

# Awareness and Use of Payment Banking System among Students

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**Abstract:** Financial Inclusion being the need of the hour both government and private sector are trying their level best to include every individual into the economy. Pradhan Mantri Jandhan yojana, digitalization of banking transactions, Unified Payment Interface and Payment banking systems are all the means to achieve financial inclusion, simplification of banking activities through digitalization of transactions, paperless transactions and also tracks the flow of money avoiding black money in the economy. Payment banks have started functioning in India since August 2015 after the RBI gave 'in-principle' licenses to eleven entities to launch payment banks.

This paper deals with the level of awareness and use of Payment banking system among the rural students and also suggests measures to improve the use of payment banking system among these students.

**Keywords:** RBI, Payment Banks, Unified Payment Interface, Digitalization.

## INTRODUCTION

Banking is an extra addition to the list of primary needs of the people of present day to the traditional concepts of Food, Shelter & Cloth and modern concept of Bijli (electricity), Sadak (road) aur (and) Pani (water). Especially the countries with under developed and developing economy are more concern about providing banking services to the bankable and unbanked particularly to those who are geographically, economically, demographically or digitally divided. As per World bank guideline a person who earns less than \$1.25 a day is regarded as BPL (Below Poverty Line) and can hardly afford any banking services, due to the high costs in the form of minimum deposit requirements and withdrawal rules that are generally associated with financial services. Govt. of India policies like Jan Dhan Yojana was an attempt to increase the inclusion of the poor, but what about those areas where the banks are not available at all? The only options left are either they shall be

provided banks/branches or shall go cashless, like mobile banking or internet banking. But the problem is that how much a poor in rural unbanked area is ready for it?.

History of Payment Banks in India:

Most probably the term "Payment Banks" is a new term in the banking industry and seems to have been invented in Indian context. A "Committee on Comprehensive Financial Services for Small Businesses and Low Income Households", headed by Nachiket Mor, was formed by the RBI in September 2013. By January 2014, it submitted its final report and one of its recommendations was the formation of a new category of bank called payments banks. After making suitable changes the RBI created a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks and payment banks etc. are designed to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force", specially banking in bankable unbanked. In July 2014, RBI issued the draft guidelines on payments banks as differentiated or restricted banks and in November 2014 the final guidelines for Payment Banks are disclosed, and called the applications from entities which are interested to start such banks.

What are Payment Banks?

Payment Banks in India are treated as differentiated banks by RBI. These type of banks are similar to other commercial banks, just that they can only receive deposits and provide remittances by both cash and Non-cash. Payment banks can accept deposits restricted to Rs. 1 lakh per customer, and are allowed to pay customers interest on the money that is being deposited. They can be used for either current accounts or savings accounts. They provide ATM,

debit card facilities, however they do not lend loans or provide credit facilities.

These banks must use the term "payments bank" in it's to differentiate it from other types of bank. The banks must maintain CRR, minimum 75% of demand deposits in government bonds of up to one year and maximum 25% in current and fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

#### Objective of Creating Payment Banks in India

Payment banks have contributed to achieve the objective of Financial Inclusion. They enable the rural masses to avail the facility of banking system without the physical presence of an actual bank. Payment banks helps in achieving the objectives of banking system like increasing savings and mobilization of funds among the rural and unorganized sector of the economy

#### Regulations

The Payments Bank will operate as a public limited company in accordance with the Companies Act of 2013. It is regulated by the Banking Regulation Act of 1949, the RBI Act of 1934, the Foreign Exchange Management Act of 1999, the Payment and Settlement Systems Act of 2007, and other applicable laws and guidelines. They must maintain a Cash Reserve Ratio (CRR).

They are required to invest at least 75% of their "demand deposit balances" in Government securities or treasury bills that qualify for the Statutory Liquidity Ratio (SLR) and have a maturity of up to one year. Additionally, they can hold a maximum of 25% in current and time/fixed deposits with other scheduled commercial banks to manage operations and ensure liquidity.

List of eleven entities that got license to set up payments banks in India

1. Aditya Birla Nuvo
2. Airtel M Commerce Services
3. Cholamandalam Distribution Services
4. Department of Posts
5. FINO PayTech
6. National Securities Depository
7. Reliance Industries
8. Dilip Shanghvi, (founder of Sun Pharmaceuticals)
9. Vijay Shekhar Sharma, (CEO of Pay tm)

10. Tech Mahindra
11. Vodafone M-Pesa

#### Advantages

- Expansion of rural banking and financial inclusion.
- Expansion of the formal financial system.
- Effective alternative to commercial banks.
- Efficiently deals with low value, high volume transactions.
- Access to diversified services.

#### Challenges

- Lack of awareness among the masses to access these services.
- Lack of incentives for the agents to involve themselves in these activities.
- Lack of infrastructure and access to operational resources.
- Technological hurdles.

