

## A Systematic Review Of Payments Banks In India: Adoption, Financial Inclusion, And Competitive Dynamics

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### Abstract

This systematic literature review explores the rise and impact of Payments Banks in India, an innovative approach aimed at fostering financial inclusion via digital platforms. The study addresses three core objectives: (1) to identify the key determinants of Payments Bank adoption, (2) to evaluate their role in advancing financial inclusion, and (3) to assess their implications for traditional commercial banking.

A comprehensive search was conducted across multiple databases in adherence to PRISMA guidelines, resulting in the analysis of 50 pertinent studies. The quality of the included studies was evaluated using the Mixed-Methods Appraisal Tool (MMAT).

The findings reveal that perceived ease of use, usefulness, and trust significantly influence Payments Bank adoption. Payments Banks show potential to enhance financial inclusion in rural areas via mobile services and low infrastructure needs. However, their quantifiable impact remains unclear, with competition and collaboration opportunities alongside traditional banks.

The review identifies notable research gaps, including the absence of longitudinal studies, a limited focus on rural demographics, and inconsistencies in measuring the impacts of financial inclusion. The study concludes that while Payments Banks have the potential to drive financial inclusion, their long-term viability hinges on addressing regulatory hurdles, cultivating consumer trust, and developing sustainable business models. The review offers strategic recommendations for policymakers, commercial banks, fintech companies, and researchers to optimize the role of Payments Banks within India's evolving financial ecosystem.

**Keywords:** Commercial banks, Digital banking, Financial Inclusion, Fintech, Marginalized sector, MMAT, Payments banks, PRISMA, TAM, Technology adoption, Thematic analysis, UTAUT

JEL classification: G21, G28, G51, O16, O33

### Introduction

India is a developing market economy. It is the world's fifth largest economy in terms of nominal GDP and the third largest in terms of Purchasing Power Parity (IMF, 2019). Financial inclusion is one of the imperative components which contributes towards the growth of a country. Financial inclusion refers to providing the most basic financial services and products at a reasonable cost to the underprivileged groups in society. The Indian government has taken a number of steps to give underprivileged groups access to fundamental financial goods. Those initiatives seek to accommodate the recent changes that took place in the financial system in the country. Recent developments in the telecommunication sector have helped the banking sector in providing financial services at low cost. This sophisticated technology adoption in the banking sector will help to achieve financial inclusion. As per the report of TRAI, India is the second largest market in the world by number of telephone users with 1.053 million subscribers as of 2016 (GOI, 2016). As per 2015 report 18.21% of the Indian population have

smartphones and also reports says that 77% of the bottom quintile have mobile phones (Bhattacharya, 2016). So, technology-based initiatives rather than brick and mortar models can be used for achieving the goal. With the aim of financial inclusion using the digital platform, RBI introduced Payment Banks in 2014 based on the concept of Kenya's M-pesa payment bank (Purohit & Mishra, 2017).

In January 2014, the Nachiket Mor Committee recommended the establishment of the specialised bank, 'Payment Banks' to increase the penetration level of financial services in rural areas of the country (RBI, 2014). It mainly focuses on low-income households, small business and migrant laborers in a secured technologically driven environment. Payment banks provide a technology based platform to easily reach all sections of the society without having a physical existence thereby making it possible to overcome, to some extent, the difficulties faced by traditional commercial banks to reach all corners of the country (Naik et al., 2018). Payment banks provide a reliable and faster platform which simplifies the documentation procedures and provides services to the rural people through digital means. This initiative helps in removing the limitations of commercial banks such as problems of infrastructure, documentation etc. Payment banks operate through mobile phones for offering different services to the targeted people (Purohit, 2017). The payment banks concentrate on high volume - low value transactions. The major limitation of payment banks is that they do not grant credit to the targeted users. It focuses on fee-based transactions which is the major component of revenue. This makes the business model more difficult to operate (Singh & Bhadouria, 2019).

This study examines the extant literature on the impact of payment banks on financial inclusion. 50 studies are selected for the analysis to draw conclusion on the concept of payment banks.

### **1. Objectives**

This study seeks to provide an in-depth understanding of Payments Banks by analyzing the factors influencing users' adoption intentions, assessing their role in advancing financial inclusion, and examining their impact on commercial banking. The primary objective is to identify and categorize the key antecedents that drive the intention to adopt Payments Banks, shedding light on users' motivations and potential barriers. Secondly, the study aims to evaluate how Payments Banks contribute to financial inclusion by facilitating access to essential financial services, particularly for underserved communities. Finally, the research examines the effects of Payments Banks on commercial banks, analyzing shifts in market dynamics, service delivery models, and customer outreach strategies. Through these objectives, this study offers a comprehensive view of Payments Banks' role within the financial sector and their implications for traditional banking, contributing to the broader understanding of digital financial solutions. The paper is structured as follows. The next section describes the methods followed for the selection of articles to review. This is followed by the next section which elaborates different themes derived from the review. Finally, the paper concludes by corroborating the different themes in the literature review and their future implications for research.

