



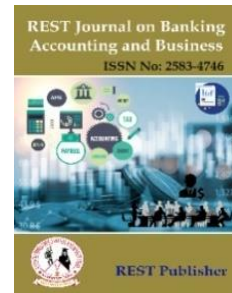
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## Optimizing Payment Bank Efficiency Through GRA

### Methodology

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**Abstract:** *Payment Bank. A payments bank is a new type of financial institution introduced to expand financial inclusion by providing basic banking services. These banks offer deposit facilities, mobile banking, and fund transfers but cannot issue loans or credit cards. Primarily aimed at underserved populations, payments banks facilitate small savings accounts, remittances, and low-value transactions, especially in remote areas with limited access to traditional banking. They leverage digital channels to provide accessible, secure, and cost-effective financial services. India's Reserve Bank approved this model in 2015, enabling entities like Airtel Payments Bank and Paytm Payments Bank to operate, helping bridge gaps in the banking ecosystem. Payment banks are specialized financial institutions that provide limited banking services focused on digital payments, remittances, and financial inclusion. They enable individuals, especially those in underserved rural areas, to access basic banking services like deposits, transfers, and mobile payments without full-fledged banking facilities. By leveraging technology and partnerships with telecom companies, payment banks promote financial literacy and reduce dependency on cash, enhancing convenience and transparency. They play a crucial role in promoting financial inclusion by reaching unbanked populations, supporting cashless economies, and contributing to economic growth. However, regulatory restrictions limit their ability to provide loans or accept large deposits. A study on payment banks can involve a mixed-methods approach, combining quantitative data analysis and qualitative insights. Begin with a literature review on the evolution, objectives, and regulations governing payment banks. Collect primary data through surveys targeting customers and employees to assess factors like customer satisfaction, financial inclusion, and service efficiency. Secondary data from industry reports and financial statements provide quantitative insights into growth trends and profitability. Use statistical tools to analyze performance metrics, and employ thematic analysis for qualitative responses. This approach offers a comprehensive view of payment banks' roles in promoting financial inclusion and enhancing digital payment ecosystems. High-Interest Bank, Customer-Centric Bank, Low-Fee Bank, Wide-Network Bank, Balanced Service Bank. Interest Rate on Savings (%), Customer Satisfaction Score, Mobile App Usability Rating, ATM Network Coverage. Balanced Service Bank is getting top of the table and Customer-Centric Bank is getting bottom of the table.*

**Keywords:** *Interest Rate on Savings (%), Customer Satisfaction Score, Mobile App Usability Rating, ATM Network Coverage.*

### 1. INTRODUCTION

Payment banks are a relatively new concept in the financial sector, designed to address gaps in financial inclusion by providing banking services to unbanked and under banked populations. First introduced in India by the Reserve Bank of India (RBI) in 2015, payment banks operate with a specific regulatory framework tailored to support a digital-first, low cost banking model.[1] These banks differ from traditional commercial banks in that they are restricted in certain operations they cannot issue loans or credit cards, but they can accept deposits up to a regulatory limit, provide remittance services, facilitate payments, and issue debit cards. Payment banks are especially valuable for individuals in rural and remote areas who may lack access to full-fledged banking services.[2] The rationale for payment banks is rooted in the goal of expanding financial inclusion, particularly in economies where many individuals lack access to basic banking services. In developing countries, large sections of the population may rely on cash transactions, making it difficult for them to participate in the formal financial system. Payment banks aim to bridge this gap by offering a low-cost banking model that provides essential services like savings accounts, payments, and remittances, accessible through mobile and digital platforms. By operating through digital channels and a network of agents, payment banks reduce the need for physical branches, thereby lowering operating costs and extending reach.[3] Payment banks operate under a unique regulatory structure designed to support financial inclusion without exposing customers to high financial risks.

