respondent's decision to use payment banks. Moreover, maximum number of respondents believe that payment banks are equally secure compared to traditional banks. The analysis conclusions offer insightful recommendations for enhancing user interface design, security features, marketing tactics, and customer support offerings.

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