AN EMPIRICAL STUDY ON THE AWARENESS OF PAYMENT BANKS AMONG PEOPLES IN KOTTAYAM DISTRICT, KERALA

MONCY KURIAKOSE AND DR. JOHNEY JOHNSON

Abstract: Reserve Bank of India (RBI) has always been striving for achieving financial inclusion in India which is its one of the objective. RBI has been introducing various schemes for achieving its financial inclusion objective. In the year 2015, RBI gave permission to eleven payments banks to start its operation with the motive of reaping the goal of financial inclusion in India. Payment banks is leveraging Information technologies in order to reach the unbanked populations. The Government of India is promoting more digital payment mechanism, and with the Indian banking industry moving towards more digital transaction, there comes a need to understand the awareness of the general population about the various digital banking services. Our paper is a study on the awareness level among the peoples towards Payment Banks with special reference to Kottayam district of Kerala state. It is found out from the study that majority of the respondents are not aware of Payment Banks and Payment Banks should focus on providing awareness about their digital financial services among all the people of India.

Keywords: Payment Banking, Awareness

INTRODUCTION

There are around 1700 million peoples across the globe who are financialy excluded (World Bank, 2018). In India, there are 190 million Indians who are unable to access formal banking, the world's second-largest unbanked population behind China's. One of the impotant factor in reducing the poverty level in a country is through providing financial access to the people (Aghion & Bolton, 1997). Globally, there are many reasons for financial exclusion but the most common reason (in decreasing order of frequency) are shortage of cash, not interested in opening an account as family member already have account, too costly to manage accounts, financial institutions being great distance away, insufficient documents, inability to get an account and distrust in financial institutions (World Bank, 2014). In India, RBI has always pioneered in identifying and tackling the basic cause of financial exclusion by starting several initiative. RBI appointed Nachiket Mor committee recommeneded the idea of introducing payment bank equiped with digital accessibility methods with main focus towards the goal of financial inclusivity. Payment bank will be achieving its financial inclusion goal by offering

1   Ph. D Research Scholar, SMBS, M G University, Kottayam, Kerala, India., Assistant Professor, Girideepam Business School, Kottayam, Kerala, India., E-mail: moncyk@gmail.com

2   Professor, SMBS, M G University, Kottayam, Kerala, India., E-mail: j.johney@gmail.com

various banking and payment settlement services to small businesses, unorganised sector, labour workforce and other unbanked users. **Payments banks** are a new model of banks that can accept a maximum deposit upto Rs 1 Lakh per customer and cannot provide bank credit services like loans, credit cards etc. In Payment banks, a customer can open current account, savings accounts or both. Payments banks can issue services like QR card, ATM/Debit cards, internet banking and mobile-banking. The Reserve Bank of India provided "in-principle" licenses to eleven institutions to start payments banks on 19 August 2015. Currently only six payment banks are active in the market. Aditya Birla Payments Bank decided to shut operations in July 2019 as it was unviable to continue. In April 2020 Paytm witnessed rise in deposit to Rs 1000 crore and 57 million saving account holders. Airtel Payments Bank saw revenues growth of 87 % which was Rs 474 crore in the financial year 2019-20. In the financial year 2019-20, Fino payment bank has posted an 86% increase in its net revenue to Rs 689 crore from Rs 370 crore in financial year 2018-19. With in two years of functioning, India Post Payment Bank was able to accumulate over 2 Cr. customers. Overall Indian payments banks (PBs) had reported a 21% increase in their aggregate losses from Rs. 512 Cr in financial year 2017-18 to Rs. 626.8 in financial year 2018-19, ending March 2019. According to data available with the Reserve Bank of India (RBI), the combined net loss of all the seven PBs was Rs. 626.8 crore in FY19, against a combined net loss of Rs.515.6 crore for five PBs in FY18. However, the total deposits rose to Rs. 883 crore in financial year 2018-19 for the seven banks, against Rs. 438 crore for five banks in financial year 2017-18.