### **2. Scope and Methodology**

#### Review Protocol

To ensure transparency and quality in systematic reviews, the Quality of Reporting of Meta Analyses initially developed some guidelines and later updated as PRISMA (Preferred Reporting Items for Systematic Reviews and Meta Analyses). PRISMA with 27 checklists for archiving empirical evidence are recognized as the universal benchmark for corroborating hypotheses (Sohrabi et al., 2021). A systematic review is a review of a clearly formulated question that uses systematic and explicit methods to identify, select, and critically appraise relevant research, and to collect and analyze data from the studies that are included in the review. (Moher et al., 2009) This study follows the PRISMA guidelines for systematically reviewing the literature on payment banks in India. The four-stage process of identification, screening, eligibility and inclusion criteria prescribed by PRISMA were used in the study (Moher et al., 2009).

#### 3.1 Identification phase

A comprehensive literature search was conducted through different databases such as Scopus, science direct, DOAJ, JSTOR and EBSCO. In total 275 papers were identified from these different databases and downloaded. Since the concept of payment banks are novel, limited studies are only available. Payment banks had its inception in 2015 in India with an objective to provide basic financial services to marginalized people through digital platforms. 275 papers were identified on the basis of keywords purpose of systematic review. The search string used for identification was:

Table 1 - Search string used in the databases

Databases	Search string
Scopus	TITLE-ABS-KEY (("Payment bank*" OR "India Post Payment bank*" OR "differentiated bank*") AND ("financial inclusion" OR "marginalized people" OR "micro saving*" OR "awareness" OR "perception" OR "challenges") AND ("customer adoption" OR "usage" OR "acceptance" OR "innovation" OR "technology"))
Science direct	TITLE-ABS-KEY (("Payment bank*" OR "India Post Payment bank*" OR "differentiated bank*") AND ("financial inclusion" OR "marginalized people" OR "micro saving*" OR "awareness" OR "perception" OR "challenges") AND ("customer adoption" OR "usage" OR "acceptance" OR "innovation" OR "technology"))
DOAJ	TITLE-ABS-KEY (("Payment bank*" OR "India Post Payment bank*" OR "differentiated bank*") AND ("financial inclusion" OR "marginalized people" OR "micro saving*" OR "awareness" OR "perception" OR "challenges") AND ("customer adoption" OR "usage" OR "acceptance" OR "innovation" OR "technology"))
JSTOR	TITLE-ABS-KEY (("Payment bank*" OR "India Post Payment bank*" OR "differentiated bank*") AND ("financial inclusion" OR "marginalized people" OR "micro saving*" OR "awareness" OR "perception" OR "challenges") AND ("customer adoption" OR "usage" OR "acceptance" OR "innovation" OR "technology"))
EBSCO	TITLE-ABS-KEY (("Payment bank*" OR "India Post Payment bank*" OR "differentiated bank*") AND ("financial inclusion" OR "marginalized people" OR "micro saving*" OR "awareness" OR "perception" OR "challenges") AND ("customer adoption" OR "usage" OR "acceptance" OR "innovation" OR "technology"))

Source: Author's Compilation

### 3.2 Screening phase

This is the process where the author includes or excludes the articles based on different criteria. The studies included are peer reviewed articles, empirical studies, conceptual studies and literature reviews addressing the payment banks in India. The conference proceedings, book chapter, articles not related to commerce and management were excluded. Out of the 275 papers identified, 83 papers were screened on the basis of time frame, document type and language used. The duplicated articles were also excluded after the screening phase.

Table 2 – The criteria for inclusion and exclusion

Criteria	Inclusion	Exclusion
Time frame	2016-2024	2015 - 2016
Document type	Journal research articles	Conference proceedings, Chapters in book and book
Language	English	Non-English