After the launch of mobile banking in India, mobile banking transactions have seen some growth. What attracts customers to mobile banking is the round the clock availability and ease of transactions. But mobile banking still has a long way to go as majority of customers prefer banking in the traditional ways. Key question is why customers are not adopting mobile banking. Various factors may influence customers 'adoption. It is argued that adoption will not take place unless customers perceive the service to be useful (Ali & Bharadwaj, 2010).

#### OBJECTIVES OF THE STUDY

- To study the level of awareness of payment banking system among college students
- To know the extent of usage of payment banking system among college students
- To study the gender difference in the level of awareness of payment banking system among college students

#### Hypothesis:

There is a significant gender difference in the level of payment banking system among college students

#### METHOD

Research Design: A descriptive research design was employed to study the level of awareness on payment banking system among college students.

Sample description: A convenient sampling method was employed to select the participants for the present study, a total 150 (85 male students and 65 female students) College students were selected who are in the age group of 18-24 years. The sample was selected from the Government First Grade colleges located in and around Bangalore city, Karnataka state.

Tools & techniques: Primary Data is collected through Questionnaire and unstructured interview method and is analyzed tables.

Interpretation of results and analysis:

Keeping in view of objectives of the present study descriptive statistical procedures were employed to examine the level of awareness of payment banking system, in further to study the gender difference in the awareness of payment banking system an independent sample t test was used and the obtained results have been shown as follows

Table1: Shows the mean, S.D and t ratio on gender difference in the awareness of payment banking system among college students

Group		A total Scores on environmental ethics				
		N	Mean	SD	T	P
A total Scores on awareness on payment banking system	Male students	85	7.44	3.718	3.48	.001
	Female students	65	9.48	3.331		
Total		150				

\*p<0.05; \*\*p<0.01

Figure1: Shows the mean difference in the awareness of payment banking system among male and female college students

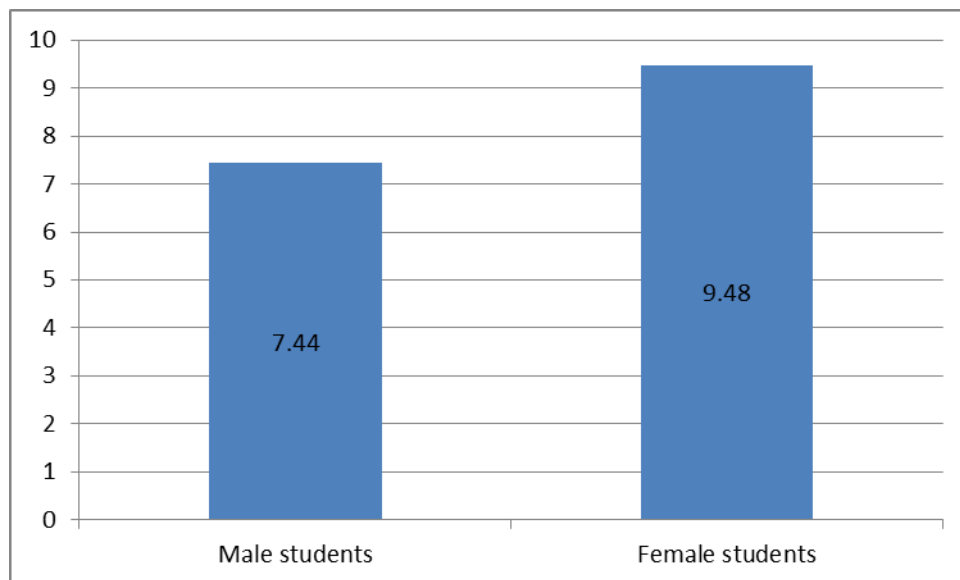


Table 1 shows the mean score, standard deviation and t ratio on gender difference in awareness of payment banking system among male and female college students. Female students have obtained a greater mean score ( $M=9.48, SD=3.33$ ) on the total score on awareness of payment banking system compared to male students ( $M=7.44, SD=3.71$ ). The mean

difference is also shown in the graph 1 which clearly indicates that female students have shown a greater level of awareness on payment banking system compared to male college students. In comparing significant mean differences between groups an independent t test is calculated and the obtained  $t(148) = 3.48, p < .001$  which clearly indicates that

there is a significant gender difference in the level of awareness on payment banking system among college students hence the results are according to the hypothesis which states that “There is a significant gender difference on awareness on payment banking system among college students”. There are clear evidences to show the gender differences on awareness on payment banking system among college students.

#### CONCLUSIONS

- There is a significant gender difference on awareness on payment banking system among college students
- Female college students have shown a greater level of awareness on payment banking system compared to male college students

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