PAYMENT BANKS IN KERALA

In Kerala, as on February 2020 only Airtel payment bank, Fino payment bank and Indian post payment bank have branches. Airtel payment bank have one branch in Tripunithura, Ernakulam whereas Indian post payment bank have 14 branches at 14 district of Kerala. Fino payment bank operating through various merchant network in Ernakulam, Malapuram, Idukki, Thrissur, Kollam and Kozhikode. Indian post payment bank have opened more than 60000 accounts in Kerala after its inception whereas Airtel payment bank have opened more than 1000 accounts in Kerala. Indian post payment bank is operating through Indian post office whereas Airtel payment bank and Fino payment bank is operating through various retail outlets across the Kerala.

REVIEW OF LITERATURE

According to Inoue (2018), Indian public sector bank financial inclusion polices helped in reducing poverty in India. Since payment bank was launched with basic objective of financial inclusion, it can be concluded that payment bank will indirectly help in reducing poverty in India. According to Jose and Mani (2018), banking penetration has a substantial impact on the success and growth of financial inclusion

in Kerala state. According to Mindra, Moya, Zuze and Kodongo. (2017, para. 47), "the importance of financial self efficacy as a determinant of financial inclusion in both the urban and rural areas of Uganda. The findings contribute towards a broader financial inclusion discourse, especially regarding the importance of individuals' levels of confidence and self assuredness as individuals make financial decisions". According to Shihadeh (2018, para. 3), **"females and the poor are less likely to be included in financial systems, while education level enhances financial inclusion. As disadvantaged people consider access to credit is important to improving their lives, the study finds that the poor are more likely to borrow for medical issues than for other needs. While Islam is the majority religion in the MENAP region, it is not considered a barrier to having a formal bank account. Furthermore, people in different income quintiles are more likely to use informal financial sources, while the educated are more likely to use formal ones". According to Rathod ,Vidyashree and Joseph (2017), majority people in the Bengaluru city are not aware about Payment Banks. According to Sikdar and Kumar (2017), payment banking business model necessitates forging alliances with full-service commercials banks to provide banking services to unbanked people in India. Pande (2015) explained about the various Payment Banks services and the steps in setting up a Payment Bank as per the RBI guidelines.

SCOPE OF THE STUDY

The Payment Banks are the latest intiative of RBI to tackle financial non inclusion. Many conceptual studies has been conducted on the Payment Banks, but there is no research to be found on the awareness about Payment Banks among the peoples in Kerala state. In the future, more studies can be done to understand the level of penetration of payment bank among the unbanked population in Kerala state. The present paper helps the Payment Banks companies to understand the level of awareness about payment bank services among the people in Kerala state.

OBJECTIVES

1. To know the awareness level of respondents towards Payment Banks with special reference to Kottayam district.

2. To know whether the demographical variables has an influence on the awareness level of respondents.

STATEMENT OF THE PROBLEM

Payment Bank is taking the advantage of information technology in order to fulfill the objective of Financial Inclusion. Reserve Bank of India is also promoting online banking services by giving banking license to IT enabled payment banks. In India, an awareness regarding the various IT enabled banking services is very much essential among the people in order to increase the level of digital transaction.

Hence, there is a need to study **"An Empirical Study on the Awareness of Payment Banks among peoples in Kottayam District, Kerala".**

RESEARCH METHODOLOGY

Data Collection: In this research both primary data and secondary data is collected. A structured questionnaire method is used for collecting primary data. Various journal and online data sources is used for collecting secondary data.

THE POPULATION

The population consists of Kottayam District.

Sample Size and Sampling Method: In our study, the primary data is colleded from 108 respondents based on different demographical variables. Convenience sampling method is adopted for selecting the respondents for our study .

Data Analysis Tools: Percentage Analysis, Chi Square Test, Cramer's V value

Hypothesis

- Ho: There is no association between the demographical variables such as age, gender, qualification, occupation, income and the respondents awareness of Payment Banks.

- H_1: There is a association between the demographical variables such as age, gender, qualification, occupation, income and the respondents awareness on Payment Banks.