Source: Author's Compilation

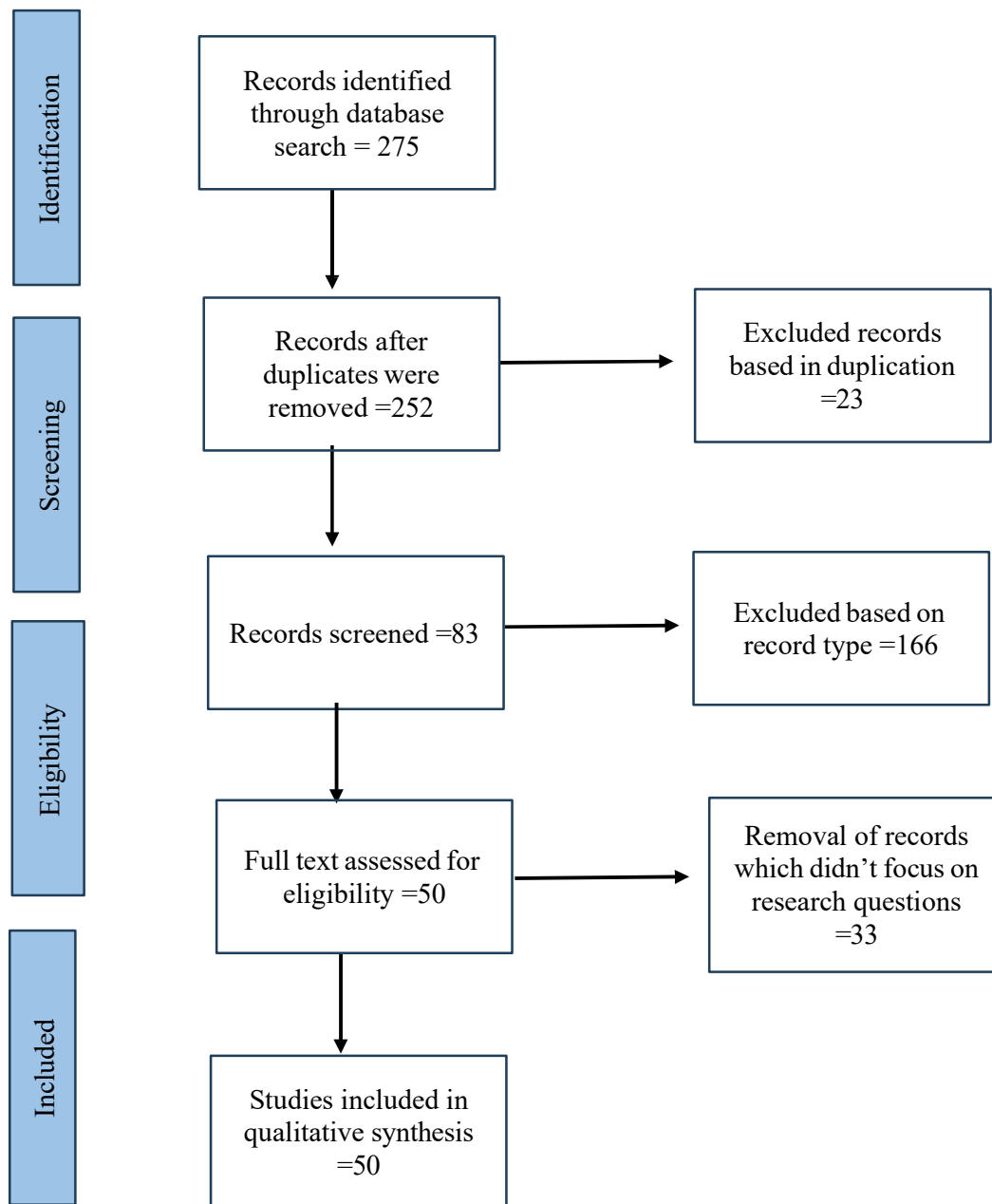
### 3.3 Eligibility

The articles with the language of English were eligible for the review. The eligible papers are reviewed by its abstract and remove all papers which are irrelevant as per the research questions formulated. 33 papers mismatched with the research questions and those are removed from the systematic review. All the 50 articles after testing the eligibility criteria are included for the content analysis. The selected papers underwent detailed analysis and different themes were identified based on the research questions propounded.

### 3.4 Data abstraction and analysis

This phase involves data abstraction and analysis of selected 50 papers. The relevant themes and sub themes were identified by initially reading the titles, followed by the abstracts, and then conducting an in-depth reading of the full texts. The main issues, similarities, and differences across the 50 articles were identified and categorized using thematic analysis.

Figure 1 - The PRISMA flow diagram



#### Quality Assessment tool

To ensure the methodology and analysis of the selected studies were rigorously evaluated, a quality appraisal stage was conducted in this study. This stage aimed to validate all selected articles using the Mixed-Method Appraisal Tool (MMAT) developed by Hong et al. (2018). The MMAT facilitated a comprehensive assessment of various criteria, including the alignment of research questions with data generation, the appropriateness of qualitative data collection methods, and the coherence between data sources, collection, analysis, and interpretation.

In evaluating quantitative research designs, the MMAT was utilized to assess the relevance of the sampling strategy to the research questions, the representativeness of the sample to its population, the suitability of the measurement tools, and the adequacy of the analysis performed. Furthermore, the MMAT provided guidance on justifying the use of mixed-method approaches, evaluating the effectiveness of different research designs in

addressing the research questions, and ensuring the integration of qualitative and quantitative methods. It also addressed the management of divergence and discrepancies between research designs in mixed-method studies. This quality appraisal was crucial for maintaining methodological rigor and ensuring robust analysis throughout the study (Hong et al., 2018).

Table 3 - The criteria used to determine the rigour of the methodology and analysis used in the selected articles

Research design	Assessment criteria
Qualitative	QA1 – is the qualitative approach appropriate to answer the research question?
	QA2 – are the qualitative data collection methods adequate to address the research question?
	QA3 – are the findings adequately derived from the data?
	QA4 – is the interpretation of results sufficiently substantiated by data?
	QA5 – is there coherence between qualitative data sources, collection, analysis and interpretation?
Quantitative (descriptive)	QA1 – is the sampling strategy relevant to address the research question?
	QA2 – is the sample representative of the target population?
	QA3 – are the measurements appropriate?
	QA4 – is the risk of nonresponse bias low?
	QA5 – is the statistical analysis appropriate to answer the research question?

Source: Author's Compilation

Table 4 - Results of Quality Assessment

Study	Research design	Q1	Q2	Q3	Q4	Q5	Number of criteria fulfilled
Ashta, A., & Pillarisetti, S. (2020)	Qualitative design	✓	✓	✓	✓	×	4/5
Chakraborty, U. (n.d.)	Quantitative design	✓	✓	✓	×	✓	4/5
Damle, M., Raval, J., & Thenuan, P. (2016)	Qualitative design	✓	✓	✓	×	×	3/5
D'Souza, S. (2018)	Qualitative design	✓	×	✓	✓		3/5
Gupta, K. P., Manrai, R., & Goel, U. (2019)	Quantitative design	✓	✓	✓	✓	✓	5/5
Iyer, Geetha. M., Bhansali, S., Bhatt, A., Chhatwani, M., & Deshpande, A. (2017)	Mixed method design	✓	✓	✓	×		3/4
Kaur, J., Kaur, S., Syan, A. S., & Sharma, R. R. (2020)	Quantitative design	✓	✓	✓	✓	✓	5/5
Kokila, M. S., & Krishnan, Dr. S. G. (2019)	Quantitative design	✓	✓	×	×	✓	3/5
Mani, M., & Agarwal, R. (2022)	Quantitative design	✓	✓	×	×	✓	3/5

Meena Kumari, K. (2017).	Qualitative design	✓	✓	✓	✓	×	45
Mehta, Dr. N., & Shah, Dr. S. (2020)	Quantitative design	✓	✓	×	×	✓	35
Mittal, S., Pant, A., & Bhadauria, S. S. (2017).	Quantitative design	✓	✓	✓	✓	✓	55
Naik, R. V., Firdous, P., & Harika, P. (2018)	Qualitative design	✓	×	✓	✓	×	35
Pramani, R., & Iyer, S. V. (2023)	Qualitative design	✓	✓	✓	✓	✓	55
Purohit, D. S. (2017).	Qualitative design	✓	×	✓	✓	×	35
Shah, S. N., & Mehta, N. (2019)	Quantitative design	✓	✓	×	×	✓	35
Sikdar, P., & Kumar, A. (2016).	Qualitative design	✓	×	✓	✓	×	35
Singh, A., & Bhadouria, S. (n.d.)	Qualitative design	✓	×	✓	✓	×	35
Vaishnavi, J., & Shruthi, N. (n.d.)	Quantitative design	×	✓	×	✓	✓	35
Yadav, D. A. P. (2019).	Qualitative design	×	✓	✓	✓	×	35
Sarkar, & Singh. (2019)	Qualitative design	×	✓	✓	✓	×	35
Saxena, & Goyal (2024)	Mixed method design	✓	✓	✓	×		34
Aumkar Prasad,. (2022)	Quantitative design	×	✓	✓	✓	×	35
Minj, Mishra,& Soni (2020)	Quantitative design	×	×	✓	✓	✓	35
Balreddy, & Karthik (2022)	Qualitative design	×	✓	✓	✓	×	35
Venkatesan, & Samitha (2021)	Quantitative design	✓	✓	✓	✓	✓	55
Kuriakose, & Johnson (2021)	Quantitative design	×	✓	✓	✓	✓	45
K Reddy,. (2018)	Quantitative design	×	×	✓	✓	✓	35
Goel, (2015)	Qualitative design	×	✓	✓	✓	×	35
Garg, & Kapoor. (2017)	Qualitative design	×	✓	✓	✓	×	35
Akhter, Hasan, & Nasim (2021)	Qualitative design	✓	✓	✓	✓	×	45
Srinivas, (2017)	Qualitative design	×	✓	✓	✓	×	35
Damle, M., Raval, J., & Thenuan, P. (2016)	Qualitative design	×	✓	✓	✓	×	35
Patel, & Vani P. (2023)	Quantitative design	✓	✓	×	✓	✓	45
Mondal, (2022)	Qualitative design	×	✓	✓	✓	×	35
Verma, & Taluka(2018)	Qualitative design	×	✓	✓	✓	×	35

