

## RESEARCH ARTICLE

# Role of Payment Banks in India: Opportunities and Challenges

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## Abstract

This research paper mainly focusses on the scope of payment banks in India, a latest initiative taken up by the Reserve Bank of India and the Government of India. Non-inclusion of the banking sector in rural India is one of the major challenges faced by the Indian economy, today. Payment banks are also being set up to focus on high volume but low value transactions by low income households and small businesses. The aim of this research paper is to study the viability of payment banks and the opportunities and challenges of this new initiative. In this report, we shall try to evaluate the perceptions of the people as regards to payment banks and draw some conclusions for the same using qualitative as well as quantitative analysis.

**Keywords:** *Customer penetration, Infrastructure, Popularity, Technology Requirement, Wealth of Company, Business Correspondence.*

## Introduction

The RBI and the Government of India have been taking many initiatives to promote financial inclusion of people in rural areas, low-income groups, migrant workers and small businesses. Many initiatives have been launched, such as the Pradhan Mantri Jan Dhan Yojna (PMJDY), the Digital India Campaign, launching of electronic fund transfer mechanisms such as NEFT and RTGS, and promoting mobile payment tools such as Airtel Money and Paytm. The setting up of payments banks is the latest initiative taken up by the RBI and the Government of India.

The RBI has set up the concept of Payment Banks to further the financial inclusion in India, especially in the rural areas, mainly focusing on low-income groups and small businesses.

These banks are mainly being set up to focus on low value-high volume transactions. On January 7, 2014, Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households submitted a report, recommending towards setting-up of new kind of banks called payment banks. Out of the 41 applicants for the same, Reserve Bank of India approved "in-principle" licenses to 11 entities to launch payment banks on August 19, 2015. Out of these 11 entities, 3 have already surrendered their licenses.

Airtel is the first entity to have launched a payment bank in India with Paytm looking forward to start its services by February. In order to ensure that the Payments banks work within the prescribed agenda, guidelines have been laid down by the RBI. Some of the functionalities not allowed for the payment banks but are a tool in other traditional public and private banks:

- Credit Cards cannot be issued
- NRI deposits cannot be accepted
- Not allowed to set up subsidiary institutions
- Non-banking financial activities cannot be undertaken

### **To be an Owner of a Payment Bank, the Following Criteria Needs to be Fulfilled**

- The leverage ratio of the payments banks should not be less than 3% i.e. its external liabilities should not exceed 33.33 times its net worth (capital and reserves)
- The minimum equity capital for Payment Banks should be INR 100 Crores
- For the first 5 years, the owner or promoter's share should be at least 40%
- Foreign share in the entity should follow the FDI rules for Banking institutes
- 25% of the branches must be in Unbanked rural areas

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### Literature Review

Many of the research papers have explained the objectives of the Reserve Bank of India for the establishment of Payments Banks in the country. The maximum focus among these objectives was on the role of these banks in promoting financial inclusion in the country. The definition of financial inclusion as per CRISIL “The extent of access by all sections of society to formal financial services such as deposit, credit, insurance, and pension services.” There exist three dimensions of financial inclusion, viz., Branch Penetration, Credit Penetration, and Deposit Penetration. [1] “In 2014, only 50% of the adults in India had a bank account”, out of which 40% (highest in the world) were dormant. Also, “the number of ATMs per 100,000 of population was 18 compared to around 50 in Indonesia and 125 in Brazil”.

According to the paper “RBI Guidelines for Licensing of Payment Banks: Opportunities and Challenges” [2], published by Deloitte Touche Tomatsu India Pvt. Ltd., many initiatives have been undertaken by the RBI, the Government of India, and other stakeholders to promote financial inclusion. The primary reason for low levels of financial inclusion in the country despite these initiatives is “the lack of financially viable business models to serve the ‘Bottom of the Pyramid’ customer segment in cost effective manner”. “Payments Banks are niche banks, setup by the Reserve Bank of India to further the agenda of financial inclusion. These banks will provide small savings accounts and payments/ remittance services mainly to migrant labour workforce, low-income households, small businesses, etc. by enabling high volume -low value transactions in deposits and payments/ remittances services in a secured technology-driven environment.”[3].

The biggest impact of the payment bank will come towards the way remittances are being exchanged within the country as sending money in cities and villages will become a lot easier. “The Domestic remittance market grew at an average rate of 10.3% from 2007 to 2013 and is estimated at more than INR 366.11 billion, with 50% contribution by

migrant workers. Around 10% of the population regularly sends money to their families living elsewhere in the country.” Payment Banks can therefore play a pivotal role by capturing market share and facilitating easy remittances.

Payment banks in India will ensure that every person with telecom and internet services can avail banking services without any extra charges. They provide a convenient, secure and Cashless mode of transaction. Thus, “digital technology will be the vehicle for banking.”[4]. Also, government has been stressing upon the Digital India initiative which will in a way help in proliferation of payment banks in the country.

Payment banks can help the ‘Indian Post’ in delivering the subsidies and other welfare schemes to the needy. “There are over 1.5 Lakh post offices to serve as physical medium for transferring subsidies.” [4] Telecom players such as Vodafone and Airtel will further ease the banking facilities for the customers. All the transactions via a payment bank are recorded and can prove very beneficial to minimize the cash transactions and elimination of black money. “Payment Banks can assist in schemes like Jan Dhan Yojna.”[4].

This might even prove to be an obstacle for the payment banks as the transaction system is quite transparent people might be reluctant to follow this method of transaction. Existing business model of mobile payments involves performing transactions electronically through mobile phones instead of using traditional methods like cheque, cash, debit card, credit card, NEFT, RTGS, etc. According to [1] to use this system, the customer should have an existing phone account with any network operator in the country, and should open an account with any bank available. The customer has to then register this bank account with the mobile Payment Banking service. The key features of this service are:

- Immediate payment service
- Instant fund transfer
- Any time any day availability

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- Simple and easy to use
- Inexpensive, fast and safe to use
- Accessible globally

“In India, about 40% of the population is still unbanked; to touch these people mobile payment was launched but after this long year we find they are still uncomfortable with this banking system. In which customer can transfer money or pay for goods and services by sending SMS, using application or any other mobile communication technology.” [1] It was mentioned that the problem lay in the usability, cost, interoperability, and security of transaction and that to solve these problems, the Payments Banks System was proposed by the RBI. Some of the important guidelines provided by RBI to setup payment banks are:

- Payment banks can accept demand deposits up to Rs.1,00,000
- They can issue ATM/ debit cards/ prepaid payment instruments
- They can offer internet banking services
- They can offer payment/ remittance services
- They can offer payment of utility bills
- They cannot undertake lending activities or issue credit cards
- The minimum paid up capital is fixed at Rs.100Cr and the payment banks need to maintain a minimum leverage ratio of 3%.
- At least 25% of the access points should be established in the rural regions.
- At least 75% of the deposits need to be saved in SLR based securities, i.e. government bonds. The rest 25% can be saved as deposits in other banks.
- The payment banks’ operations should be driven by technology from the very start.

The market can be dividing into two customer segments, one, the banked and technology savvy segment with high internet penetration, and the other, banked/unbanked/underbanked segment with limited access to internet facilities. [5] The focus will be on unbanked and under

banked customers, with extensive reach in rural areas. [6].

The revenue for the payment banks is generated from the transactions performed by the customers, which is their primary product. [1] “A yield on government securities is 7-7.5% and the interest on savings account and term deposits of one year is 4-6% and 8.5% respectively. To be sustainable, the interest rate offered on savings bank account may not be more than 4%. This might lead to initial margin being as low as 100 basis points.”

One of the major reasons for non-inclusion of existing banks in remote regions in India is the ineffective cash management and lack of proper infrastructure. However, keeping this in view, the RBI has suggested the payment banks to ensure the sharing of infrastructure among the banks. Sharing of resources and functional interoperability should be the primary focus of payment banks to keep the costs under check.

“The sharing of infrastructure has already begun with certain payments and small finance banks looking at tying up with WLA players. The cost structure works out for the niche banks with the cost of setting up the ATM being Rs. 3-5 lakh while the cost of maintaining it is Rs. 25,000 – 40,000 a month. However, if the bank opts for a tie-up with the WLA operator, then they only have to pay the interchange fee (the amount a bank has to pay a white-label ATM operator if its customer makes a transaction on the latter’s ATM).” [7].

However, owing to the number of restrictions on payment banks according to the current rules by RBI, payment banks may also have to emphasize on the use of technology to reduce costs in the long run. “The business model of a payment bank has too many restrictions. With the restriction on lending, payment banks will have to find ways to reduce costs by high use of technology. They will need to work on volumes to sustain themselves.

All of this will also result in longer payback periods (3-5 years as believed by experts). With the added requirement of investing 75%

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in government securities, the scope for earnings is limited.” But “most entities that have been given the license are in a position

to leverage their existing distribution networks and infrastructure, would have a higher customer conversion rate of the existing customers, engage in cross selling, have lower customer acquisition costs and have higher reliance on technology. This would work to bring down costs, increasing margins and reducing payback periods.”