ANALYSIS AND INTERPRETATION

Respondents Awareness about Payment Bank

Table 1: Mode Table of customer awareness

Aware of payment bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	36.1	36.1	36.1
	No	69	63.9	63.9	100.0
	Total	108	100.0	100.0	

Interpretation: From the above table it can be summarized that out of the 108 respondents, 69 respondents or 63.9% of respondent are unaware of payment bank and 39 repondents or 36.1% of respondents are aware of payment bank

Demographical Variables

1. Gender

H_0: There is no association between Gender and respondents awareness of Payment Banks.

H_1: There is association between Gender and respondents awareness of Payment Banks. .

Here we use Chi-square test to check association between Gender and respondents awareness of Payment Banks.

Gender * Aware of payment bank Cross tabulation				
Count				
		Aware of payment bank		Total
		Yes	No	
Gender	Male	28	42	70
	Female	11	27	38
Total		39	69	108

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.304[a]	1	.253		
Continuity Correction[b]	.869	1	.351		
Likelihood Ratio	1.327	1	.249		
Fisher's Exact Test				.298	.176
Linear-by-Linear Association	1.292	1	.256		
N of Valid Cases	108				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.72.					
b. Computed only for a 2x2 table					

Table 1: Chi-Square Table (Gender and Respondents Awareness)

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	.110	.253
	Cramer's V	.110	.253
N of Valid Cases		108	

Interpretation: From the above Chi-Square Test table, the p-value (which is 0.253) is greater than 0.05. Hence we accept null hypothesis. That is, there is no association between gender classification and their awareness level about Payment Banks. The Cramer's V value is 0.110, that is there is weak association between gender classification and respondents awareness level about Payment Banks.

2. Age

H_0: There is no association between age and respondents awareness of Payment Banks.

H_1: There is association between age and respondents awareness of Payment Banks.

Here we use Chi-square test to check association between age and respondents awareness of Payment Banks.

Age Interval * Aware of payment bank Crosstabulation				
Count				
		Aware of payment bank		Total
		Yes	No	
Age Interval	Age below 20	2	0	2
	21 to 30	20	22	42
	31 to 40	8	22	30
	41 to 50	2	7	9
	51 and above	7	18	25
Total		39	69	108

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.575[a]	4	.073
Likelihood Ratio	9.169	4	.057
Linear-by-Linear Association	4.396	1	.036
N of Valid Cases	108		
a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is .72.			

Table 2: Chi-Square Table (Age and Respondents Awareness)

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	.282	.073
	Cramer's V	.282	.073
N of Valid Cases		108	

Interpretation: From the above Chi-Square Test table, the p-value (which is 0.073) is greater than 0.05. Hence we accept null hypothesis. That is, there is no association between age and respondents awareness of Payment Banks. The Cramer's V value is 0.282, that is there is moderate association between age and respondents awareness of Payment Banks

EDUCATION

H_0: There is no association between Education and respondents awareness of

Payment Banks.

H_1: There is association between Education and respondents awareness of Payment Banks. .

Here we use Chi-square test to check association between Education and respondents awareness of Payment Banks.

Highest level of education * Aware of payment bank Crosstabulation				
Count				
		Aware of payment bank		Total
		Yes	No	
Highest level of education	High school	2	28	30
	College degree	26	26	52
	Masters degree	7	11	18
	others	4	4	8
Total		39	69	108

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.351[a]	3	.001
Likelihood Ratio	19.345	3	.000
Linear-by-Linear Association	7.181	1	.007
N of Valid Cases	108		
a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.89.			

Table 3: Chi-Square Table (Education and Respondents Awareness)

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	.389	.001
	Cramer's V	.389	.001
N of Valid Cases		108	

Interpretation: From the above Chi-Square Test table, the p-value (which is 0.001) is less than 0.05. Hence we reject null hypothesis and accept alternative hypothesis. That is, there is association between Education and respondents awareness on Payment Banks. From the above table, we can see that respondents with college degree education have awareness about payment bank compare to other educational background respondents. Half of the total respondents with college degree education have awareness about payment bank. The Cramer's V value is 0.389, that is there is moderate association between Education and respondents awareness on Payment Banks.