Madhu, & Sakshi. (2023)	Qualitative design	×	✓	✓	✓	×	3/5
Gupta, (2016)	Qualitative design	×	×	✓	✓	×	2/5
Mishra, (2023)	Qualitative design	✓	✓	✓	✓	✓	5/5
Borkar, (2023)	Qualitative design	×	✓	✓	✓	×	3/5
Ravi, (2017)	Qualitative design	×	✓	✓	✓	×	3/5
Kumar, & Manoj (2019)	Qualitative design	×	✓	✓	✓	×	3/5
Shrivastava, (2016)	Qualitative design	×	✓	✓	✓	×	3/5
Gautham, (2022)	Qualitative design	×	✓	✓	✓	×	3/5
Thukral, (2017)	Qualitative design	×	×	✓	✓	×	2/5
Rathod, D V, & Joseph (2017)	Quantitative design	✓	×	✓	✓	✓	4/5
Gupta, (2019)	Quantitative design	✓	×	✓	✓	✓	4/5
Sarkar, (2020)	Quantitative design	✓	×	✓	✓	✓	4/5

Source: Author's Compilation

### 3. Result and Discussion

The studies from 2016 – 2024 are included as the RBI announces the implementation of payment banks from 2015 onwards. All the studies are conducted in India as it is a strategy the central government to ensure financial inclusion.

Using the thematic analysis four different main themes and 25 sub themes are identified. The four main themes are antecedents of payment banks adoption, financial inclusion, impact on commercial banks and resisting factors of adoption. The antecedents lead towards adoption of payment banks include 22 factors which is categorized into technological factors, individual factors and contextual factors. The sub themes of financial inclusion are rural penetration, micro savings, digital and cashless economy. The main theme includes the impact of payment banks on commercial bank and the factors which restricts the adoption of payment bank.

Figure 2 – Thematic analysis

Study	Antecedents for payment banks adoption														Individual factors				Contextual factors			
	PE	EE	SI	FC	HM	PV	PI	PU	PEOU	CE	TR	SE	ST	CM	UF	SQ	CV	HB	RG	OD	AN	DF
Ashta, A., & Pillarisetti, S. (2020)																						
Chakraborty, U. (n.d.)	✓	✓	✓	✓	✓	✓	✓				✓							✓				
Gupta, K. P., Manrai, R., & Goel, U. (2019)	✓	✓	✓	✓							✓											
Iyer, Geetha. M., Bhansali, S., Bhatt, A., Chhatwani, M., & Deshpande, A. (2017)																					✓	✓
Kaur, J., Kaur, S., Syan, A. S., & Sharma, R. R. (2020)			✓	✓				✓	✓		✓	✓										✓
Kokila, M. S., & Krishnan, Dr. S. G.																✓	✓			✓	✓	✓
Mani, M., & Agarwal, R. (2022)																✓	✓			✓		✓
Mehta, Dr. N., & Shah, Dr. S. (2020)										✓			✓	✓	✓		✓			✓		✓
Mittal, S., Pant, A., & Bhadauria, S. S. (2017).		✓							✓				✓				✓					
Shah, S. N., & Mehta, N. (2019)										✓			✓	✓	✓		✓				✓	✓
Vaishnavi, J., & Shruthi, N. (n.d.)													✓				✓			✓		
Saxena, & Goyal (2024)		✓							✓		✓		✓						✓			✓
Aumkar Prasad., (2022)																						✓
Minj, Mishra, & Soni (2020)																					✓	✓
Venkatesan, & Samitha (2021)								✓	✓		✓											✓
Kuriakose, & Johnson (2021)																					✓	✓
Patel, & Vani P. (2023)																✓					✓	
Rathod, D V, & Joseph (2017)																✓					✓	✓
Sarkar. (2020)																						

Table 5 – Thematic analysis

Financial inclusion				Impact on commercial banks
Study	RP	MS	DCE	
Ashta, A., & Pillarisetti, S. (2020)	✓	✓		
Chakraborty, U. (n.d.)				
Damle, M., Raval, J., & Thenuan, P. (2016)	✓			
D'Souza, S. (2018)	✓			
Gupta, K. P., Manrai, R., & Goel, U. (2019)				
Iyer, Geetha. M., Bhansali, S., Bhatt, A., Chhatwani, M., & Deshpande, A. (2017)				
Kaur, J., Kaur, S., Syan, A. S., & Sharma, R. R. (2020)				
Kokila, M. S., & Krishnan, Dr. S. G. (2019)			✓	
Mani, M., & Agarwal, R. (2022)			✓	
Meena Kumari, K. (2017).	✓			
Mehta, Dr. N., & Shah, Dr. S. (2020)				
Mittal, S., Pant, A., & Bhadauria, S. S. (2017).				
Naik, R. V., Firdous, P., & Harika, P. (2018)	✓			
Pramani, R., & Iyer, S. V. (2023)				
Purohit, D. S. (2017).	✓			
Shah, S. N., & Mehta, N. (2019)				
Sikdar, P., & Kumar, A. (2016).	✓			
Singh, A., & Bhadouria, S. (n.d.)	✓			
Vaishnavi, J., & Shruthi, N. (n.d.)			✓	
Yadav, D. A. P. (2019).	✓			
Sarkar, & Singh. (2019)	✓			



Saxena, & Goyal (2024)	✓			
Aumkar Prasad, (2022)				
Minj, Mishra,& Soni (2020)				
Balreddy, & Karthik (2022)				
Venkatesan, & Samitha (2021)	✓			
Kuriakose, & Johnson (2021)				
K Reddy, (2018)				✓
Goel, (2015)	✓			
Garg, & Kapoor. (2017)	✓			
Akhter, Hasan, & Nasim (2021)	✓			
Srinivas, (2017)	✓			
Damle, M., Raval, J., & Thenuan, P. (2016)	✓			
Patel, & Vani P. (2023)	✓			✓
Mondal, (2022)	✓			
Verma, & Taluka(2018)				✓
Madhu, & Sakshi. (2023)	✓		✓	
Gupta, (2016)			✓	
Mishra, (2023)	✓			
Borkar, (2023)	✓		✓	
Ravi, (2017)	✓			
Kumar, & Manoj (2019)	✓			
Shrivastava, (2016)	✓			
Gautham, (2022)	✓			
Thukral, (2017)	✓			
Rathod, D V, & Joseph (2017)				
Gupta, (2019)	✓		✓	
Sarkar, (2020)	✓			

Source: Author's Compilation

#### 4. Findings

##### Theme 1: Antecedents That Influence Intention to Adopt Payment Banks.

The study on Indian users to figure out the factors influencing adoption of payment banks highlights that **perceived ease of usefulness** is the most imperative adoption factor. The **trust** developed in the initial stage by the service provider is the next strongest factor. **Perceived usefulness** positively influences the behavioral intention and **self-efficacy** positively moderates this relationship. The least influential factors are **facilitating conditions** and **social influence**. The levels of income moderate the adoption behavior and young people are leaner to technology adoption. (Kaur et al., 2020)

A Delhi based study on analyzing customer preference of payment banks over universal banks revealed that **easy**

**to use, convenience and learning to operate** positively influences the usage of services. They utilize the payment banks facilities for mobile recharge, payment and remittance purposes. They prefer universal banks to payment banks for opening savings accounts. (Mittal et al., 2017)

A study conducted about payments banks among people in Delhi with an age group of 21 -50 identified that **customer awareness, customer expectations** in fast payments, fees, transparency, net banking and online transactions are the factors for customer adoption and usage of services of payment banks. Customer adoption and use of payment bank services are also positively influenced by their financial demands and value propositions. (Solomon, 2019)

The study on the adoption of payment banks held in New Delhi with a target population of unbanked and underbanked mentioned that the **behavioral intention is significantly influenced by performance expectancy, effort expectancy, facilitating factors, social influence, and perceived credibility**. Moreover, the study establishes that an individual will prefer to adopt the services if there is credibility with the service provider. The research discovered the mediating effect of perceived credibility between performance expectancy and behavioral intention. (Gupta et al., 2019)

A study based on a grounded theory approach focused on migrant laborers and small businesses revealed some factors which negatively affected the adoption of payment banks. The factors which negatively affect the small business are **convenience, value barrier and easy to use. Low awareness, difficulty with the process, alternate channels, lack of perceived need, security risk, lack of trust and herd mentality** are the factors which hinders the adoption behavior of migrant laborers. (Pramani & Iyer, 2023)

A descriptive paper on payment banks conducted in Gujarat discovered **convenience, user friendliness, cost effectiveness, security and easy cash management** are the factors positively affecting the adoption behavior. The most reliable factor among these is recognised as the user friendliness. (Mehta & Shah, 2020))

Research among active payment bank users in India identified nine factors which positively influences behavioral intention and actual use. **Performance, expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, price, personal innovativeness and initial trust** significantly influences behavioral intention. Particularly facilitating conditions, habit, personal innovativeness and initial trust influences use behavior. (Chakraborty, n.d.)

An exploratory study on payments banks among low-income households and small businesses revealed that **easy transfer of funds to the rural areas and convenience** are the important factors that the users perceive. (Iyer et al., 2017)

A descriptive study was conducted among people to identify the agents of behavioral intention towards payments banks. It emphasizes that **easy access, cashless mode, interest rate, security and offers** are the factors considered while opting payment banks. The stronger predictors are easy access and cashless mode of operations and the least important factor is the offers made by the service providers. (Vaishnavi & Shruthi, n.d.)

