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## **A Study on College Students Awareness and Usage of Payment Banks in Kalaburagi District**

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### **ABSTRACT**

The Practical use of payment banks among college students in Kalaburagi District is the topic of this study paper, which is a recent survey undertaken. One of the greatest difficulties facing the Indian economy today is the banking sector's non-inclusion in rural India. Payment institutions are also being established to specialize on this area. The purpose of this research paper is to investigate the practical application of knowledge and use of payment banks, as well as the how students use of payment banks and problems. In adding together, remittances, digital transitions, and the demographic report of the students who use payment banks are also considered. More over this research paper also helps us to be aware of the awareness of the public as regards payment banks and come to some conclusions based on both qualitative and quantitative analyses.

**KEYWORDS:** Awareness, Internet Banking, Students and Payment

### **INTRODUCTION**

The Reserve Bank of India (RBI) and the Indian government have taken a number of steps to promote financial inclusion for individuals in rural regions, low-income groups, migratory workers, and small companies. The Pradhan Mantri Jan Dhan Yojna (PMJDY), the Digital

India Campaign, the development of electronic cash transfer methods like as NEFT and RTGS, and the promotion of mobile payment tools such as Airtel Money and Paytm are just a few of the efforts that have been introduced. The RBI and the Indian government's most recent endeavor is the establishment of payments banks.

In February 2015, RBI released the list of entities that had applied for a payments bank license. There were 41 applicants.[9] It was also announced that an external advisory committee (EAC) headed by Nachiket Mor would evaluate the license applications.[10] On 28 February 2015, during the presentation of the Budget, it was announced that India Post will use its large network to run a payments bank.[11] The external advisory committee headed by Nachiket Mor submitted its findings on 6 July 2015. The applicant entities were examined for their financial track record and governance issues.[12] On 19 August 2015, the Reserve Bank of India gave "in-principle" licenses to eleven entities to launch payments banks.[12] The "in-principle" license was valid for 18 months within which the entities must fulfill the requirements and they were not allowed to engage in banking activities within the period. The RBI will grant full licenses under Section 22 of the Banking Regulation Act, 1949 after it is satisfied that the conditions have been fulfilled.[12]

This is witness, Paytm account for over 19% of all mobile-banking transactions while Airtel's Payments Bank contributed more than 5% to the 867 million transactions made during the month. In contrast, the State Bank of India (SBI), the largest lender in the country by assets, recorded 145 million transactions, accounting for under 17%. The only banks ahead of Airtel Payments Bank are SBI and the three largest private-sector banks – HDFC Bank, ICICI Bank, and Axis Bank. Indeed, ICICI Bank saw close to 60 million mobile-banking transactions though it was just a whisker ahead of Airtel, with fewer than 7% of the market.[13] Paytm Payments Bank and Airtel Payments Bank together command over 88% of the deposits in payment banks in India in 2018.

According to the Reserve Bank of India's report on 'Trend and Progress of Banking in India 2017-2018', the payment banks reported losses in the financial year 2017-2018, after a weak performance in the FY 2016-17.[14].

### **Payment Bank Origin**

The Committee on Comprehensive Financial Services for small Businesses and Low Income Households which was headed by Nachiket Mor was set up by the RBI on 23rd September

2013. This committee submitted its final report on 7th January 2014. Among numerous recommendations it recommended the formation of a new type of banks called the Payments Bank. The RBI released draft guidelines on payments bank seeking comments from interested entities and the general public on 17th July,2014. The RBI released the final guidelines on 27th of November about Payments Bank. The Nachiket Mor Committee has been discussed in detail subsequently in this paper.

### **Payment Bank Meaning**

In simple terms, a payment bank is generally a non-full service niche bank in India. It is a distinguished bank that will undertake only limited banking functions which are allowed as per the Banking Regulation Act of 1949. The licensed entities as payment banks could only receive deposits and offer remittances. They cannot undertake lending activities. These banks can offer banking functions such as payments, deposits, remittances, internet banking, and would initially be allowed to take a cash deposit of a maximum of Rs. 1 lakh per individual.

### **Payment Bank Objectives**

The main objective of the payment banks is to increase financial inclusion by offering small saving accounts and payment remittance services to low-income households, migrant labor workforce, small businesses, and other unorganized sector entities and other similar users. It will also enable high volume-low value transactions in deposit and payment/remittance services in a technology-driven environment.

### **List of Payment Banks in India**

Bharti Airtel launched India's first payments bank named Airtel Payments Bank in March 2017.[15] Paytm Payments Bank, India Post Payments Bank, Fino Payments Bank and Aditya Birla Payments Bank [16] have also launched services.

Of the 41 applicants, the list of RBI approved for provisional payments bank licenses are:[18]

1. Aditya Birla Nuvo Limited
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. India Department of Posts

5. Fino PayTech Limited
6. National Securities Depository Limited
7. Reliance Industries Limited
8. Shri Dilip Shantilal Shanghvi
9. Paytm Payments Bank Limited
10. Tech Mahindra Limited
11. Vodafone m-pesa Limited

### **Review of Literature**

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”

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.

Wamuyu PK (2014) highlighted that digital payment banks offered many benefits while transferring money such as convenience, security, and affordability. Soman D (2001) mentioned that growth in technology has opened many modes of payments through which consumers can do transactions that are more convenient, accessible, and acceptable. Dewan SG, Chen LD (2005) acknowledged that consumers also have an inclination towards mobile payment apps usage. Liu S, Zhuo Y, and Zhao M (2012) proved that offering various benefits such as flexible payment, digital wallets are providing extra convenience to consumers. Rathore HS (2016) underlined that major consideration in the adoption of digital payment

banks is convenience in shopping for merchandise online while not physically going from one location to another location.

Dr. Malhotra (2010) discusses in her paper that the results show whether or not the non-public and foreign net banks have performed well in giving a wider variety and a lot of advanced services of net banking as compared with public sector banks. She conjointly identifies that the scale of the bank, the expertise of the bank in giving net banking, funding pattern, and possession of the bank is found to be the foremost important determinants of the triple-crown payment banks.

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

## **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.

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.

### **Objectives of the study**

The study is made with certain objectives.

1. To check the responsiveness of payment Banks among the college students in Kalaburagi City.
2. Identifying the demographic variables has a control on awareness and usage of payment Banks among College students in Kalaburagi City.
3. To identify the most frequently used payment Bank between College students in Kalaburagi City.
4. To identify the reasons for using payment banks

### **Research Methodology:**

**Data Collection:** The data is collected using the structured Questionnaire method, and the secondary data was collected from existing data sources, catalogs, the internet, books, newspapers, magazines, and Journals.

**Population:** The population consists of College students studying different disciplines are taken for this research work.

### Sampling Size and Sampling method:

Stratified random sampling is used for carrying out the research work. A sample of 200 respondents was studied gathering their demographic variables such as age, gender, education, place of stay, parent's occupation is used

### Hypothesis and Data analysis

Age of the respondent	%	Education of the respondents	%	Parent occupation	%
<22 years	55	Management	18.5	Agriculture	24.5
22-25 years	31	Arts	47.5	Govt Employees	10
>25 years	28	Nursing	5.5	Private employees	22
		Medicine	11.5	Own business	30.5
		Others	17	Others	13

It is inferred from the above tables that, a majority of the respondents surveyed in this study are

> 22 years of age. The majority of the respondents surveyed belong to educated in Arts, and 18.5% are educated in Management course, hence respondents with different education discipline are studied. And also most of the respondents' parents say 30.5% own their own business, and 24.5% of the respondents are engaged in agriculture. Here the researcher was keen on finding there is any influence of parents' occupation in the usage of digital payments.

<b>Place of stay</b>	<b>%</b>	<b>Use of Payment bank</b>	
Urban	71.5	Yes	85.9
Rural	28.5	No	14.1

It is inferred from the table that the majority of the respondents say 71.5% surveyed are from urban Kalaburagi. Most of the respondents surveyed are using Payment bank in the transaction.

<b>How long have you been using Payment Bank</b>	<b>%</b>	<b>Risk in Payment bank</b>	<b>%</b>
Since 2015	19.5	yes	49
Since 2016	21.5	No	51
Since 2017	27		
Since 2018	32		

It is revealed from the table that a majority of respondents say 32% are using Payment Banks recently since 2018, it clearly shows their awareness and usage is of recent times. It is also understood that a majority of the respondents say 51% say there is no risk in using payment banks.



<b>Payment banks lead to digital India</b>	<b>%</b>	<b>Payment Bank benefitting rural section</b>	<b>%</b>
Highly Disagree	7	Yes	65
Disagree	4	No	35
Neutral	27.5		
Agree	49.5		
Highly agree	12		

When the respondents were asked whether payment banks lead India to be a digital economy, a majority of the respondents say 49.5% agree with that. And only 4% disagreed with it. It is also understood that 65% of the respondents said the Payment Bank is benefitting the rural section of the people in India.

<b>Smart phone act as a solution for an e-com Industry to use online payment</b>	<b>%</b>
Yes	46.5
No	9
Maybe	44.5

When the respondents were asked whether smart phones act as a solution for the e-commerce industry to use online payment. A majority of them say 46.5% said yes and only 9% said no

<b>Reason for using Payment Bank</b>	<b>%</b>
Convenience	39.5
Bundled offers and Discounts	6
Use of Advanced Technology	16
An interest rate of deposits	3.5
Low charge on value-added discounts	7
Better service to customers	17
Elimination of black money	11

From the above table observed that a majority of the respondents say 39% considered Convenience as the main reason to use payment banks, 17% said payment banks offer better service to customers, and only 6% said payment banks offered bundled offers and discounts.

<b>Government should create awareness</b>	<b>%</b>
Yes	91.2
No	8.8

<b>Satisfaction on usage with payment bank</b>	<b>%</b>
Highly satisfied	25
Satisfied	45
Neutral	27
Dissatisfied	2
Highly dissatisfied	1

It is understood from the above table that a majority of the respondents say 91.2% agreed that the Government should create more awareness about the usage of payment banks. When comes to satisfaction with the usage of payment banks when compared to traditional banking, most of the respondents say 45% are satisfied using payment bank and only 1% is dissatisfied.

**The hypothesis of the Study:**

**H<sub>0</sub>:** Perception of Digital and Cashless economies do not differ significantly across the demographic variables.

**H<sub>1</sub>:** Perception on Digital and Cashless economy do not differs significantly across the demographic variables,

**Inference:**

Perception on Digital and cashless economy significantly differs across except Age of the respondents ( $F = 0.101 < 2.45$ ;  $0.904 > 0.05$ ); respondents’ place of stay ( $F = 7.053 > 2.45$ ;  $0.009 < 0.05$ ); occupation of the students’ parents ( $F = 2.639 > 2.45$ ;  $0.035 < 0.05$ ); educational level of the students( $F = 6.823 > 2.45$ ;  $0.000 < 0.05$ ); How long you are using payment banks?( $F = 5.730 > 2.45$ ;  $0.001 < 0.05$ ) the demographic variables of the college students. Hence, the alternative hypothesis is accepted. So the research can conclude that, Perception on Digital and Cashless economy do not differs significantly across the demographic variables.

**Age of the Respondents:**

ANOVA					
5. Do you think payment Banks will lead India to the Digital and cashless economy					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.201	2	.101	.101	.904
Within Groups	197.194	197	1.001		
Total	197.395	199			

### Place of Stay

ANOVA					
5. Do you think payment Banks will lead India to the Digital and cashless economy					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.790	1	6.790	7.053	.009
Within Groups	190.605	198	.963		
Total	197.395	199			

### ANOVA

5. Do you think payment Banks will lead India to the Digital and cashless economy					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.136	4	2.534	2.639	.035
Within Groups	187.259	195	.960		
Total	197.395	199			

## Education

### ANOVA

5. Do you think payment Banks will lead India to the Digital and cashless economy					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29.622	5	5.924	6.823	.000
Within Groups	167.574	193	.868		
Total	197.196	198			

### How long have you been using payment banks?

### ANOVA

#### 5. Do you think payment Banks will lead India to the Digital and cashless economy

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.916	3	5.305	5.730	.001
Within Groups	181.479	196	.926		
Total	197.395	199			

Decision: Alternative Hypothesis is accepted

**Null Hypothesis:** There is no significant relationship between demographic variables and Satisfaction on Payment Banking

**Alternative Hypothesis:** There is a significant relationship between demographic variables and Satisfaction on Payment Banking

**Decision:** Alternative Hypothesis is accepted

### Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Age	200	1.5900	.72424	1.00	3.00
Education	199	3.1156	1.19414	1.00	6.00
Place of stay	200	1.2850	.45255	1.00	2.00
Occupation	200	2.8900	1.34796	1.00	5.00
3.How long you are using payment banks?	200	2.7150	1.11354	1.00	4.00
12. How satisfied you are in payment bank when compared to traditional banking system in India	200	3.9100	.82784	1.00	5.00

	Age	Education	Place of stay	Occupation	3. How long you are using payment banks?	12. How satisfied you are with the payment bank when compared to traditional banking system in India
Chi-Square	50.920 <sup>a</sup>	269.935 <sup>b</sup>	36.980 <sup>c</sup>	28.350 <sup>d</sup>	7.640 <sup>e</sup>	138.400 <sup>d</sup>
df	2	5	1	4	3	4
Asymp. Sig.	.000	.000	.000	.000	.054	.000

## **Test Statistics**

a.0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 66.7.

b.0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.2.

c.0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 100.0.

d.0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.

e. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

**Inference:** There is a significant relationship between demographic variables and Satisfaction on Payment Banking since the p-value is less than 0.05 in the chi-square test table.

## **Findings of the study:**

The following are the main findings of the study:

1. The majority of the respondents surveyed in this study are > 22 years of age.
- 2 The majority of the respondents say 71.5% surveyed are from urban Kalaburagi city.
- 3 Majority of respondents say 32% are using Payment Banks recently since 2018, it clearly shows their awareness and usage is of recent times. It is also understood that a majority of the respondents say 51% say there is no risk in using payment banks.
- 4 Only 4% disagreed that Payment banks will lead India to a digital economy.
- 5 Majority of them say 46.5% said smart phones act as a solution for the e-commerce industry to use online payment, and only 9% said no
- 6 Majority of the respondents say 39% considered Convenience is the main reason to use payment banks,

7 Majority of the respondents say 91.2% agreed that the Government should create more awareness about the usage of payment banks.

45% are satisfied using payment bank and only 1% is dissatisfied.

8 Perception on Digital and Cashless economy do not differ significantly across the demographic variables

9 There is a significant relationship between demographic variables and Satisfaction with Payment Banking.

### **Suggestions and expectations of payment banks**

The study found certain expectations and suggestions of respondents about payment banks.

Payment bankers are expected to provide genuine information about its functioning

1. More security is expected.
2. More user friendly
3. Acceptance of payment banks in all local stores.
4. Expecting more offers and discounts
5. Reduction in the commission charged by the payment banks
6. Payment banks are expected to have a fast payment mode.
7. It is reported that servers are always down which needs to be rectified.
8. Spot cash facilities expected
9. Eliminate bugs and make transactions in a secured manner.
10. Expecting cash back offers.
11. Awareness should be created in rural areas
12. The payment banks are expected not to misuse customers' personal information.
13. Not to charge / or reduce commission charges while using payment banks.

### **CONCLUSION**

Payment banks have been introduced with the primary objective of increasing the impact of the financial inclusion drive. The payment banks play a significant role in implementing the government's direct benefit, transfer schemes, where subsidies on



health care, education, and gas are paid directly to beneficiaries account. However, the competition between traditional and payment banks will lead to widening and improvement in quality of banking services are reduced costs and which may finally lead results in financial inclusion. Numerous bottlenecks need to be addressed before the real benefits of payment banks. Millions of Indians don't have access to banking facilities. They cannot avail of state advantages, loans, insurance, and even interest on savings. M-Banking, IPPB, can reach the unbanked and also the underneath banked across the all cross-section of society and Geographic's.

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.

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