OCCUPATION

H_0: There is no association between Occupation and respondents awareness of Payment Banks.

H$_1$: There is association between Occupation and respondents awareness of Payment Banks.

Here we use Chi-square test to check association between Occupation and respondents awareness of Payment Banks.

Occupation * Aware of payment bank Crosstabulation				
Count				
		Aware of payment bank		Total
		Yes	No	
Occupation	Salaried in organised sector	26	12	38
	Salaried in unorganised sector	3	22	25
	Farmer	0	6	6
	self employed	4	9	13
	Unemployed	6	6	12
	Housewife	0	6	6
	Others	0	8	8
Total		39	69	108

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.963[a]	6	.000
Likelihood Ratio	42.848	6	.000
Linear-by-Linear Association	11.832	1	.001
N of Valid Cases	108		
a. 7 cells (50.0%) have expected count less than 5. The minimum expected count is 2.17.			

Table 4: Chi-Square Table (Occupation and Respondents Awareness)

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	.577	.000
	Cramer's V	.577	.000
N of Valid Cases		108	

Interpretation: From the above Chi-Square Test table, the p-value (which is 0.000) is less than 0.05. Hence we reject null hypothesis and accept alternative hypothesis. That is, there is association between Occupation and respondent awareness of Payment Banks. From the above table, we can see that respondents who are salaried in organised sector have awareness about payment bank compare to other occupational background respondents. Majority of the total respondents with salaried in organised sector occupation have awareness about payment bank. The Cramer's V value is 0.577, that is there is relatively strong association between Occupation and respondent awareness of Payment Banks.

INCOME

H_0: There is no association between income and respondents awareness of Payment Banks.

H_1: There is association between income and respondents awareness of Payment Banks.

Here we use Chi-square test to check association between income and respondents awareness of Payment Banks.

Annual Income * Aware of payment bank Crosstabulation				
Count				
		Aware of payment bank		Total
		Yes	No	
Annual Income	under 30000	0	8	8
	30001 to 100000	8	14	22
	100001 to 300000	13	22	35
	300001 to 500000	10	5	15
	500001 and above	2	4	6
	no income	6	16	22
Total		39	69	108

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.374[a]	5	.044
Likelihood Ratio	13.739	5	.017
Linear-by-Linear Association	.280	1	.597
N of Valid Cases	108		
a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 2.17.			

Table 5: Chi-Square Table (Income and Respondents Awareness)

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	.325	.044
	Cramer's V	.325	.044
N of Valid Cases		108	

Interpretation:

From the above Chi-Square Test table, the p-value (which is 0.044) is less than 0.05. Hence we reject null hypothesis and accept alternative hypothesis. That is, there is association between income and respondent awareness of Payment Banks. From the above table, we can see that respondents who are having annual income of 300001-500000 have awareness about payment bank compare to respondents having other annual income. Half of the total respondents having annual income of 300001-500000 have awareness about payment bank. The Cramer's V value is 0.325, that is there is moderate association between income and respondents awareness of Payment Banks

Findings and Discussion

Five variables that is 'age', 'gender', 'education', 'occupation' and 'income' of customers are selected for studying its association with awareness on payment bank. Chi-Square Test is conducted to analyze whether there is any significant association between demographic variables and awareness of payment bank. It is observed from the study that majority of the respondents are not aware of Payment Banks. As per the study, in the Kottayam district of Kerala state, demographic variables 'age' and 'gender' have no significant association with awarenes about payment bank whereas there is a significant association between demographic variable such as 'education', 'occupation' and 'income' with awareness about payment bank. The respondents with college degree education have awareness about payment bank compare to other educational background respondents. Half of the total respondents with college degree education have awareness about payment bank. The respondents who are salaried in organised sector have awareness about payment bank compare to other occupational background respondents. Majority of the total respondents with salaried in organised sector occupation have awareness about payment bank. The respondents who are having annual income of 300001-500000 have awareness about payment bank compare to respondents having other annual income. Half of the total respondents having annual income of 300001-500000 have awareness about payment bank. The Phi - Cramer's V value is checked to find out the degree of association between the demographic variables and awareness of payment banks. The Cramer's V value is 0.110 in the case of gender classification and their awareness level about Payment Banks, that is there is weak association between gender classification and their awareness level about Payment Banks. The Cramer's V value is 0.282 in the case of age and their awareness level about Payment Banks, that is there is moderate association between age and respondents awareness of Payment Banks. The Cramer's V value is 0.389 in the case of education and respondents awareness level about Payment Banks, that is there is moderate association between education and respondents awareness on Payment Banks. The Cramer's V value is 0.577 in the case of occupation and respondents awareness level about Payment Banks, that is there is relatively strong association between Occupation and respondent awareness of Payment Banks. The Cramer's V value is 0.325 in the case of income and respondents awareness level about Payment Banks, that is there is moderate association between income and respondent awareness of Payment Banks