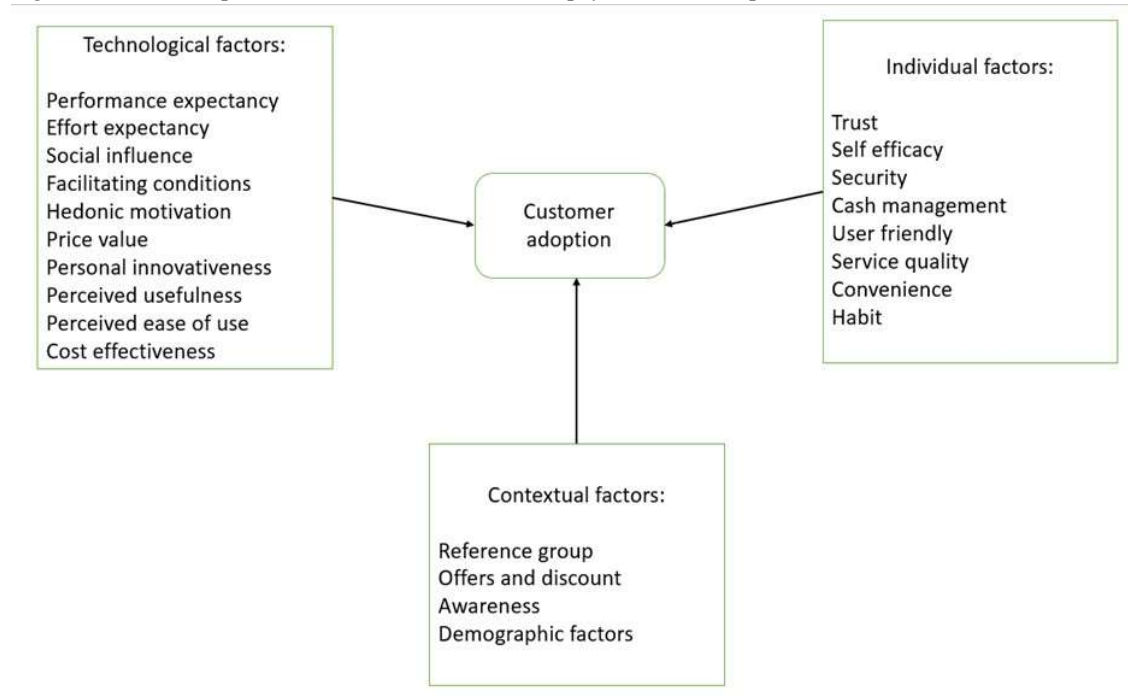
Research was conducted among college students in urban areas to find out the attention level and usage of payment banks. It found out the reasons for using the payment banks as **convenience, better service to customers, use of advanced technology and elimination of black money**. (Kokila & Krishnan, 2019)

A work was carried out in Gujarat among people who are aware of payments banks to identify the elements influencing the preference and usage of payments banks. The dimensions such as **user friendliness, convenience, cost effectiveness, security and easy cash management** are the significant elements. (Shah & Mehta, 2019)

Research conducted to know the customer perception towards payments banks in Delhi. It was revealed that **ease, convenience, safety and speed** are factors considered by the people to prefer payments banks. (Mani & Agarwal, 2022)

From the analysis this study identified various factors and it can be categorized into three contributing factors and proposing a conceptual framework for the antecedents of payment banks adoption.

Figure 3 – The conceptual framework of antecedents of payment bank adoption



## Theme 2: Payment banks and Financial Inclusion

Payments banks recommended by the Nachiket Mor committee with the objective of achieving financial inclusion. The paper highlights payment banks as a vehicle for the delivery of financial services among marginalized groups. The penetration of financial inclusion is reduced by banks' reluctance to open branches in interior areas. Payment banks can reach every subset of the population with basic financial services and thereby helps in spurring financial inclusion. Mobile based initiatives enhance the smooth and sufficient delivery of various financial services to every person irrespective of geographic barriers. (Sikdar & Kumar, 2016)

Payment banks operate in the mobile based environment for providing financial services such as savings, payments, remittances and other services. Mobile based platforms help to penetrate in the remote areas which will in turn benefit the unbanked or under banked population. Payment banks particularly focusing on migrant workers, low-income households, small business to include into the ambit of formal banking sector. Most of the payment bank service providers are mobile operators with a high customer base which helps to reach out more people in remote areas. (Damle et al., 2016)

This study figured out that India Post Payment banks are the catalyst for both financial and social inclusion. India post departments have access in the remote areas so it is convenient to deliver financial services to the underprivileged sections of the society. IPPB are micro savings models which extend savings and payment services to the people. IPPB helps in financial inclusion by providing convenient and accessible services. (Ashta & Pillarisetti, 2020)

Payments banks focused on a particular target segment for providing basic banking services thereby accumulating financial inclusion. Payment banks can partially fulfill the financial inclusion as it does not grant loans. Payment banks assist in increasing financial inclusion by ensuring money flow into the banking system. (Yadav, 2019)

Payment banks help the rural people to get access to banking services through their network. Payment banks increase the access points for those marginalized people and then leads to financial inclusion. (Singh & Bhadouria, n.d.)

Payment banks are expected to reach low-income people and small businesses through mobile phones for basic financial services. India Post Payment banks with its root in rural areas can achieve financial inclusion. By offering marginalized people savings accounts, payment, and remittance services, payment banks help promote financial

inclusion. Payment banks are recognized as a prudent decision as it reduces the infrastructure cost without comprising in providing the services. (D'Souza, 2018)

India post payment banks are suitable for ensuring financial inclusion as they have active outlets in rural areas of every country. IPPB is the vital platform for disseminating government information and disbursement of government benefits. The challenge of payment banks while taking care of financial inclusion is that it cannot provide credit requirements of the targeted people. (Meena Kumari, 2017)

#### Theme 3 – The impact of payment banks on commercial banks

Commercial banks primarily focus on accepting deposits, issuing loans, and providing various utility and agency services. However, when these services are extended to rural and remote areas through physical branches, operational costs significantly increase due to the low volume of financial transactions per customer in these regions. Opening branches in such areas becomes impractical and costly. Additionally, internet banking offered by traditional banks has struggled to reach customers in these regions, often due to technical limitations. Payment banks, with their focus on mobile-based services, can complement traditional banks by serving as business correspondents in these underserved areas. Unlike traditional banks, payment banks cannot offer loans or credit, making them ideal partners to facilitate financial services in collaboration with traditional banks. Many major banks have recognized this potential and have begun partnering with payment banks to extend their reach. For instance, Kotak Mahindra Bank has a 19.9% stake in Airtel Payment Bank as part of their collaboration. By increasing partnerships with payment banks, traditional banks can better fulfill their mission of providing equitable financial services to all segments of society. Given the complementary strengths and limitations of both traditional and payment banks, a collaborative approach between the two is the most effective way to achieve comprehensive financial inclusion (Patel, 2023).

Payment banks offer essential financial services, with the notable exception of providing loans. Their primary target is customers who can deposit up to Rs. one lakh, focusing on individuals who favor savings accounts over current accounts. This positioning creates competition for traditional banks, particularly in urban areas, by drawing away some of their customers. Unlike public sector banks, which face challenges with non-performing assets (NPAs), payment banks are free from this burden. Additionally, payment banks offer higher interest rates, typically between 6% and 7%, compared to the average 4% rate offered by public sector banks. This difference makes payment banks more attractive to customers of traditional banks. Furthermore, the lower operational costs associated with payment banks provide them with a competitive edge over conventional banking institutions (Verma & Taluka, n.d.).

The payment banks can act as business correspondent and a competitor to the commercial banks.

#### **5. Limitations and Research gaps**

This study is beneficial to different stakeholders of payment banks such as policy makers, commercial banks and other financial technology companies. The policy makers can revert or modify the features of payment banks by analyzing the factors which lead to the adoption. This study will help the existing traditional banks to chalk out unique strategy to compete with this new technology. The financial technology companies will get some inputs on the importance of developing innovative and unique business models in the banking sector.

This study focuses on analyzing one of the initiatives of RBI for leveraging the financial inclusion ie, the Payment banks. It is a new business model for delivering the financial services to marginalized people. The extant literature on payment banks identifies some factors affecting the customer adoption, the impact on financial inclusion and commercial banks are evaluated on this study. This study focuses to fill the gap of conducting thematic analysis to identify the antecedents of adoption of payment banks.

From the findings of this study and other similar studies, it paves way for certain future directions of research. It is good to extend the research by comparing the factors for the acceptance of commercial banks and payment banks. Since it is a business model working on digital environment for delivering banking services, there is further scope for analyzing the factors which restricts the adoption of digital banking system. Also, could include different methodologies for understanding the consumer adoption pattern. The payment bank arena can be augmented by including studies to gauge the impact of financial inclusion. The quantitative studies can be conducted using different theories can be conducted to validate the acceptance of this technology.

#### **6. Conclusion**

Based on the literature review, this paper identified three themes on the concept of payment banks. The paper categorized the themes as the antecedents for adopting payment banks by the customers, the role of payments

banks for financial inclusion and the impact of payment banks on commercial banks. Payment banks are novel concepts conceptualized by RBI for increasing financial inclusion in India. The payment banks are distinguishable banks which focus on basic banking services except granting loans. It focuses on providing savings account, payments and remittance services and also providing insurance and mutual fund products to marginalized people. It is primarily targeting small businessmen, migrant laborers, households and unorganized sectors. The performance expectancy, effort expectancy, facilitating conditions and social influence are the pivotal factors which contribute towards the adoption of payment banks. The most often used theories to figure out the antecedents is the Unified Theory of Acceptance and Use of Technology. The literature supports the role of payment banks in accelerating financial inclusion. The operational model of payments banks favors the accumulation of financial inclusion. The mobile based environment for delivering the financial services will help to penetrate it into the marginalized people.

This study ruled out the different antecedents which influences the behavioral intention of potential customers. Further studies can be conducted to know the actual use behavior of its users. The study can be enriched by inculcating quantitative methods to analyze the impact of different other technological models such as diffusion of innovation, extended UTAUT, expectation - confirmation theory and information system success model. The literature underpinned the role of payments banks in financial inclusion but quantitative studies were not conducted to validate the literature. The literature highlights that only limited studies were conducted in the arena of payments banks which have the potential to create an impact in the formal financial sector of a country.

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