Raghuram Rajan, the former Governor of RBI stated that these payment banks will act as a complementary role to the existing commercial banks. Though payment banks can accept a deposit of Rs.1, 00,000, they cannot offer credit to its customers. There is a wide array of services which commercial banks can provide, however, the role of payment banks is yet, restricted. “After a long discussion, the board (the RBI board) concluded these new banks will be additional, they will complement the existing system by traversing the last mile. The reason for that is there is nothing universal banks cannot do that payment banks can. But there are some things payment banks can't do that universal banks can.” Rajan said. “Payment banks will be useful as they could bring new players into the system. Those with existing businesses can reduce the cost of access and, therefore, payment banks will serve as feeder to universal banks.” he added [7].

### Statement of the Problem

The new payment banks have come into the play due to repeated efforts from RBI and conventional financial banks for financial inclusion have failed in rural areas, due to which RBI has decided to issue licenses for payment banks. The concept and players are relatively new, however only the positive aspects are focused upon. The negative aspects which may arise due to increasing competition or sour attitude of traditional banks due to missing out on a new avenue or a business opportunity has been looked over. At the same time expertise of finance lie concentrated with these banks, the new market entrants, not necessarily from financial backgrounds will need time and patience to get growth in a relatively low

profit sector which will survive entirely on the high volume of transactions thus maximizing the risk for everyone involved.

Benefits to payment banks in the entire process are not clearly specified and remain slightly vague. Certain amount is earned by the payment bank per transaction but no clarity as to what amount it is and what exactly is the source of it. Also, credit restrictions imposed by the RBI on payment banks restricts the growth and this being a relatively new sector not much research is conducted on how exactly the growth trend or strategy of payment banks would be due to lack of examples.

What next? Is a question which has entirely been ignored in the researches? If financial inclusion is successful with the help of payment banks, RBI has not given any vision regarding the next step which would primarily help such organisations to know which direction to adopt and how to grow.

The research papers do not consider a holistic view of all the effects of payment banks. Research is confined primarily to objective of financial inclusions. Other important objectives which may include reduction of black money, promotion of digital India campaign is not focused on. Also, demonetization and the adoption of cashless economy go hand in hand but no such linkages have been focused upon.

Its effect or mode of implication to continue reduction of black money has not been focused on as well. All these outcomes of this process must be studied collectively to be in a better position to predict or plan the future which is crucial for the economy of India. Payment banks have just started beginning their operations in the country with Airtel already having launched their product and Paytm on its path to launch one soon.

This lack of information is a limitation to the research due to lack of experiences and exposure. The output of payment banks in other developing countries such as Kenya may not be the same in India. Therefore, it's only possible to speculate the system by



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experts and accordingly prepare for it. Also, therefore RBI also would not be able to shape policies perfectly and may have to constantly modify and improvise on them to better suit the smooth functioning of the system. This

radical role RBI will play is also not focused upon. This possibility of modifying policies left completely at the discretion of RBI may serve as a risk to both payment banks and conventional banks and has been completely overlooked in research papers.

The researches aren't focusing much upon the issues that may arise due to the adoption of the new system. It being relatively new, chances of fraud or loopholes in the system might be possible which need to be looked into. Less KYC (know your customer) information is needed to be a user and this involves a risk due chances of fraudulent papers being used. These banks offer a relatively higher rate of interest as compared to conventional banks therefore attracting more such cases. Prevention measures that the RBI has taken or ensured via the payment banks for such cases hasn't been described.

The new system is being marketed as safe and low risk but in rural areas and low-income households where transactions are expected to take place via phones over SMS increases the chances of theft of such mobile phones. Measures to counter this must be shared as to convince the masses of the safety. As the entire system depends upon the confidence of the masses in the safety of payment banks over cash transactions along with its advantages is the basis of being able to form a foundation at the grassroot level in the economy. This hasn't been researched upon so extensively. Focus on this aspect is required so as to be able to find more possible solutions or to bring it into notice before the possibility of it creating an issue.

Stringent RBI policies do not allow for much room for 'adventurism' or independence of mode of functionality of these banks. 2 out of the 11 sanctioned companies have withdrawn themselves due to their perspective of it being a not so profitable venture for the company.

The repercussions faced by the companies in case of it not operating as specified by RBI needs to be looked into. Also, how lucrative is the opportunity for companies is a pending discussion as that determines the success of

the system. Research must be conducted of what the companies which may possibly want to participate feel regarding RBI's stringent policies. Their take on the policies and income structure forms an important aspect which needs more justification.

It's assumed that rural people will welcome the system due to its advantages. However, that may not be the case in case of even a slight doubt is expressed in the safety, functionality and ease of using payment banks. Therefore, it is a very crucial study to exactly find out what exactly is their take on the system which is being adopted, how comfortable they are with it and also what exactly are their expectations from the system. A full-scale research can be conducted in this aspect via interviews or questionnaires to obtain some feedback before further investing in the concept. The people still might not be ready to adopt this system as demonetization has just taken place which in some cases may have inconvenienced the masses. To expect the masses again the adopt a new system of functioning in a relatively short span may be a long shot and could effectively backfire.

### Objectives of the Study

The main objective of this research paper is to analyse the perspective of the Indian population, belonging to various classes and segments, about the launch of the payment banks initiative by the RBI and the Government of India. This can be done with the help of primary data collection using a set of questions we can ask to low income individuals, small scale businesses, people from rural areas and the general public.

The objective is also to introspect the viability and scope of the payment banks in the Indian economy owing to the changing perceptions among various segments of the Indian population. An effort has also been made to identify the challenges and opportunities that may be faced by the

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payment banks, including financial feasibility and the competition with the already existing commercial banking sector, so as to get a holistic view on this topic.

Hence, the research paper mainly focuses on the following objectives:

- To study the impact of the launch of payment banks in India on the Indian population particularly to the low-income households and small businesses.
- To study the effect of the launch of payment banks on existing commercial banks with specific reference to the Indian banking sector.
- To introspect the scope and viability of payment banks in India owing to the changing perceptions of the Indian population among different segments.

### Hypotheses

- H1: Low income households and small businessmen are most likely to prefer using payment banks.
- H0: All income groups are equally likely to prefer using payment banks.
- H1: People under the younger age group of the Indian population are more likely to use payment banks.
- H0: Likelihood of using payment banks does not depend on the age group to which the people belong.
- H1: Population having greater awareness about payment banks is more likely to use payment banks.
- H0: Population having greater awareness about payment banks is unlikely to use payment banks.

### Research Methodology

The concept of payment banks is quite new in India and the purpose of our research is to find the scope of payment banks in India. The viability and future success of a venture depends highly on the perspective of the target market segment and the existing competitors.

Hence, an exploratory approach has been taken to understand the perspective of the

target market, that is, the lower-income groups and small businesses, and the perspective of the existing banking institutions. A cross-sectional study has been performed, collecting primary data once, from the population itself, and then analysing the characteristics of the population. For our study, we have taken two categories of population:

- The target market of the payment banks, i.e., the lower income groups, migrant workers, small businesses, and the people living in rural areas. For this population, the sample respondents are selected by using clustered probability sampling method. A small number of people from each of the different groups of the target market will be randomly selected. Data is going to be collected by means of a closed-ended questionnaire asked to the sample audience. This data will then be analysed to test the hypotheses.
- The existing banking sector of India. For this population, the sample respondents are selected on the basis of convenience sampling.

### Description of Research Design and Procedures Used

The concept of payment banks is quite new in India and the purpose of this research is to find the scope of payment banks in India. The viability and future success of a venture depends highly on the perspective of the target market segment and the existing competitors. Hence, an exploratory approach has been taken to understand the perspective of the target market, that is, the lower-income groups and small businesses. A cross-sectional study will be performed, collecting primary data once, and then analysing the characteristics of the population to test the hypotheses.

### Sources of Data

For this study, the population will be the population of India with income up to Rs. 20,00,000 and having varied sources of household income.

### Sampling Procedure

For this population, the sample respondents will be selected by using clustered probability sampling method. A small number of people

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from each of the different groups of the target market will be randomly selected. The respondents are classified on the basis of amount and source of income. The respondents will be asked by the researcher for consent and approval to answer the questionnaire until the desired number of respondents which is 100 is reached.

**Methods and Instruments for Data Gathering**

The data is going to be collected by means of a closed-ended questionnaire asked to the sample audience. This data will then be analysed to test the hypotheses. The questionnaire requires information about the socio-economic and demographic background of the respondents. It will also have questions related to their perception and awareness about the introduction of payment banks in India and their likelihood of adopting and

using the payment banks that have launched or will be launched in the future. The questionnaire has been attached in Appendix A.

**Methods of Data Analysis**

- Qualitative: Charts and figures of the responses collected from the survey (Attached as Appendix-1). The data was collected from all groups of the society hence the cumulative percentages of the people can be used to effectively predict the perception of the masses regarding the payment banks.
- Quantitative: Quantitative data analysis will be done to test the formulated hypotheses.
- These hypotheses will be tested with one-way ANOVA, using SPSS software

**Demographics**

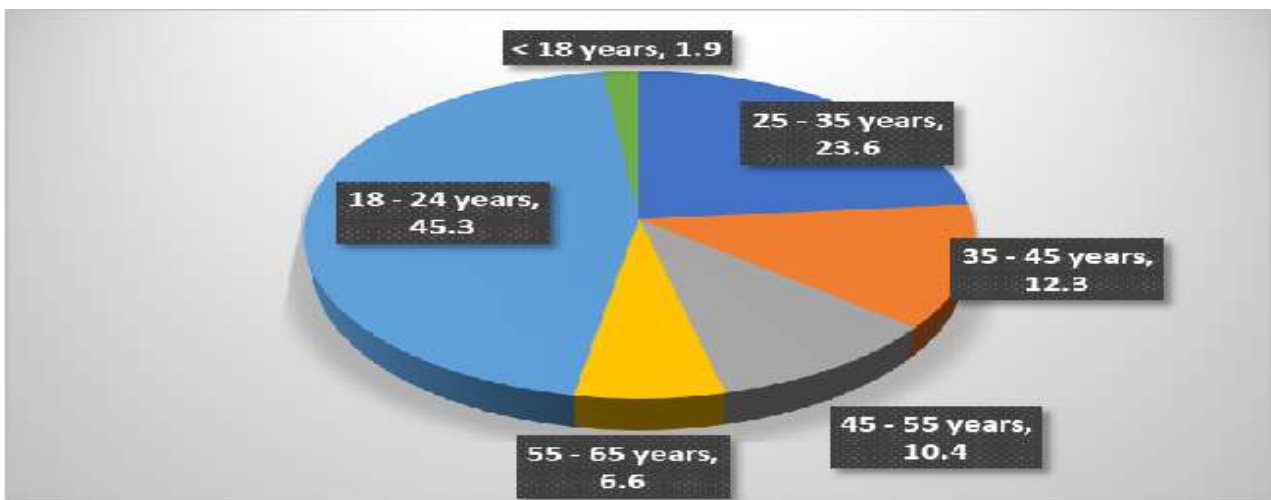


Fig.1: (Figure showing) Age-wise demographic of the survey respondents

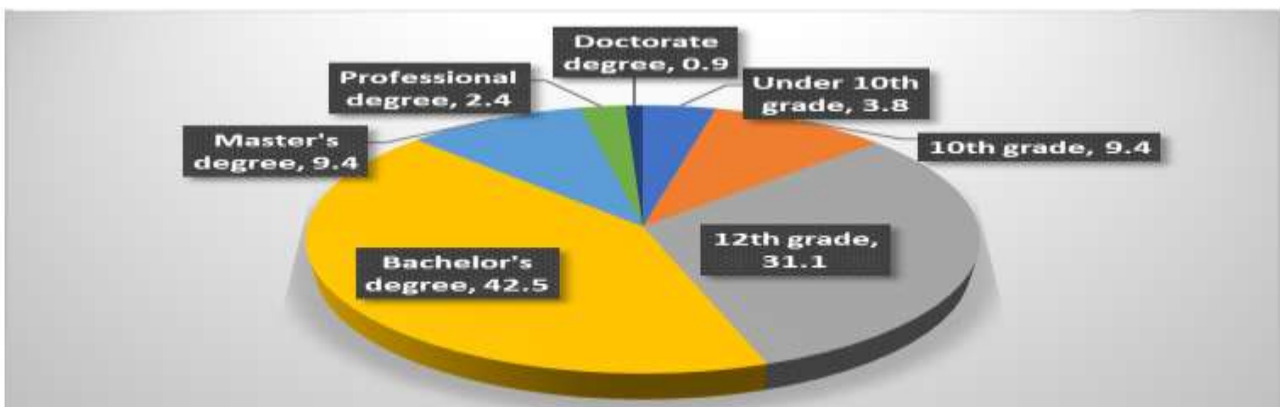


Fig.2: (Figure showing) Educational Qualifications of the survey respondents

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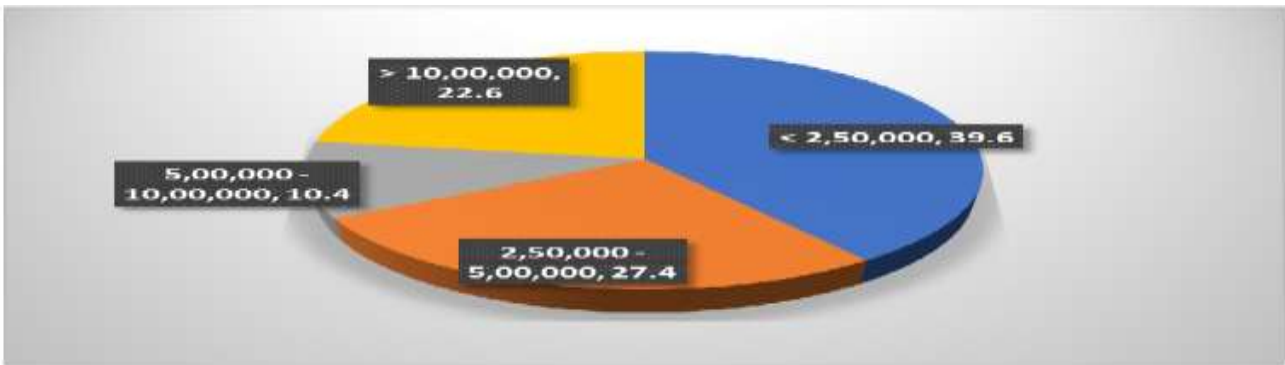


Fig.3: (Figure showing) Category-wise total household income of the survey respondents

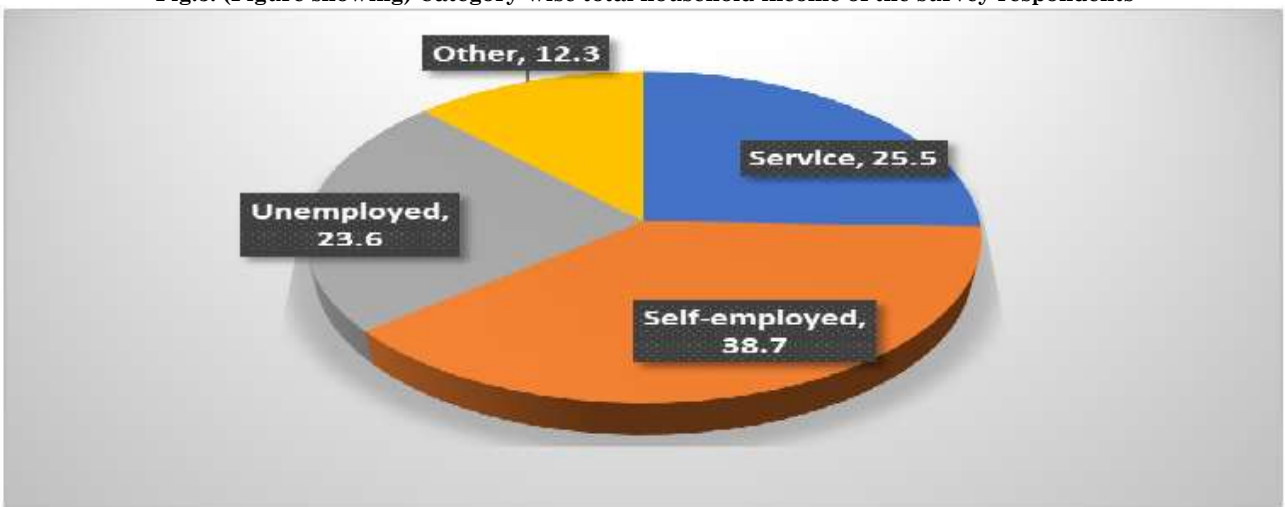


Fig. 4: (Figure showing) Employment statuses of the survey respondents

**Data Analysis**

**Qualitative Analysis**

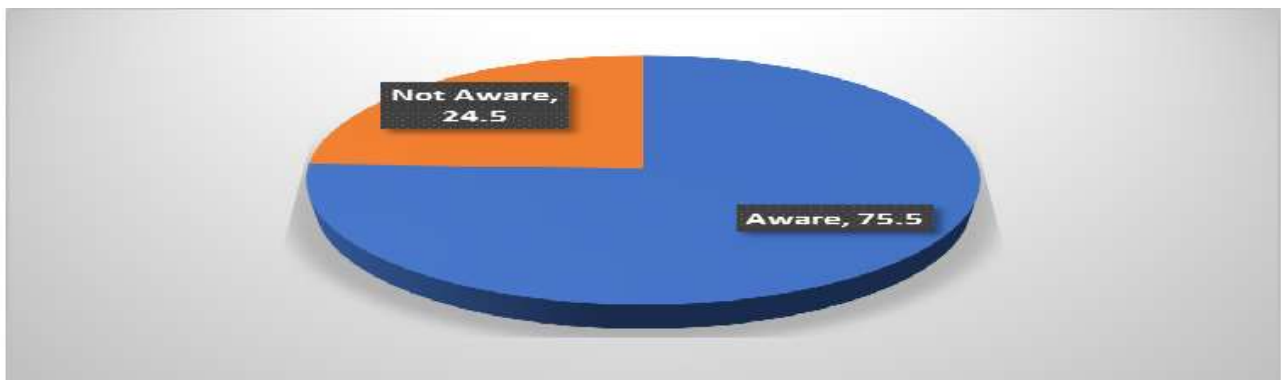


Fig.5: (Figure showing) Awareness of Payment Banks amongst the Survey respondents

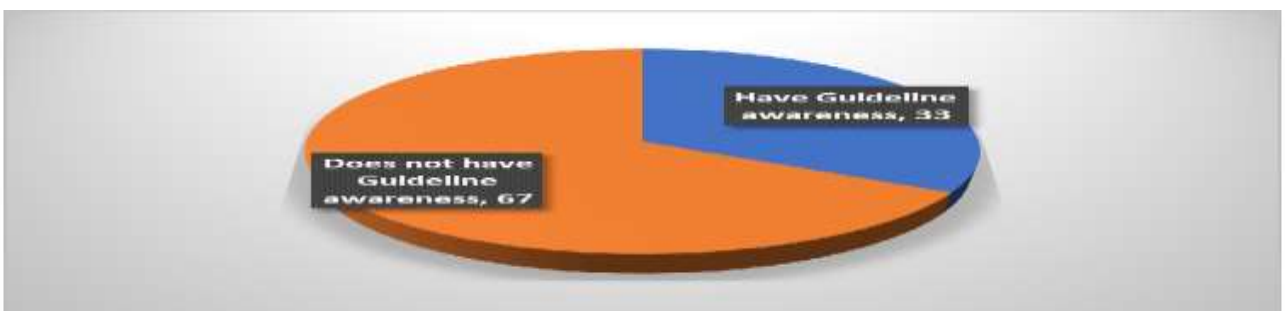


Fig.6: (figure showing) Awareness of Payment Bank operability guidelines amongst the survey respondents



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75.5% People in India are aware about the approval of Payment Banks in India. However, people aren't aware about the operating guidelines and the general rules and regulation of the payment banks. Lack of

awareness of arrival of payment banks within the citizens of India would completely defeat the purpose of these payment banks. As of now when the survey was conducted Airtel & Paytm payment banks were operational.

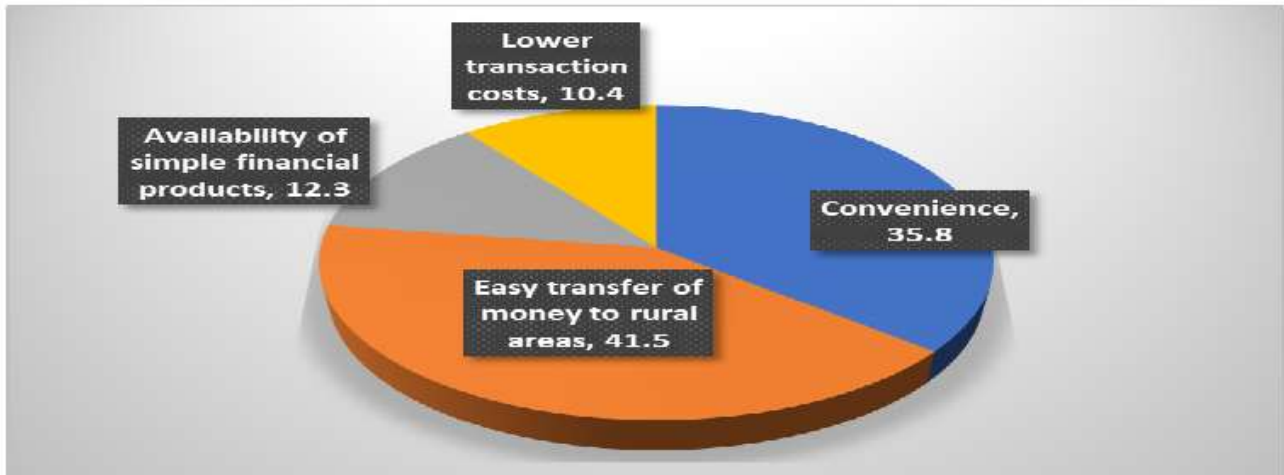


Fig.7 (Figure showing) what the respondents consider as the main advantage for using Payment Banks

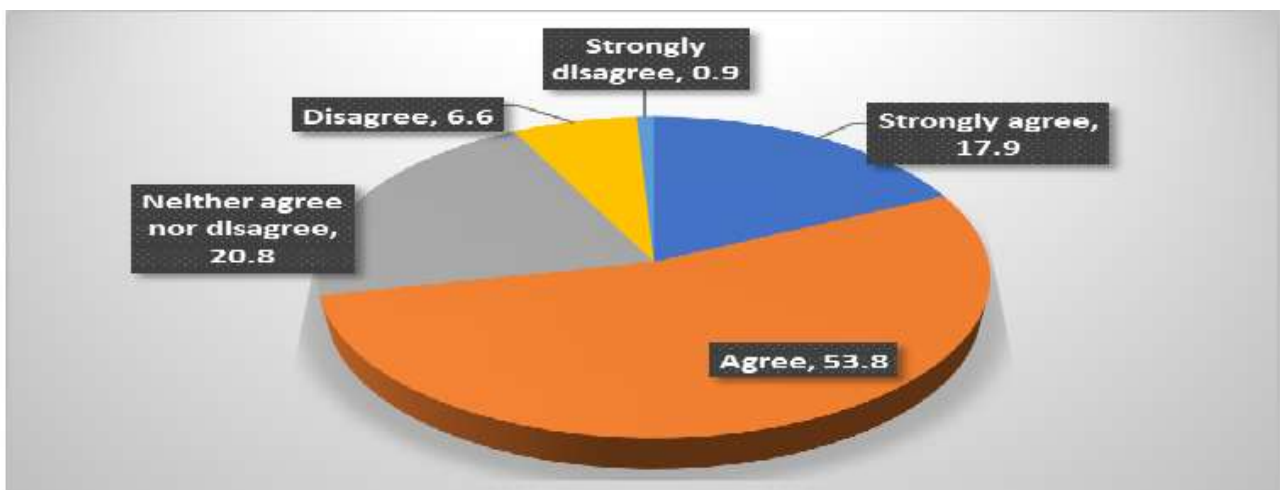


Fig.8: (Figure showing) Graphical representation showing whether the respondents opinion on the safety of Payment banks

Only 7.5% people are worried of the security regarding payment bank accounts which is a very healthy sign. This also indicates that only 7.5% of the people consider that payment banks are not at par with the

commercial banks in India. Hence, we can say that people think that payment banks are fairly safe when it comes to operations and there is minimum risk for theft and irregularities.

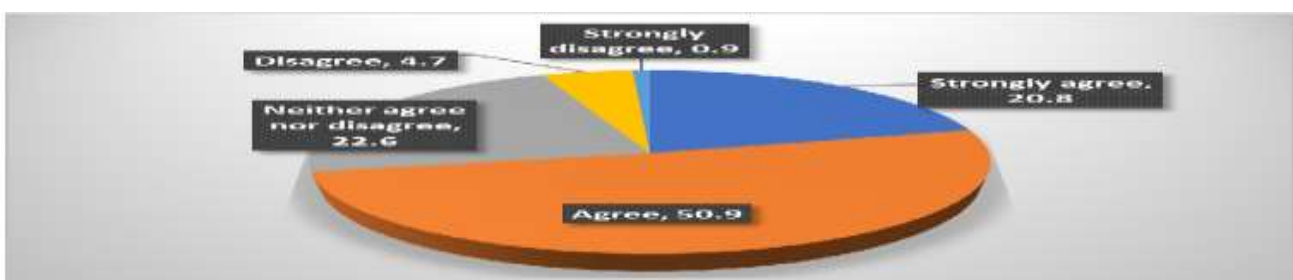


Fig.9: (Figure showing) the opinions of respondents on 7.25% return on investment being better than what other commercial banks offer

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94.3% people don't have any problem with the interest rates which are offered by the payment banks. Also, since these banks has a 75% SLR ratio the banks are very stable

them. Hence payment banks can prove to be a very popular and stable investment instrument for the people who wish to invest a sum of less than Rs. 1, 00,000.

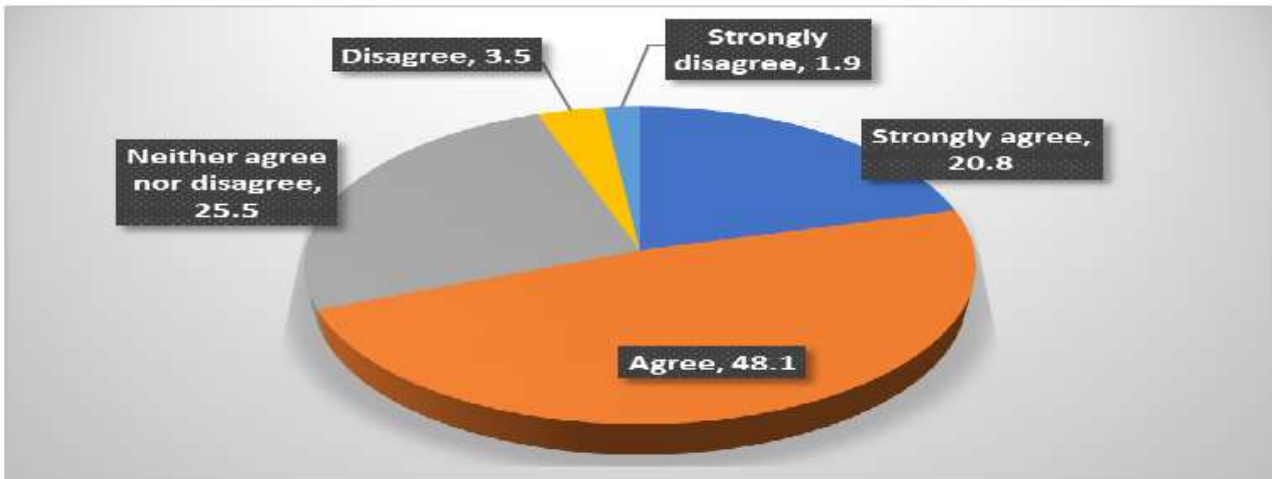


Fig. 10 : (Figure showing) Graphical representation of whether the respondents are convinced to open an account

94.4% people haven't denied the possibility of them having a payment bank account. In a country like India, if 94.4% people are willing to use payment banks it can turn out to be a great success in the future. The whole payment bank model by the RBI revolves around instant cash flow and minimum risks which is usually a major concern with the bank users which could be one of the reasons for the willingness to open an account with the payment banks. From the survey, we can identify the two most important advantages of the payment

banks over the commercial banks in India which works for the customers. These are:

- Easy Transfer of money to the Rural areas
- Convenience

Thus, it clearly indicates what services provided by the payment banks would help them gain popularity amongst the masses.

Also, if payment banks could focus on providing and improving upon only these two advantages it can cater to 77.3% of the public overall.

**Quantitative Analysis**

4. Total household income (in Rs. per annum)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 2,50,000	42	38.2	38.2	38.2
> 10,00,000	26	23.6	23.6	61.8
2,50,000 - 5,00,000	29	26.4	26.4	88.2
4,00,000 - 6,00,000	2	1.8	1.8	90.0
5,00,000 - 10,00,000	11	10.0	10.0	100.0
Total	110	100.0	100.0	

15. Are you most likely to open an account with the payment banks?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	.9	.9	.9
Agree	51	46.4	46.4	47.3
Disagree	5	4.5	4.5	51.8
Neither agree nor disagree	29	26.4	26.4	78.2
Strongly agree	22	20.0	20.0	98.2
Strongly disagree	2	1.8	1.8	100.0
Total	110	100.0	100.0	

Fig. 11: Frequency table

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### Result and Discussion

- People are aware about the payment banks being introduced in our country by the RBI but the operational guidelines, benefits and ease of access hasn't been promoted yet in the mainstream media. For this initiative to be successful and achieve the objectives of financial inclusion in the Rural India, it is necessary that promotion and help centres or help desks are provided either by the government or the private parties (payment bank owners).
- Since payment wallets are widely used in our country people are assured about the security and safety of transactions through the payment banks.
- The attractive interest rates provided by the payment banks is a great option as a financial instrument for people with less than Rs. 1,00,000 for investing activities. Also, it is risk free as compared to stocks and mutual funds.
- People are willing to open accounts in payment banks which is a great sign for the payment bank owners and the government. This is mainly due to the fact that they are practically risk free and convenient.
- Ease of transfer to rural areas and Convenience are two most important advantages of the payment banks hence all the payment banks should focus at least on these two factors to attract 77.2% of the customers.
- The likelihood of people using payment banks decreases with the increase in the total annual household income of the country. It is maximum for people having income less than Rs.2, 50,000.
- The likelihood of people using payment banks does not depend on their age group.
- People who know about payment banks and how they function are likely to use them.

### Conclusion

From the research, we can note that the target market of the payment banks, i.e., the small business owners, migrant worker, and other people from small income groups are willing to use payment banks if they are

aware of the same. But not sufficient awareness is present among the people, and hence adequate awareness programs need to be organised by either the government, or the payment banks as their marketing strategy so that the customers can make informed decisions. People need to know that the payment banks are as secure and trustworthy, or even more, than the current commercial banks and the benefits that come along. Also, the payment banks need to give more focus on remittances and ease of use, since these are the two main reasons why people are adopting payment banks.

Hence, we can conclude by saying that if proper measures are taken to take this initiative forward, the payment banks can be a great way to boost financial inclusion of small business owners, migrant workers, people from rural areas, and other people from low income groups. Consequently, this can largely contribute in the growth story of India as an economy.

### Recommendations

- Awareness campaigns could be held by the RBI through mainstream media sources, newspapers etc. Also, Airtel and Paytm can help people in the rural areas by opening helpdesks. These are the untapped customers who are not a part of the banking system yet. Also, even if they are a part of the banking system, these are not active due various reasons such as unavailability of a nearby branch, inconvenience due to low literacy rates etc. Thus, financial inclusion of these individuals is easily attainable and would be a great step forward for the economic growth of the nation.
- Airtel has over 25, 00, 00,000 users in India. It can effectively use its first mover advantage to convert these users into payment bank users as well. It can create a dial-up toll-free system for convenience of a major percentage of people in rural areas who have telephone connectivity but no internet or a smart-phone.

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- Acceptance as an alternate source of transfer is necessary for the people to start using payment bank accounts for transaction for example at websites, portals, payment gateways and online transfers. Also at government authorized stores or ration shops, payment through these payment banks should be accepted for people to actually start using it for transactions.

### Limitations of the Study and Scope for Future Research

The following limitations discussed below can be factored in some way for further research. Most of this study is based on speculation as Payment banks haven't completely penetrated the market. With widespread growth and popularity of the payment banks no. of payment bank users will increase and extensive statistical data will be available of the number of users and the number of transactions.

Majority of the responses collected are from Mumbai and neighbouring areas, thus the results may not be of a sufficient sample size to encompass the views of the entire country. Also, the country as a whole may not share the same views as that collected in the sample population. With rise in payment banks, commercial banks may counter the growth by giving offerings or similar benefits and convenience in order to compete. These policies and strategies if any are currently unknown and can hinder with payment banks and thus give a different set of results. Thus, this factor cannot be accounted albeit possibly playing a major role in research results. Primary role, for which people are finding payment banks useful, statistically is transfer to rural areas. However, no such research has been done whether the system would be adopted as a form of alternate payment option in the rural areas. In case of lack of adoption of system, majority of the respondents primarily using payment banks for that purpose will be affected, thus skewing results.

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**Appendix 1**

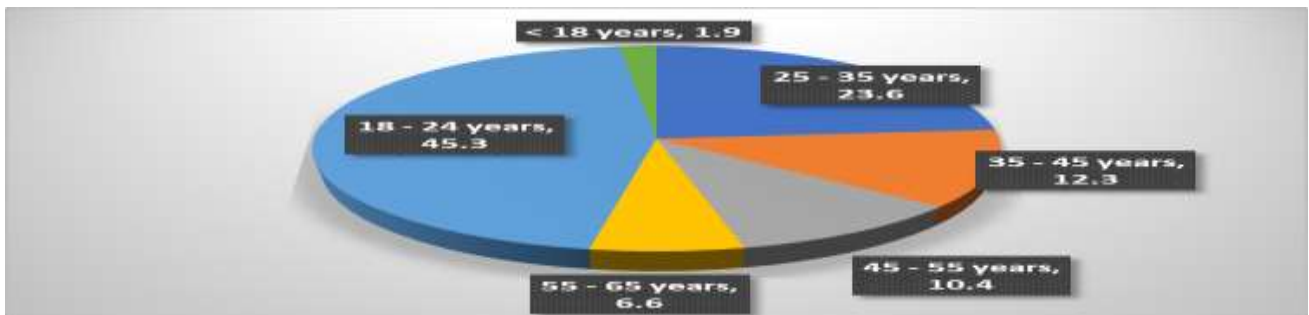


Fig 1:(Figure showing) Age-wise demographic of the survey respondent

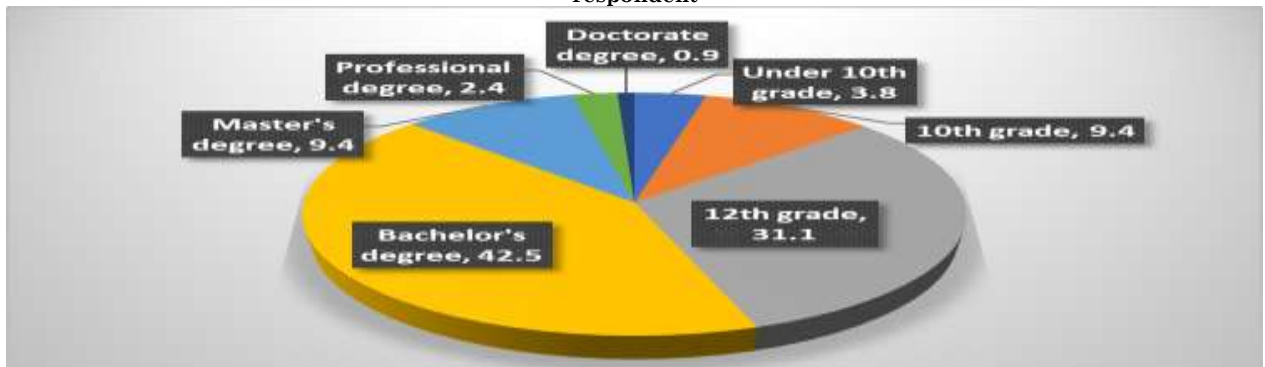


Fig 2 :(Figure showing) Educational Qualifications of the survey respondents

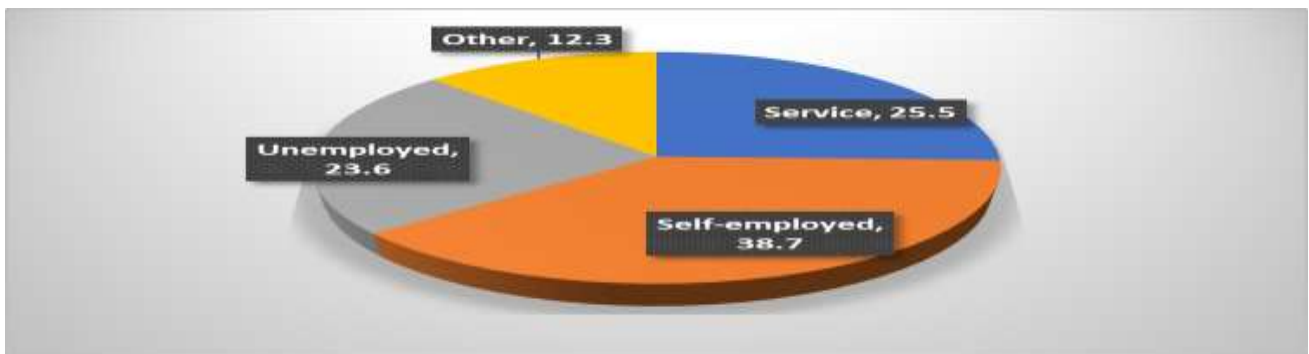


Fig 3: (Figure showing) Employment status of the survey respondents

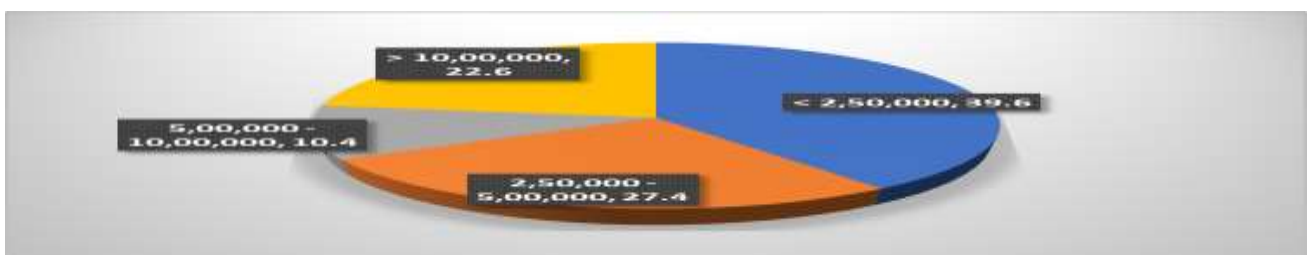


Fig 4: (Figure showing) Category-wise total household income of the survey respondents

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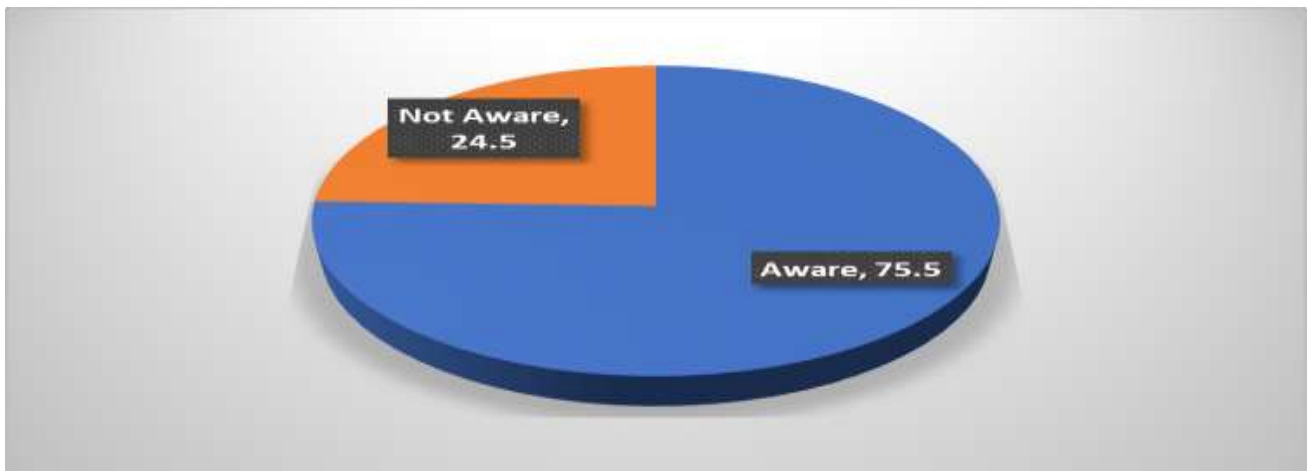


Fig 5: (Figure showing) Awareness of Payment Banks amongst the Survey respondents

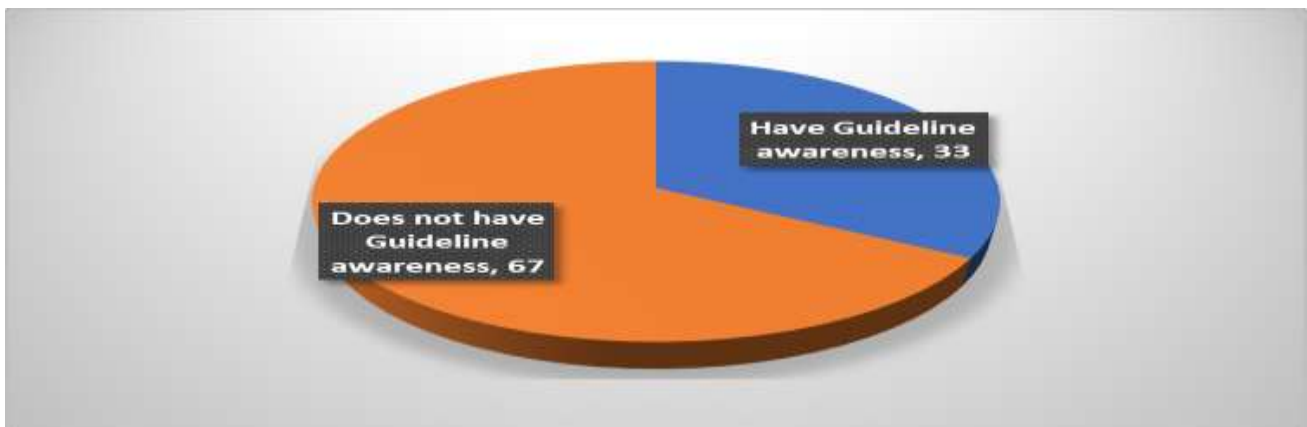


Fig 6: (Figure showing) Awareness of Payment Bank operability guidelines amongst the Survey respondents

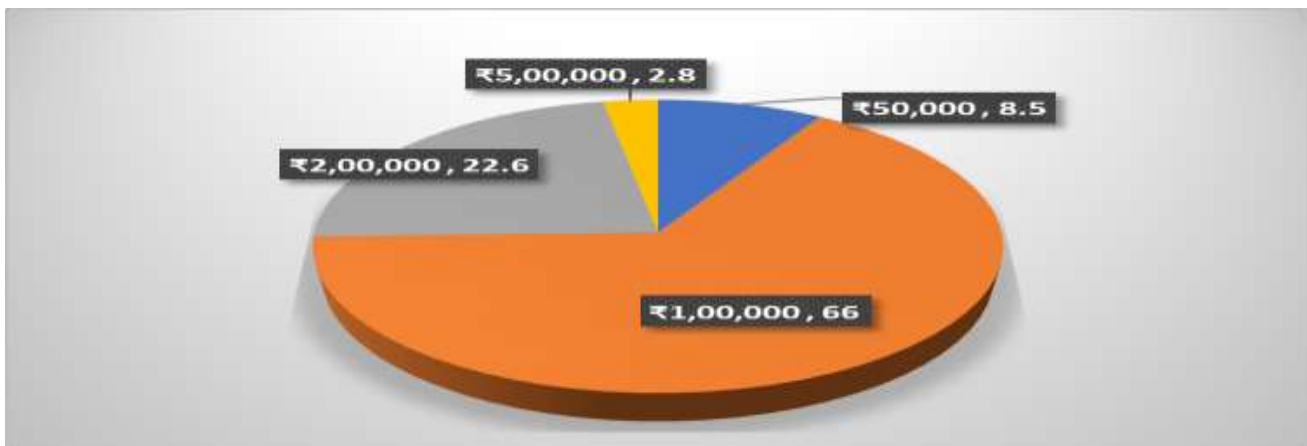


Fig 7: (Figure showing) How many respondents answer the upper credit limit correctly

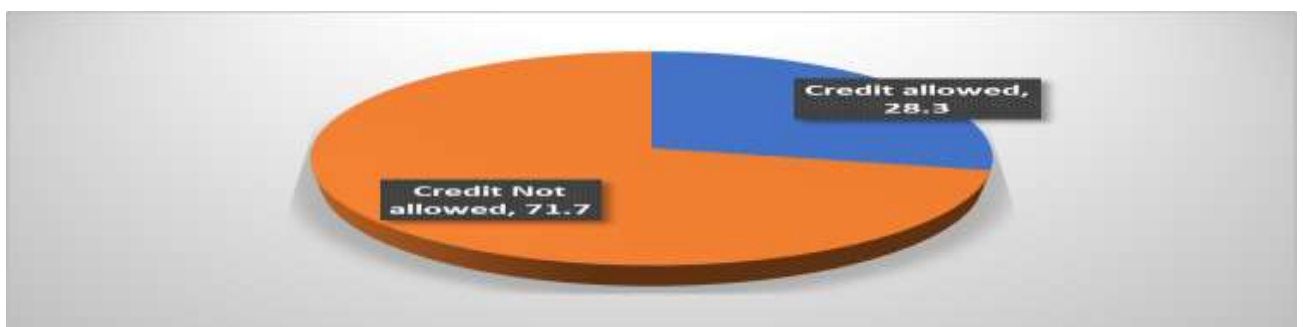


Fig 8: (Figure showing) How many respondents believe that payment banks give

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credit

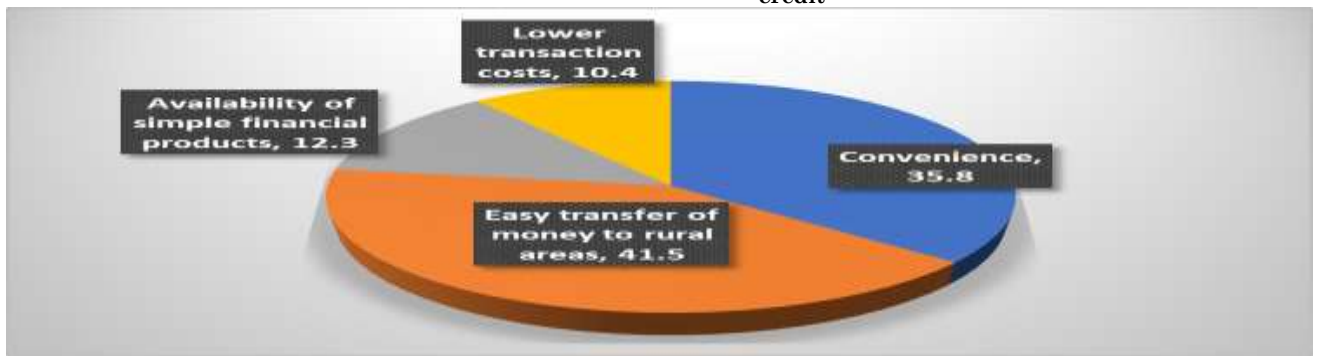


Fig 9 : (Figure showing) What the respondents consider as the main advantage for using Payment Banks

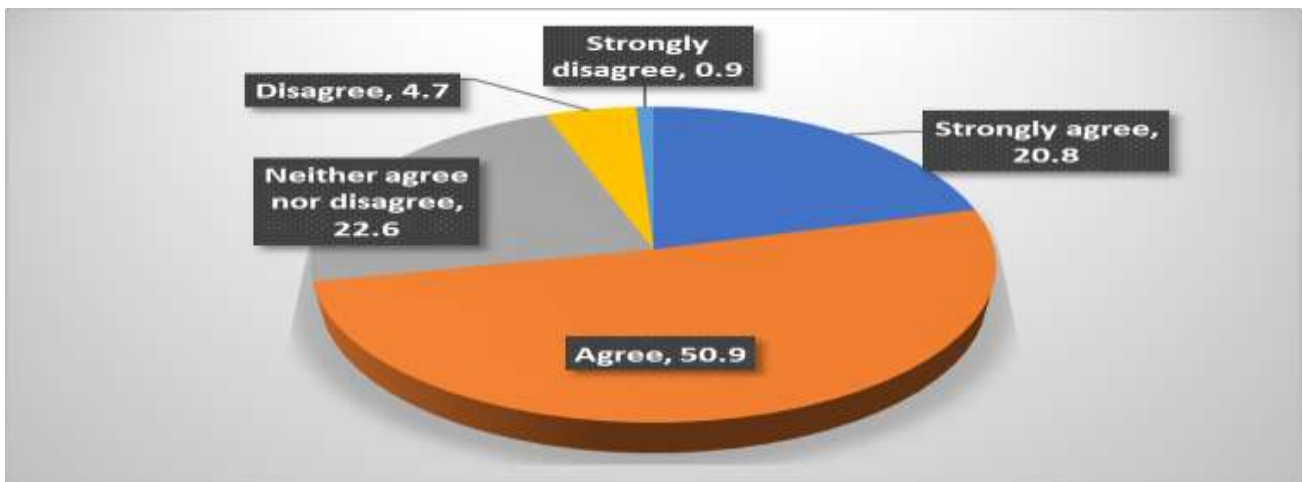


Fig 10: (Figure showing) the opinions of respondents on 7.25% return on investment being better than what other commercial banks offer