CONCLUSION

From this study it is concluded that with respect to Kottayam district of Kerala state of India, the awareness level about payment bank among people having education level of college degree, having occupation in organised sector, and having income between 300001-500000 is only moderate compare to people of

other demographic characteristics. Hence the payment banks needs to work out in providing awareness about Payment Banks among the peoples which helps in digitalizing India. As it is a upcoming banks in India, the payment banks has to focus on providing awareness about its financial services among the people of India. Payment Banks can become an important player in increasing the digital transaction in India and thereby it will be able attain its objective of Financial Inclusion.

References

Aghion, P., & Bolton, P. (1997), A theory of Trickle-Down Growth and Development, The Review of Economic Studies, Vol. 64, No. 2, pp. 151-172. Retrieved from: https://www0.gsb.columbia. edu/faculty/pbolton/PDFS/A_Theory%20of%20Trickle%20Down.pdf.

Inoue, T. (2018), Financial inclusion and poverty reduction in India, Journal of Financial Economic Policy, Emerald Publishing Limited 1757-6385. Retrieved from: DOI 10.1108/JFEP-01-2018-0012.

Jose, J., and Mani, A. (2018), Scope of banks in financial inclusion for Kerala state*,* International Journal of Management Studies, Vol.–V, Issue –1(3), January 2018, pp. 29-38. Retrieved from: *www.researchersworld.com/ijms/vol5/issue1_3/Paper_04.pdf*.

Mindra, R., Moya, M., Zuze, L. T., and Kodongo, Odongo. (2017), Financial self-efficacy: a determinant of financial inclusion, International Journal of Bank Marketing, Vol. 35 Issue: 3, Emerald Publishing Limited, Retrieved from: doi: 10.1108/IJBM-05-2016-0065.

Pande, J. C., (2015). Payment Banks – A Newer Form of Banks to Foster Financial Inclusion in India, Global Journal for Research Analysis, Vol. – 4, Issue – 11, pp. 133–135. Retrieved from: *https://www.worldwidejournals.com/…/November_2015_1447761370__44.pdf*.

Rathod, P., Vidyashree, D. V. and Joseph, S. (2017), Customer Awareness on Payment Banks, the latest IT-enabled Indian Banks connecting people – An Empirical Study*,* International Journal of Creative Research Thoughts (IJCRT), pp. 82-90. Retrieved from: *www.ijcrt.org/papers/IJCRTICPN013.pdf*.

Shihadeh, F. H. (2018), How individual's characteristics influence financial inclusion: evidence from MENAP, International Journal of Islamic and Middle Eastern Finance and Management, Emerald Publishing Limited 1753-8394, Retrieved from: https:// doi. org/10.1108/IMEFM-06-2017-0153.

Sikdar, P. and Kumar, A. (2017), Payment Bank: A Catalyst for Financial Inclusion*,* Asia-Pacific Journal of Management Research and Innovation 12(3&4), pp. 226–231, SAGE Publications. Retrieved from: https://doi.org/10.1177/2319510X17696648.

The World Bank. (2018),. Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows*,* Retrieved April 24, 2019, from: https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows.