CUSTOMER PERCEPTION TOWARDS PAYMENT BANK: A CASE STUDY OF CUTTACK CITY

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ABSTRACT
A new model of banks conceptualized by the Reserve Bank of India (RBI) is popularly known as Payment Bank. As these banks cannot issue loans and credit cards, but both current and savings accounts can be operated by such banks. Money is the lifeblood of every economy. Now-a-days cash transactions are much simpler due to the popularization of internet, smart phones and other digital technologies. Therefore most of the transactions were cashless and if these practices will continue as it is then in future physical form of currencies will no longer be a king. Privacy, security and convenience are the factors which influence the users while using the facility of payment banks. The last decade has seen tremendous growth in use of internet and mobile phone in India. Increasing use of internet, mobile penetration and government initiative such as Digital India are acting as catalyst which leads to exponential growth in use of digital payment. But still many people are there who were not ready to accept this system of banking as they have a thinking of being cheated. The current paper will help to identify the customer perception towards payment bank.

Key word: banks, internet, digital, technologies, mobile, cashless, transactions.

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1. INTRODUCTION
Payment banks are the latest initiative from the Reserve Bank of India with the primary motive to promote digital, paperless and cashless banking in our nation. Traditional banks can do everything payment banks can, but due to their structures and business priorities they may be unable to cater to certain segments and geographies. For instance, while it is impossible for a
bank to open branches in every village across the country, payment banks can fill this gap through the use of mobile phones. The adoption of internet banking by the banks customer is important since the costs per transaction are even lower than those of an ATM. Besides, it does not require physical infrastructure. Most banks today have facilities to enable internet banking customers to pay utility bills online. Internet banking has not caught the fancy of majority of customers. Small percentage that avail the facility, even makes a difference to the overall costs for the banks. Indian banking is witnessing a dynamic phase due to the continuous change in polices of RBI and the government of India. In 2015, RBI issued licenses for the first time to 11 entities to start payment banks in order to improve banking penetration. Of these 11, three entities have started their payment banks and are trying to influence customers through technology driven services.

There are two main ways in which payment banks are different from traditional banks. Firstly they can accept deposits of only up to Rs. 1 lakh, and they cannot lend. Since payment banks are not allowed to lend, they make their profits by selling third party products. Secondly while payment banks themselves cannot offer certain services to customers, they can always partner with traditional banks for providing loans and selling investment products.

2. DEVELOPMENT OF PAYMENT BANKS

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

In February 2015, RBI released the list of entities which had applied for a Payments Bank licence. There were 41 applications. It was also announced that an external advisory committee (EAC) headed by Nachiket Mor would evaluate the licence applications. On February 2015, during the presentation of Budget it was announced that India Post will use large network to run Payment Bank. The external advisory committee headed by Nachiket Mor submitted its findings on 6 July 2015. The applicant entities were examined for their financial track records and governance issues. On 19 August 2015, the Reserve Bank of India gave “in–principle” licences to eleven entities to lunch Payment Banks. The “in–principle” licence 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 licences under section 22 of The Banking Regulation Act, 1949, after it is satisfied that the conditions have been fulfilled. There are various methods for digital payments such as mobile banking, internet banking, banking cards, mobile wallets, etc. In recent time mobile wallets, UPI (Unified Payment Interface) applications are being popularized. Some of the popularly used transaction apps are Paytm, Tez, Paypal, PhonePe, freecharge, rupay, BHIM, Aadhaar pay, and even every bank has developed their own banking apps. There are social media companies such as amazon, facebook and electronic currencies like Bitcoins seeking to enter the payment market. Consumers believe that the cashless society is more transparent and convenient. But there are
also some disadvantages associated with payment bank services like barriers in digital payments such as technical issues, lack of clarity, consumers’ acceptance level, enough bank balance, etc. Therefore keeping the eyes on consumer satisfaction level day by day these issues are minimising by increasing its efficiency and user-friendly utilization.

3. STATEMENT OF THE PROBLEM
With the aim of expanding banking services in the country, RBI thrust responsibility on the Nachiket Mor Committee to explore and make recommendations for the development of a special category of banks to provide comprehensive financial services to small businesses and low income families. One such recommendation has been the creation of payment banks primarily to facilitate financial inclusion. Many traditional banks do not open branches in extreme rural areas in India. Payment banks go where traditional banks do not. It is assumed that the rural people will welcome the system due to its advantages. Here the concept and players are relatively new, however only the positive aspects are focused upon. The negative aspect which may arise due to increasing competition or sour attitude of traditional banks due to missing out on a new avenue or business opportunity has been looked over. Credit restrictions imposed by the RBI on payment banks restrict the growth and this being a relatively new sector not much research is conducted on how exactly the growth trend or the strategy of payment banks would be due to lack of examples. Therefore a full scale research can be conducted in this aspect to know the perception of customers towards payment banks. The people still might not be ready to adopt this system as demonitization has just taken place which in some cases may have in convenienced the masses. To expect the masses again to adopt a new system of functioning in a relatively short span may be along shot and could effectively backfire. In this context, the present study is highly essential.

4. LITERATURE REVIEW
Dahlberg T, Mallat N, Oorni A (2003) concluded that Security and privacy were the major concerns for the consumers which affect the adoption of digital payment solutions.

Soman D (2001) Soman D (2003) Srivastava J, Raghbir P (2008) analysed that Growth in technology has opened many modes of payments through which consumers can do transactions which are more convenient, accessible and acceptable.

Mallat N (2004) studied consumer adoption of mobile payments in Finland. Study found that mobile payment is dynamic and its adoption depends on lack of other payments methods and certain situational factors.

Dewan SG, Chen LD (2005) illustrated in their research paper that consumers have an inclination towards mobile payment apps usage. There has been many studies conducted in past on mobile payment application to find consumer interest and they found consumer has positive inclination for the same.

Dahlberg T, Mallat N, Ondrus J, Zmijewska[2008] explained in their research, A Doing payments via mobile phones has been in use for many years and is now set to explode. Also mobiles are increasingly being used by consumers for making payments. A comprehensive model ‘Payment Mode Influencing Consumer Purchase Model’ was proposed by Braga and Mazon. This model considered factors such as temporal orientation and separation, self-control and pain of payment constructs for digital wallet as a new payment mode. Consumer perspective of mobile payments and mobile payment technologies are two most important factors of mobile payments research.

Shin and Ziderman [2009] tested a comprehensive model of consumer acceptance in the context of mobile payment. It used the unified theory of acceptance and use of technology.
(UTAUT) model with constructs of security, trust, social influence, and self-efficacy. The model confirmed the classical role of technology acceptance factors (i.e., perceived to users’ attitude), the results also showed that users’ attitudes and intentions are influenced by perceived security and trust. In the extended model, the moderating effects of demographics on the relations among the variables were found to be significant. Digital wallets offer the consumers the convenience of payments without swiping their debit or credit cards. Instant Cash availability and renders seamless mobility is also a unique feature of these digital apps, for instance the balance in your Paytm wallet can be very easily transferred to your bank account as and when you want.

Bamasak [2011] carried out study in Saudi Arabia found that there is a bright future for m-payment. Security of mobile payment transactions and the unauthorized use of mobile phones to make a payment were found to be of great concerns to the mobile phone users.

Liu S, Zhuo Y, Soman D, Zhao M (2012) Offering various benefits such as flexi payment digital wallet brands are providing extra convenience to consumers. Digital wallet payments bring extra convenience to shoppers by offering flexible payment additions and accelerating exchanges.

Padashetty S, Kishore KS (2013) pointed in their study the factors such as perceived ease of use, expressiveness and trust affect adoption of digital wallet as payment method. These factors are termed as facilitators and plays crucial role in adoption of digital payment solution.

Doan [2014] illustrated the adoption of mobile wallet among consumers in Finland as only at the beginning stages of the Innovation-Decision Process. “Digital Wallet “has become a part of consumers which are nothing but smart phones which can function as leather wallets.

Wamuyu PK (2014) found that Digital wallet offered many benefits while transferring money such as convenience, security and affordability.

Rathore HS (2016) found Major factor in adoption of digital wallet is convenience in buying products online without physically going from one location to another location.

Taheam K, Sharma R, Goswami S (2016) analysed Usage of digital wallet among youth in the state of Punjab was found to be associated with societal influence and usefulness, controllability and security, and need for performance enhancement. Premium pricing, complexity, a lack of critical mass, and perceived risks are the barriers to adoption of digital payment systems.

5. 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.

6. OBJECTIVE OF THE STUDY

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

7. RESEARCH METHODOLOGY

The concept of payment banks is quite new in India. The purpose of our research is to analyse the perception of customers towards payment bank. The primary data for the study was collected through distributing structured questionnaires among the users. The sample size is limited to 110 respondents. The study was conducted based on the convenient sampling technique. The data collected was analyzed to estimate its trend across the variables.
8. ANALYSIS AND DISCUSSION

8.1. Study of Gender profile

The present study is based on the samples of 110 respondents of Cuttack city. The table-1 and the corresponding figure -1 reflects that the total samples comprising 71 percent male where as 29 percent are female. This is found in the primary data which are collected by random sampling. The composition shows more male members are using cash less system or payment bank method to settle their commercial transactions.

Table 1 Study of Gender profile of samples

| Profile | Frequency | Percentage |
|---------|-----------|------------|
| Male    | 78        | 70.91      |
| Female  | 32        | 29.09      |
| Total   | 110       | 100.00     |

Sources: Compiled from Collected data

Figure 1 Study of Gender profile of sample

Sources: Compiled from Collected data

8.2. Study of Age profile

The present study about the age profile of the sample as per Table-2 and Figure-2 shows that there are 35.45 percent user of payment banks are belongs to the age group below 30 years where as 39.10 percent users are belongs to the age group of 31-40 years. This reflects that the majority of users are in the age group of 31-40 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 bank belong to the age group of above 50 years which is about 10 percent. This indicates the insecurity as regards use of payment bank increases with increasing age.

Table 2 Study of Age profile of samples

| Age        | Frequency | Percentage |
|------------|-----------|------------|
| Below 30 years | 39        | 35.45      |
| 31-40 years  | 43        | 39.10      |
| 41-50 years  | 17        | 15.45      |
| Above 50 years| 11        | 10.00      |
| Total       | 110       | 100        |

Sources: Compiled from Collected data
8.3. Study of Educational Qualification profile

Table – 3 and Figure-3 of the present study shows the Educational Qualification profile of samples. The payment bank users having post graduate qualification and above comprising about 44.55 percent of the total sample and lowest users are belongs to HSC qualification which is about 17.27 percent. This reflects with higher level of education the users of payment bank are more comfortable and have a positive perception towards cashless transactions.

| Educational qualification | Frequency | Percentage |
|---------------------------|-----------|------------|
| HSC                       | 19        | 17.27      |
| Under Graduate            | 42        | 38.18      |
| Post Graduate and above   | 49        | 44.55      |
| Total                     | 110       | 100        |

*Sources: Compiled from Collected data*
8.4. Study of Monthly Income profile
Table-4 and figure-4 reflects 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 bank belongs to the income group above Rs 50000 per month which is about 4.54 percent and the highest users are belongs to the group of Rs15000-30000 per month which is about 42.72 percent. The maximum users of payment bank are lies in the capping Rs 5000-30000 per month which is about 77.26 percent.

| Monthly income | Frequency | Percentage |
|----------------|-----------|------------|
| Below 5000     | 11        | 10.00      |
| 5000-15000     | 38        | 34.54      |
| 15000-30000    | 47        | 42.72      |
| 30000-50000    | 09        | 08.20      |
| Above 50000    | 05        | 04.54      |
| Total          | 110       | 100        |

Sources: Compiled from Collected data

![Figure 4 Study of Monthly income profile of sample](https://ssrn.com/abstract=3524162)

9. FINDING AND CONCLUSION
The present study as regards to customer perception towards payment bank: a case study of Cuttack city shows more male members are using cash less system or payment bank method to settle their commercial transactions over the female users. As regards to age, more users are belonging to the age group of 31-40 years. Older people are not comfortable with this cash less system. Level of education also plays an important role in the development of payment bank system. This reflects with higher level of education, the users of payment bank are more comfortable and have a positive perception towards cashless transactions. Level of income also reflects a similar character. More users of payment bank are found at median income where as at the both tail use of payment bank is less.
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