

PAYMENT BANKS – ITS ADAPTABILITY BY RETAIL ORGANIZED VS. UNORGANIZED SECTORS

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Abstract: This study focuses on a comparative study of adaptability to payment banks by retail organized vs. unorganized sectors of Ahmedabad city. It takes into consideration six major payment banks in India and aims to identify the awareness, adaptability level, usefulness, and preference for payment banks in retail organized v/s unorganized business. The study covers 50 retail organized and 50 retail unorganized outlets to check whether they have made the shift to digitalization. The study also focuses on aspects like the factors that affect the usage of payment banks. This study will assist the payments banks in improving their reach to their target audience.

Key words: *Payment banks, Adaptability to Digitalization, Retail organized v/s unorganized sectors*

I. INTRODUCTION

From an all-cash transaction in retail sectors to digital payments – India has come a long way to become a cashless economy. To cope up with the sudden change in transaction method post-demonetization, organized as well as unorganized retail sectors adopted the smart technologies to accept money digitally. Payment banks aim to promote paperless and cashless banking in India. The model of payment banks was conceptualized by RBI, wherein these banks can accept a restricted deposit but cannot issue loans and credit cards. Both current account and savings accounts can be operated by such banks. They can issue services like ATM cards, debit cards, net-banking and mobile-banking.

Although digital payment banks make the transactions very convenient and rewarding, there are negatives attached to it like online frauds, which are alarmingly on the rise. With the advancement of digitization, fraudsters are also keeping the pace with various methods like identity theft, phishing and various other ways to siphon the money out from digital wallets. Also the regulations governing these payments banks make their survival a question, considering five out of eleven payments banks chose to shut.

The current study covers the six major payments banks in India namely, Airtel Payments Bank, India Post Payments Bank, Fino Payments Bank, Jio Payments Bank, Paytm Payments Bank and NSDL Payments Bank. The study aims to identify the awareness, adaptability and usage of these major payments banks by organized and unorganized retail sectors of Ahmedabad city. By covering 50 organized and 50 unorganized retail outlets, the study intends to identify the shift to digitalization by organized and unorganized retail outlets in Ahmedabad city.

II. LITERATURE REVIEW

Deloitte (2014) focused on the opportunities and challenges of payment banks. The paper mentioned that as payment banks will be able to provide new offerings in the form of accounts, deposits, payment and cash withdrawals, these banks will be able to provide their customers profitable sourcing and deployment of funds which can enhance the relationship with customers and create huge opportunities for payment banks. However, the paper also discussed that that two of the major challenges for payments bank are restriction to hold maximum deposit limit to Rs. 100,000 per customer and no credit exposure. The paper also highlighted the fact that majority users may be from the unorganized sector, which may further dampen the profitability of payment banks.

CRISIL, (2015) described CRISIL rating- measured financial inclusion on 3 parameters- branch penetrations, deposit penetration, and credit penetration. According to this rating payment banks have great opportunities in eight of 17 states in the east, north-east, and central India with the score below 40 compared with all India of score of 50.1 as on March 31, 2013. KPMG (2015) defined payment banks as the 'challenger' banks in India. The report says that payment banks will challenge other existing banks as payment banks will offer selective banking services and with no legacy constraints and greater responsiveness towards customers needs, can attract more customers.

Anand, (2015) discussed the challenges of payment banks. According to him, infrastructure is one of the biggest challenge to reach to the people on the bottom of the pyramid. Also, as these payment banks need to invest 75% in government securities and treasury bills with maturity of up to one year, this can lead to incremental demand of bonds which can play role in bringing down the yields.

Live Mint (July 2019) suggests that future of payment banks is uncertain as per SBI report. The report suggested that the model conceptualized by RBI seems to have failed to achieve its objectives. On the same lines, The Hindu, Business Line (Sept 10, 2019) said that the initial hype around payments banks have been quickly fizzled out as five out of eleven payments bank close down. Live Mint (Dec 24, 2019) published an article suggesting that RBI has sent payment banks on road to extinction as the regulations governing these payments bank hamper its profitability as two major payments banks, namely, India Post Payments Bank and Paytm Payments bank are seeking to convert to small finance banks.

III. RESEARCH GAP

The literature review suggests that although there was a lot of positivity towards the scope for payments banks in India during its initial days in 2015, as almost all the articles talk positively on how payment banks foster growth towards financial inclusion and can help India achieve its goal to be a cash-less economy, a closer look at the current scenario reveals that the road ahead is dubious. The survival of payments banks have been dampened by the restrictions and regulations imposed by RBI. The current study hence attempts to identify the awareness, adaptability and usage of payments bank by retail sector and whether there is any significance difference between the organized and unorganized retail sector.

IV. RESEARCH METHODOLOGY

4.1 Research Objectives

- To identify the awareness about payment banks in retail organized vs. unorganized sector
- To recognize the adaptability of retail organized vs. unorganized sector towards payments banks
- To analyze the factors affecting the retail organized vs. unorganized sector regarding the usage of payment banks
- To analyze the satisfaction level of retail organized and unorganized sector towards payment banks
- To identify the issues faced while using payment banks by organized vs. unorganized sector

4.2 Population and Sample

Currently there are six payment banks existing in India, namely, Airtel Payments Bank, India Post Payments Bank, Fino Payments Bank, Jio Payments Bank, Paytm Payments Bank and NSDL Payments Bank. The entire population of payment banks is covered for the study. For selection of respondents, stratified sampling method is adopted where the population of users of payment bank was divided into two strata namely, organized and unorganized and 50 sample from each strata is selected.

4.3 Data and Sources of Data

For this study, primary data has been collected from 50 organized retail sectors comprising of Hypemarkets, Supermarkets, Departmental stores and Malls, whereas 50 unorganized retail sectors comprising of local kirana shops, owner manned general stores, paan/beedi shops, food stalls, hand cart and pavement vendors. The scope of the study is limited to Ahmedabad city.

4.4 Statistical tools and Hypotheses tested

4.4.1 One-sample t-test

H0: The users of payments bank in retail organized sector are not satisfied
 H0: The users of payments bank in retail unorganized sector are not satisfied

4.4.2 Chi-square test

H0: There is no significant relationship between payment bank used and satisfaction level.
 H0: There is no significant relationship between volume of business and usage of payment banks

4.4.3 Paired sample T-test

H0: There is no significant variability between the awareness level for payment banks amongst organized and unorganized retail sectors
 H0: There is no significant variability in usage of payment banks amongst organized and unorganized retail sectors
 H0: There is no significant variability in factors affecting the usage amongst organized and unorganized retail sectors
 H0: There is no significant variability in issues faced amongst organized and unorganized retail sectors

V. RESULTS AND DISCUSSION

Of the 50 stores from organized sector as well as 50 unorganized stores/vendors, majority were in the business since past 3 to 5 years and more. As far as volume of business is concerned, majority in the organized sector had a volume of Rs. 50000 to 1 lacs per month whereas for unorganized sectors, it was less than Rs. 50000 per month. Coming to the monthly transactions through payment banks, more than 80% of the organized stores' usage was Rs. 60000 per month, whereas for 65% unorganized sector, it was Rs. 40000 per month.

Table 5.1 One Sample T-test

Null Hypothesis	Result obtained	Significance value	Accepted/ Rejected
The users of payments bank in retail organized sector are not satisfied	0.00	0.05	Rejected
The users of payments bank in retail unorganized sector are not satisfied	0.00	0.05	Rejected

The data in the above table suggests that users of payment banks in both retail organized as well unorganized sectors are satisfied.

Table 5.2 Chi-square test

Null Hypothesis	Result obtained	Significance value	Accepted/ Rejected
There is no significant relationship between payment bank used and satisfaction level.	0.00	0.05	Rejected
There is no significant relationship between volume of business and usage of payment banks	0.00	0.05	Rejected

As the significance value for both the hypotheses was less than 0.05, null hypotheses were rejected, which suggests that users were satisfied irrespective of the payment banks they used. Also their volume of business had no relationship with their usage of payment banks.

Kolmogorov-Smirnov and Shapiro-Wilk test were used to check the normality of data. As the significance value was greater than 0.05 for all the variables, null hypothesis was accepted, suggesting that the data was normal. Hence to assess the variability amongst organized v/s unorganized sectors, paired sample T-test was adopted.

Table 5.3 Paired sample T-test

Null Hypothesis	Result obtained	Significance value	Accepted/ Rejected
There is no significant variability between the awareness level for payment banks amongst organized and unorganized retail sectors	0.00	0.05	Rejected
There is no significant variability in usage of payment banks amongst organized and unorganized retail sectors	0.00	0.05	Rejected
There is no significant variability in factors affecting the usage amongst organized and unorganized retail sectors	0.68	0.05	Accepted
There is no significant variability in issues faced amongst organized and unorganized retail sectors	0.71	0.05	Accepted

The above data suggests that a similarity between the organized and unorganized sector was found as far as awareness of payment banks was concerned. Both the sectors were majorly aware and preferred Paytm as their payments bank followed by Airtel Payments Bank and Jio Payments Bank. Similarly, there is no significant variability in the usage of payment banks amongst both the sectors. This suggests that both organized and unorganized sectors have adopted to payment banks.

While analyzing the factors affecting the usage of payment banks, there seems to be a significant variability between the sectors. While the organized sectors gave importance to cashback/ discount offers, the unorganized sector was more inclined towards ease of use. With respect to the issues faced while using payment bank, there seems to be variability amongst organized and unorganized sectors. While the organized sector believed that transaction limit and complexity of application were major issues, the unorganized sector believed that complexity of application alongwith a lack of awareness played a role. Also one of the major reasons for not using of payments bank was a threat to safety of the money deposited.

The results suggest that the overall adaptability of payments banks by both organized and unorganized sectors is high alongwith their satisfaction level with services provided. The most preferred payments bank is Paytm amongst the six payments bank and the reason for the preference could be ease of use as well as discounts/cashbacks offered.

VI. RECOMMENDATIONS AND FUTURE SCOPE FOR RESEARCH

The study suggests that there seems to be a lack of awareness for FINO, NSDL, and Indian Post Payments bank specifically. These banks can raise their awareness through more advertisements and publicity. It seems that attractive discounts/cashbacks and ease of use is highly important to attract both organized and unorganized sectors. It is suggested that alongwith making the payments bank convenient to use, banks should ensure the highest level of safety of sensitive information like account and card numbers, CVV, OTP etc. Overall, it is observed that the users of payment banks are satisfied with their payment banks. However, the current scenario suggests that considering the regulatory requirements, the survival of payments bank is in question. In the absence of a profitable business model and revenues, many payments banks have shut, others have their eyes on converting to small finance banks. So, to conclude, it will be safe to say that unless, the regulations support the model and make it more profitable for the firms, irrespective of the usage by retail organized and unorganized sectors, their survival is dubious.

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