



## A STUDY ON CUSTOMER PERCEPTION TOWARDS PAYMENT BANKS IN THE CAPITAL OF ODISHA

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### ABSTRACT

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*India's payment banking system was designed with the primary goal of promoting digital transactions and financial inclusion. After two to three years since they first entered the scene, the model has come under fire for several reasons. According to studies, payment banks face stiff competition from commercial banks and are hindered by the nature of their business. This study tries to assess how customers perceive the position of payment institutions. A primary survey was conducted using a carefully designed questionnaire. Users' decisions to utilize the services of payment banks are influenced by privacy, security, and convenience. In India, the usage of the internet and mobile phones has increased significantly during the past ten years. The use of digital payment is growing exponentially as a result of rising internet usage, mobile phone penetration, and government initiatives like Digital India. However, there are still a lot of individuals out there who are unwilling to accept this financial system because they fear being taken advantage of. The current article will aid in determining how customers perceive payment banks, particularly in the Odisha city of Bhubaneswar.*

**KEY WORDS:** *Bank Customer, Banking, Payment Bank, ATM, E-banking*

### 1. INTRODUCTION

Modern era of technological advancement brings innovative way of delivering service to the customers [17]. With the integration of economies in rural and urban areas and the migration of people from rural to urban areas, the financial requirements and needs have changed over time. To fulfill these changing needs, the banking industry has evolved its products and services over the years. Initially, customers were reluctant in using electronic methods of banking except for ATMs [1]. Though urban educated customers use ATM services, for a very long time, they were still wary of using electronic modes of banking like the internet, mobile banking, etc. However, customer perception is changing with the ease of internet availability [2]. The increase in Internet penetration is directly and positively impacting the service industry. There is a significant positive impact on the customer in choosing a bank based on service quality, security, usefulness, and

readiness to help the customer through e-banking [3]. Banking is majorly affected by the ease of using the banking facility, especially through the internet [4]. A customer as convenience increases in using the banking services, there is more likeliness that the customer will use the services again. With technology, the banks will also be able to cater to customers on time as the response time for operating and managing services can be reduced to a great extent [5][6]. In 2015, payment bank licenses were granted to 11 entities [7]. This will help in increasing the competition in the banking industry and providing better and more competitive services to customers at affordable rates. RBI has given strict guidelines to these payment banks failing which their licenses can be cancelled. The most important factor on which these payment banks are operating is technology. The interface to interact with the clients is based on their applications that can be easily used through smartphones. Mobile applications developed by banks

can be operated through smartphones. Thus, customers can relate to the banks 24×7 from any location. In addition, customers find it easier to transact just by clicking on their mobile phones. These payment banks have tie-ups with different service providers so that customers can use several services like online shopping, payment of bills and utility services, payment for cabs, etc. The banks not only make these transactions easier but also more secure. This result in a win-win situation for customers and banks where the former enriches the experience and the latter increases its profitability [8]. Universal banks are financial service conglomerates that offer retail banking, wholesale banking, and investment banking services under one roof and work with combined synergies. It was the most preferred model of banking after the global financial crisis in the last decade as investment banks failed during that time [9]. The scenario has been changed by RBI after the issuance of differentiated banking licenses as the focus has been shifted to development by individual approach. Therefore, the current study analyses the preference of customers in using the services of payment banks over the services provided by universal banks. The services provided by payment banks are different than the products and services of universal banks and there has been a constant and continuous increase in the customer base of payment banks. The paper will analyze the reasons for the shift and the factors that influence the behavior of the customer in taking such decisions.

## 2. REVIEW OF LITERATURE

In July 2014, the RBI released a set of guidelines to introduce the concept of PBs. At the initial stage, there were forty-one proposals for starting PBs under RBI. In August 2015, eleven applicants got “In-principle” approvals from RBI to open a payment bank in India. The “In-principle” approval was valid for only eighteen months which applicant must fulfill the requirements. If any entity

failed to fulfill the requirements or open a payment bank within that specified period, RBI had then the right to take back that approval from that particular entity (RBI, 2014). Out of the eleven approved entities, four PBs started operations by March 2018 and three more came into operations by November 2018. Remaining four applicants have surrendered their licenses. Table 1 shows basic information of the seven PBs which have started their operations in India. Out of the total seven PBs which started working, six banks are operational as in April 2021 while one bank namely, Aditya Birla Payments Bank has wound-up its operations in October 2019 due to lack of funds. Table 2 provides financial highlights of the PBs in past three years, as per consolidated report of the Reserve Bank of India, (RBI, 2020). It may be noted here that the data for end-March 2018, end-March 2019 and end-March 2020 pertain to four, seven and six PBs, respectively. Hence, the data are not comparable for parameter 1 to 4 across years because it is in absolute figures. However, from the last two columns of Table 2, it may be understood that the banks have been increasing their deposits, interest, and non-interest income from 2019 to 2020. The last five parameters are in the form of ratios, thus number of banks included in calculation does not matter here. It may be observed that Return on Assets, net interest margin and operating profit ratio have increased until March 2019 but decreased by March 2020. On the other hand, the efficiency ratio and overall profit margin have continuously decreased over the years. Negative returns pertain to increasing operation expenses of the banks owing to huge capital expenditures incurred in initial setting up and high wage bills. Being a budding business model that requires hefty overhead costs, especially at the beginning, most of these banks are yet to turn profitable. According to Mr. Kalpesh Mehta, Partner at Deloitte India, current and saving accounts do not make sense for PBs. PBs should collect data through transactions and then sell it to a third party to earn some margin (Nair, 2017).

**Table 1. Payments Banks Briefly**

S. No.	Payments banks	Headquarters	Parent Company	Started Operations
1	Airtel Payment Bank	New Delhi Bharti	January 2017	
2	Fino Payment Bank	Airtel		
	Navi Mumbai	Fino Paytech Limited	July 2017	
3	Paytm Payment Bank	Noida	One97 Communications Ltd.	May 2017
4	Aditya Birla Payment Bank	Mumbai	Aditya Birla Group	February 2018
5	Jio Payment Bank	Navi Mumbai	70:30 Joint venture between Reliance Industries and State Bank of India	April 2018
6	India Post Payment Bank	New Delhi	Department of Post, Government of India	September 2018
7	NSDL Payment Bank	Mumbai	National Securities Depository Limited	October 2018

Source: Information collected by the author from websites of the Payments banks

PBS is allowed to accept deposits only up to Rs 0.1 million per individual customer. The customers can access their savings and current accounts through debit cards, mobile banking, and internet banking. They can avail of fund transfer facilities and can make online bill payments. But PBs cannot issue Credit cards and cannot provide loans. On deposits, the PBs offer various slabs of interest rates which are usually higher than regular banks (Mishra, 2018). There are variations in the interest rates offered by PBs. Airtel Payments Bank and India Post Payments Bank offer the highest rates on demand deposits i.e., 5.5 percent while Paytm Payments Bank and Fino payment bank offers 4 percent on demand deposits as of April 2021. Out of total demand deposits of Rs. 2.36 billion, Airtel Payment bank has the highest demand deposits of Rs 2.24 billion as on

September 2017 (Nair, 2017). However, out of the four banks, Paytm is having the maximum number of customers approximately 230 million by the end of 2017 (Techcrunch, 2017). Airtel Payment Bank focuses on attracting more customers by offering high return demand deposits, while the chief executive officer of Fino Payment Bank states that they are not chasing customer deposits right now, they are focusing on customer transactions and want to be “D-Mart of Banking” which means that they want to provide various services as per the requirements of customers at very affordable prices. According to him, deposits will start flowing in as the payment bank grows (Shashidhar, 2017). As per the chief executive officer of Paytm, they do not have a high-interest philosophy. He stated that they will provide most digital transactions like NEFT, IMPS, and UPI free of cost.

**Table-2: Financial Parameters of Payments Banks**

S. No.	Parameters	March 2018	March 2019	March 2020
1	Deposits (Amount in Rs million)	4380	8820	23,060
2	Non-Interest Income (Amount in Rs million)	1,0036	2,0991	3,1150
3	Operating Expenses (Amount in Rs million)	1,6768	3,2653	4,3374
4	Net Interest Income (Amount in Rs million)	1512	2554	2870
5	Return on Assets (Percentage)	(10.60)	(13.10)	(9.90)
6	Net Interest Margin (Percentage)	4.5	6.1	4.8
7	Efficiency (Cost-Income Ratio)	142.2	136.6	125.2
8	Operating profit to working funds ratio	(10.70)	(12.70)	(11.10)
9	Profit Margin (Percentage)	(43.90)	(39.20)	(24.00)

Source: Trend and Progress of Banking in India (RBI, 2020)

### 3. RESEARCH GAP

The review of literature shows number of works undertaken over the period to study the perceptions of the prospective payment bank users still there is lot of scope for research for the present sample and period.

### 4. OBJECTIVE OF THE STUDY

- To know the perception of customers towards payment banks.
- To make a comparative study on the users of payment banks irrespective of their age, gender, educational background, and monthly income.

### 5. RESEARCH METHODOLOGY

The concept of payment banks is quite new in India. The purpose of our research is to analyze the perception of customers towards payment banks. The primary data for the study was

collected through distributing structured questionnaires among the users. The sample size is limited to 210 respondents. The study was conducted based on the convenient sampling technique. The data collected was analyzed to estimate its trend across the variables.

### 6. DATA ANALYSIS AND INTERPRETATION

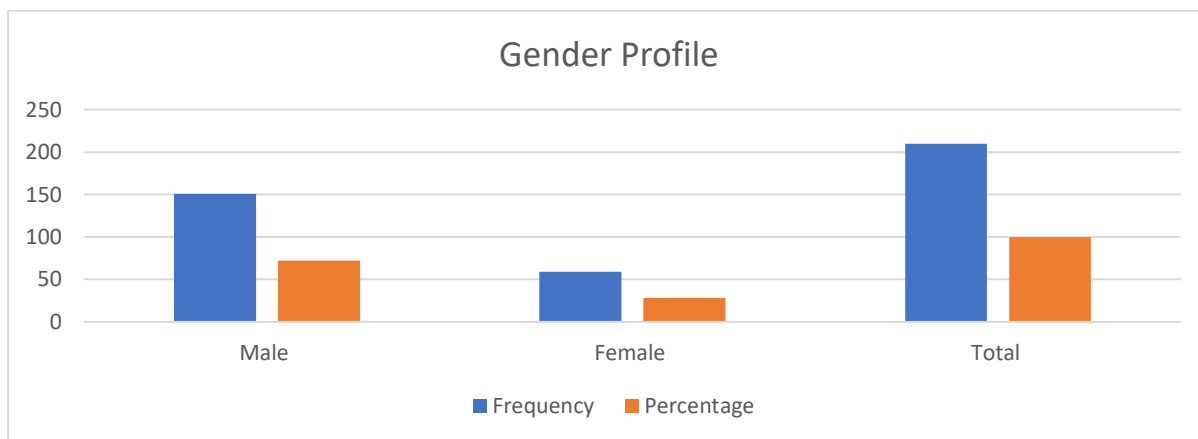
#### A. Study of Gender profile

The present study is based on the samples of 210 respondents from Bhubaneswar city. Table 1 and the corresponding figure -1 reflect that the total samples comprise 71.91 percent of males whereas 28.09 percent are female. This is found in the primary data which are collected by random sampling. The composition shows more male members are using the cashless system or payment bank method to settle their commercial transactions.

**Table 1 Study of Gender profile of samples**

Profile	Frequency	Percentage
Male	151	71.91
Female	59	28.09
Total	210	100.00

Sources: Compiled from Collected data



**B. Study of Age profile**

The present study about the age profile of the sample as per Table 2 and Figure 2 shows that there is 33.80 percent of the user of payment banks are belonging to the age group below 30 years whereas 30.95 percent of users are belonging to the age group of 31-40 years. This reflects that most users are in the