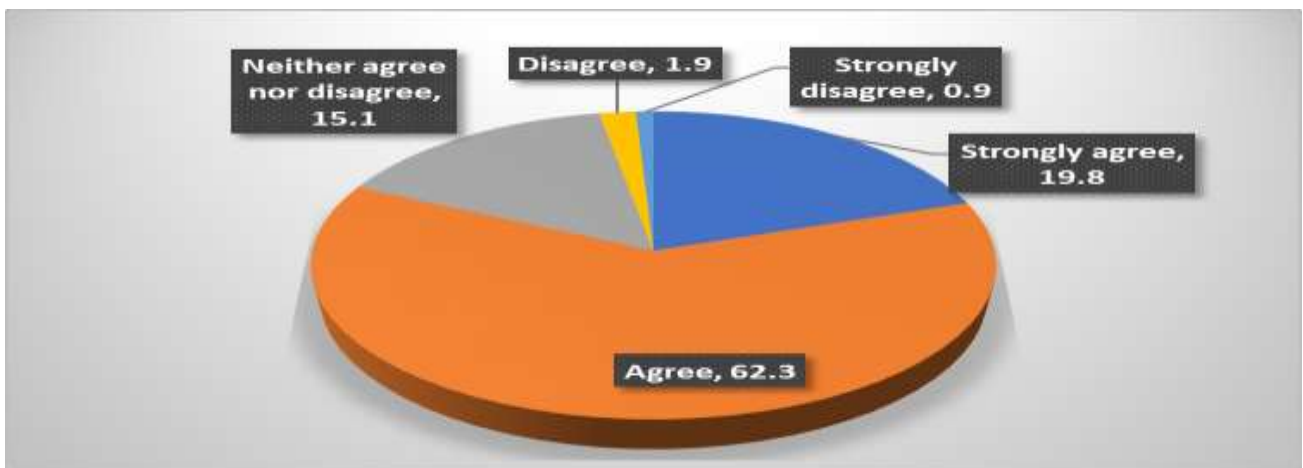


Fig 11: (Figure showing) The respondents opinions on Inclusion of Payment Banks

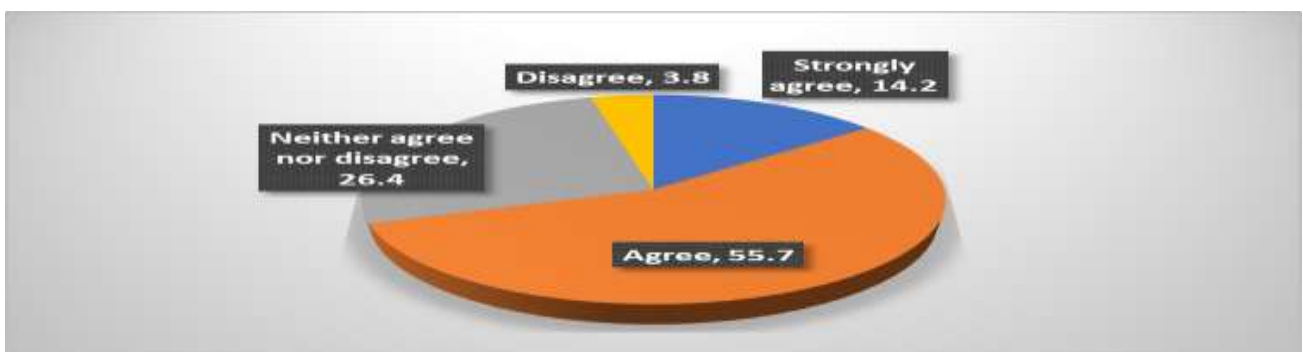


Fig 12: (Figure showing) the respondents thoughts on viability of payment banks in low and medium income households

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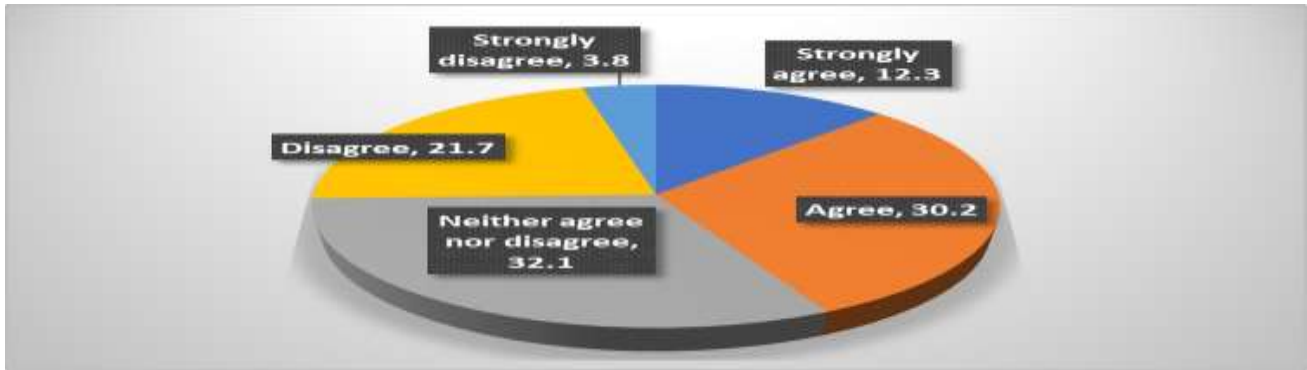


Fig 13: (Figure showing) Graphical representation of whether the respondents think Payment banks will serve to be a threat to commercial banks

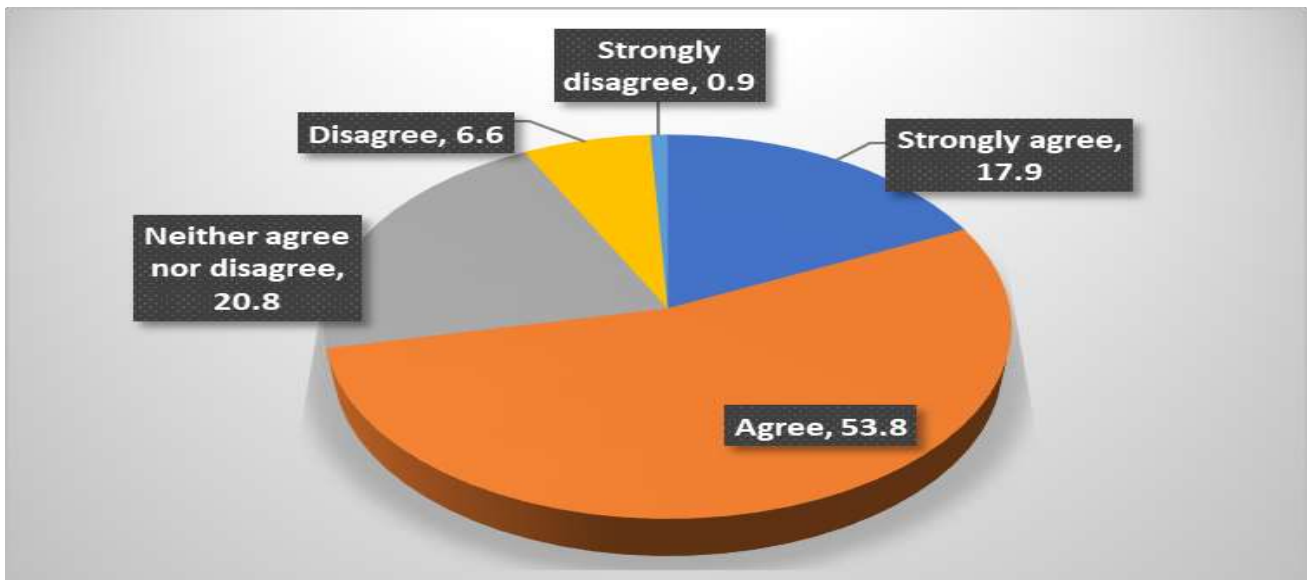


Fig 14: (Figure showing) Graphical representation showing whether the respondents opinion on the safety of Payment banks

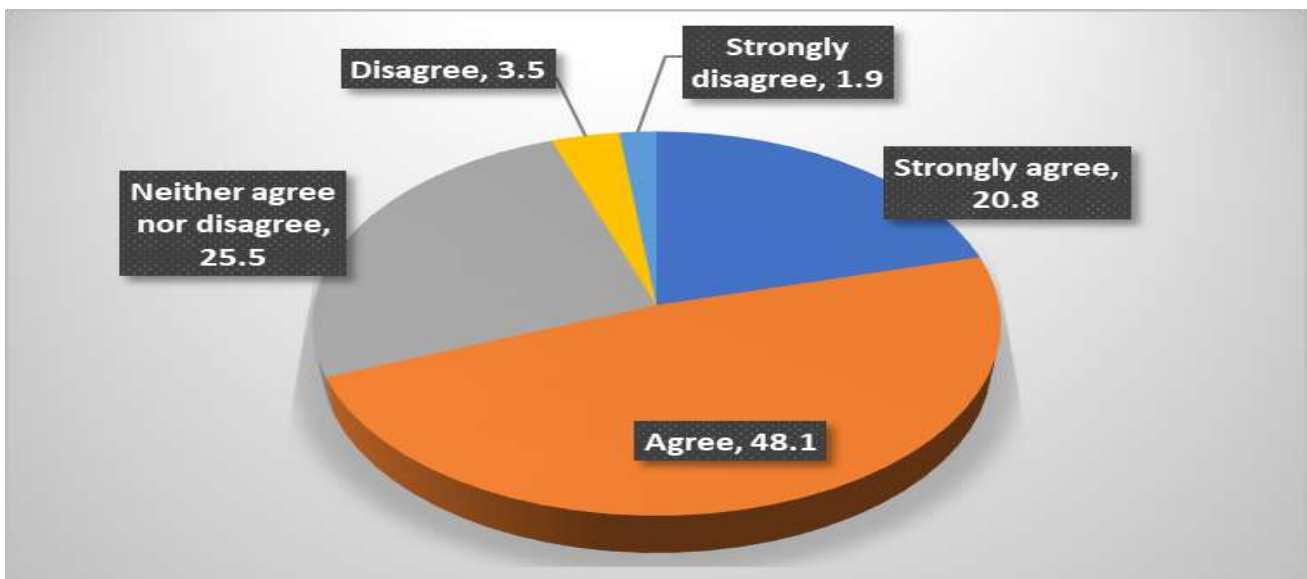


Fig 15: (Figure showing) Graphical representation of whether the respondents are convinced to open an account