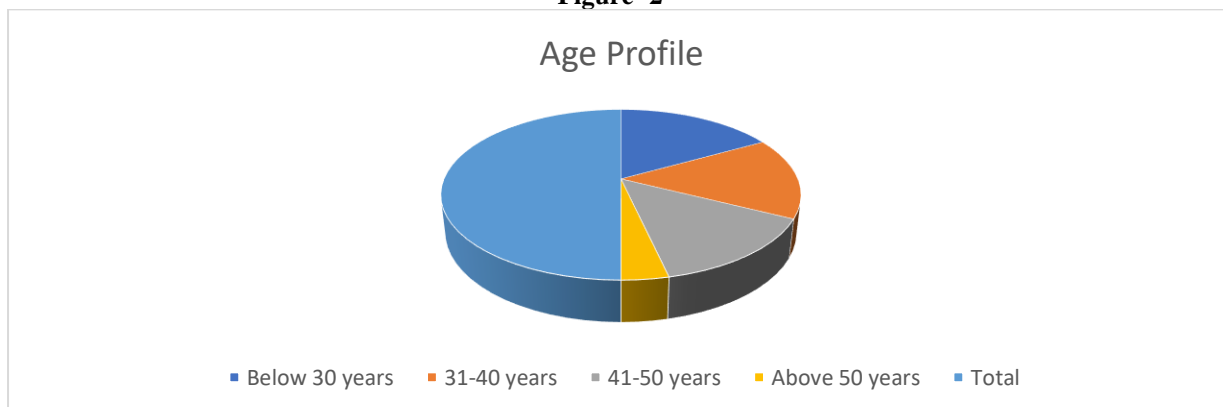
age group of below 30 years. If we consider the age group up to 40 years then about 74.55 percent which is 3/4th of the total users are belongs to this group. The lowest users of payment banks belong to the age group above 50 years which is about 7.15 percent. This indicates the insecurity as regards the use of payment banks increases with increasing age.

**Table 2 Study of Age profile of samples**

Age	Frequency	Percentage
Below 30 years	71	33.80
31-40 years	65	30.95
41-50 years	59	28.10
Above 50 years	15	7.15
Total	210	100

Sources: Compiled from Collected data

**Figure -2**



**C. Study of Educational Qualification profile**

Table – 3 and Figure 3 of the present study show the Educational Qualification profile of samples. The payment bank users having Under-graduation as well as post-graduate qualifications and above comprise about 37.14 and 38.10 percent of the total sample and

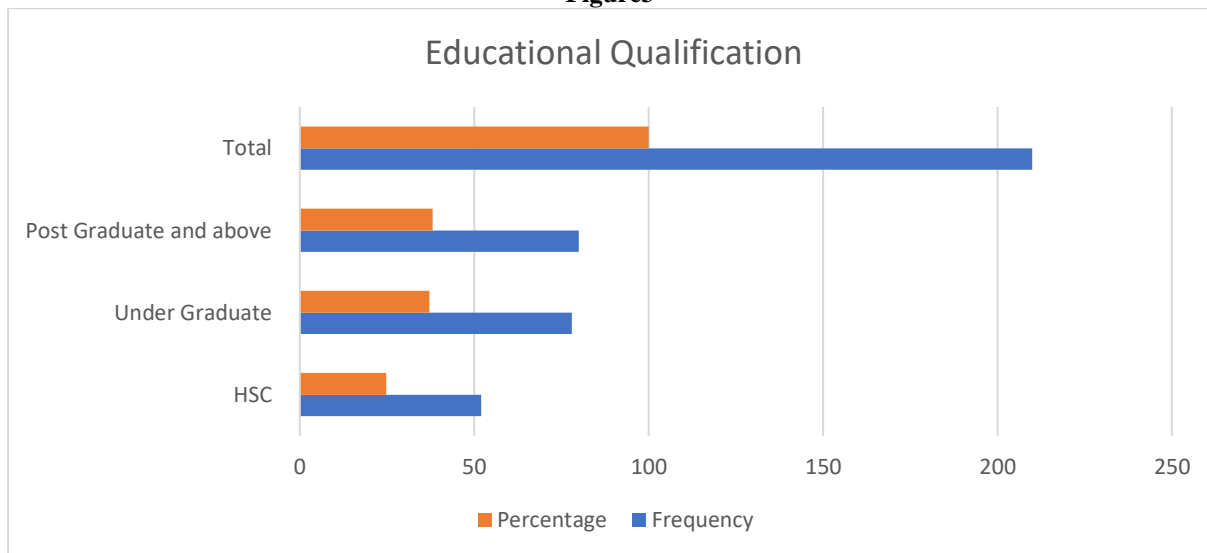
the lowest users are belonging to HSC qualification which is about 17.27 percent. This reflects with a higher level of education the users of payment banks are more comfortable and have a positive perception of cashless transactions.

**Table 3 Study of Educational Qualification profile of samples**

Educational Qualification	Frequency	Percentage
HSC	52	24.76
Under Graduate	78	37.14
Post Graduate and above	80	38.10
Total	210	100

Sources: Compiled from Collected data

**Figure3**



**D. Study of Monthly Income profile**

Table 4 and figure 4 reflect the level of income of the sample profile. The trend shows an upward inclination with rising income up to a point and then declines with higher income. The lowest users of payment banks belong to the income group

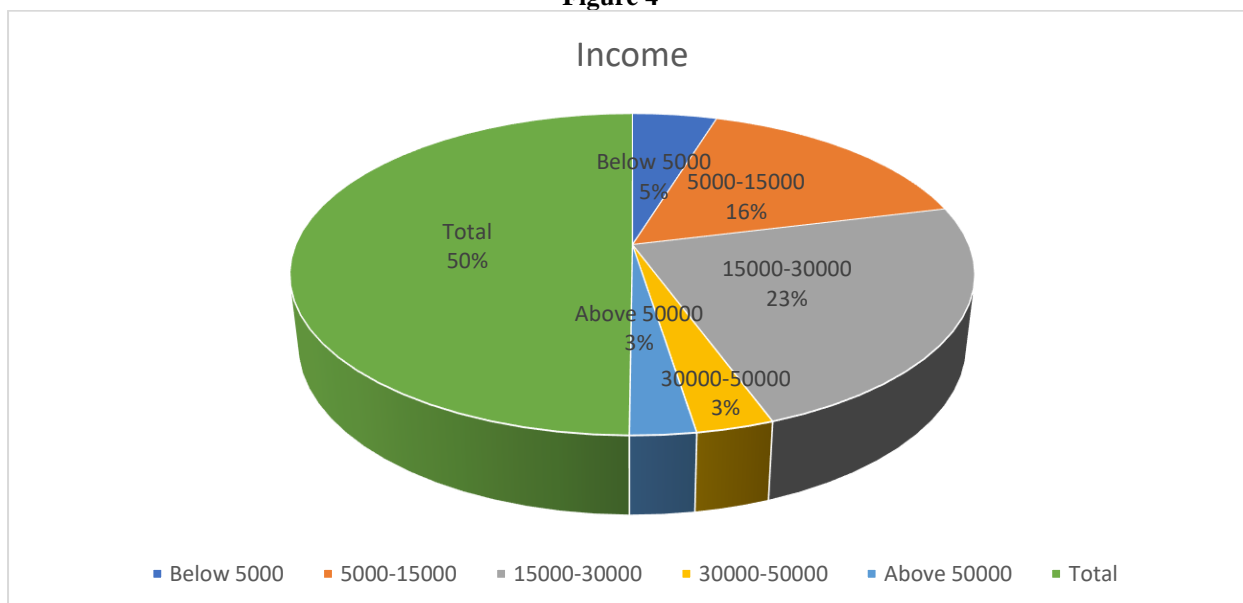
above Rs 50000 per month which is about 9.52 percent and the highest users belong to the group of Rs15000-30000 per month which is about 46 percent. The maximum number of users of payment banks lies in the capping Rs 5000-30000 per month which is about 78.48 percent.

**Table 4 Study of Monthly Income profile of samples**

Monthly income	Frequency	Percentage
Below 5000	20	9.52
5000-15000	69	32.48
15000-30000	98	46
30000-50000	13	6
Above 50000	11	6
Total	210	100

Sources: Compiled from Collected data

Figure 4



## 7. FINDING AND CONCLUSION

According to the current study on consumer impression of payment banks, more male members than female users utilize the cashless system or payment bank technique to settle their business transactions. In terms of age, those under 30 make up the majority of users. The cashless system is uncomfortable for older individuals. The growth of the payment bank system also heavily depends on education level. The users of payment banks are more at ease and have a favorable impression of cashless transactions, which shows a better level of education. Additionally, the degree of income reveals a similar nature. At the middle of the income distribution, payment bank use is more prevalent than at either end.

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