For instance, payment banks in India must adhere to certain regulations, including a cap on maximum deposits per customer (originally INR 100,000 and later revised to INR 200,000). They are also prohibited from issuing credit cards or extending loans, which limits their revenue generation from interest. However, they are allowed to partner with full service banks to provide other services, such as insurance and investment products, to enhance their revenue streams.[4] These operational limits ensure that payment banks maintain a low-risk profile while providing essential banking services. The regulatory framework also mandates that payment banks invest a significant portion of their customer deposits in government securities to safeguard the funds. This regulatory oversight has enabled payment banks to develop trust among customers, particularly those from lower-income backgrounds who may be wary of financial institutions.[5] The business model of payment banks revolves around high-volume, low margin transactions. With restrictions on loans and credit issuance, payment banks primarily generate revenue through transaction fees, service charges, and partnerships with third-party providers for services like insurance and investments.[6] Many payment banks leverage mobile technology and digital platforms, allowing customers to access banking services via their smart phones. By using mobile banking apps and digital wallets, these banks minimize infrastructure costs, focusing instead on digital on boarding and customer service to drive profitability.[7] Partnerships are integral to the payment bank model. Many payment banks collaborate with telecommunications companies, retailers, and e-commerce platforms to create a network of touch points for customers. For example, telecom companies have set up payment banks to leverage their extensive customer base and distribution networks, turning mobile numbers into virtual bank accounts. Additionally, by partnering with utility companies and merchants, payment banks allow customers to pay bills and make purchases directly through their accounts, further embedding themselves in everyday transactions.[8] One of the defining features of payment banks is their reliance on technology to deliver services efficiently and affordably. These banks often employ advanced mobile and web platforms to facilitate transactions, reducing dependency on physical branches. Technologies such as artificial intelligence (AI), machine learning (ML), and biometric identification enhance the security and efficiency of services, while enabling payment banks to cater to a tech-savvy population.[9] Digital wallets and mobile banking applications are central to the customer experience in payment banks. These applications often come with user friendly interfaces and simplified account setup processes, allowing even first-time users to navigate the platform easily.[10] Additionally, payment banks use AI powered chat bots to provide customer support, conduct KYC (Know Your Customer) verifications, and monitor for suspicious activity. Such technology driven services streamline operations, lower costs, and enhance the customer experience, making banking more accessible to a broader population.[11] Payment banks play a crucial role in enhancing financial inclusion by making banking services accessible to underserved populations. Through their digital approach, these banks provide individuals in remote and rural areas with access to essential banking services without the need to visit a physical branch. For instance, customers can open accounts, deposit money, and transfer funds via mobile phones, reducing the barriers to accessing financial services. This is particularly significant in countries like India, where a large portion of the population is unbanked or under banked.[12] In addition to bringing financial services to rural areas, payment banks help in promoting savings habits among low-income groups. By offering zero balance accounts with no minimum balance requirements, payment banks encourage individuals to open accounts and save money, even in small amounts. The provision of remittance services also benefits migrant workers, who can easily send money back to their families in remote areas without incurring high transaction fees. This ease of access to banking services helps individuals build a financial history, potentially paving the way for greater financial inclusion and access to credit in the future.[13] Despite their advantages, payment banks face several challenges that can impact their growth and sustainability. One of the main challenges is profitability. The restricted business model limits revenue generating opportunities, as payment banks cannot issue loans or engage in high yield investments. This restriction means that payment banks rely heavily on transaction fees, which may not be sufficient to cover operational costs, especially in highly competitive markets.[14] Moreover, customer acquisition and retention can be challenging. While digital platforms are an advantage, they require customers to have a certain level of digital literacy and access to mobile technology. In areas where digital penetration is low, payment banks may struggle to attract and retain customers. Additionally, regulatory constraints on deposit limits can be a deterrent for some customers who prefer banks where they can deposit larger amounts. Finally, the competitive landscape, with both traditional banks and fintech companies vying for the same customer segments, adds pressure on payment banks to innovate and remain relevant.[15] The future of payment banks appears promising as digital adoption and demand for accessible financial services continue to rise globally. In regions with high mobile penetration and an increasing shift toward cashless economies, payment banks have the potential to thrive. By leveraging partnerships with fintech companies, telecommunications providers, and e-commerce platforms, payment banks can enhance their service offerings and improve customer experience. For instance, strategic collaborations could enable payment banks to offer value-added services, such as microloans or investment products, thereby expanding their revenue base while staying within regulatory limits.[16] Furthermore, as governments worldwide push for digital financial inclusion, there may be potential for regulatory adjustments that could allow payment banks greater flexibility. If allowed to expand their service scope incrementally such as increasing the deposit limit or offering microloans payment banks could address a broader range of customer needs. The success of payment banks will also depend on their ability to integrate new technologies, like block chain for secure transactions and data analytics for better customer insights, which could further enhance operational efficiency and service delivery.[17] Payment banks represent an innovative approach to expanding financial access in underserved regions, particularly by

leveraging digital technology and partnerships to offer basic banking services affordably and conveniently. By focusing on high volume, low margin transactions, they meet the needs of low-income populations who require basic, low-cost financial services. However, they face challenges, especially around profitability, customer acquisition, and regulatory constraints, which require a strategic approach to overcome.[18] In the years to come, the growth and sustainability of payment banks will depend on their ability to innovate within regulatory frameworks, form strategic alliances, and adapt to shifting market demands. As digital ecosystems continue to evolve, payment banks are well-positioned to play a transformative role in driving financial inclusion and contributing to a more inclusive global economy.[19].

## 2. MATERIALS AND METHOD

### Alternative:

- High-Interest Bank: High-Interest Banks offer competitive savings interest rates, attracting customers focused on maximizing returns on deposits. They often provide limited services compared to full-service banks, targeting customers primarily interested in saving.
- Customer-Centric Bank: Customer-Centric Banks prioritize customer satisfaction and tailored services, focusing on user-friendly experiences, personalized products, and responsive support. Their goal is to enhance customer loyalty and long-term engagement through exceptional service.
- Low-Fee Bank: A Low-Fee Bank focuses on providing essential banking services at minimal costs, reducing or eliminating fees on transactions, accounts, and other services to offer affordable options for cost-conscious customers.
- Wide-Network Bank: Wide-Network Bank emphasizes extensive ATM and branch coverage, making banking accessible across regions. It prioritizes physical infrastructure, ensuring customers benefit from convenient access to services, often enhancing financial inclusion.
- Balanced Service Bank: The Balanced Service Bank offers a well-rounded approach, prioritizing both customer satisfaction and service accessibility. It provides moderate interest rates, a user-friendly app, and decent ATM network coverage to meet diverse needs.

### Evaluation preference:

- Interest Rate on Savings (%): Interest rates on savings accounts represent the annual percentage yield a bank pays to depositors. Higher rates encourage saving, as they increase earnings on deposits, while low rates offer minimal returns.
- Customer Satisfaction Score: The Customer Satisfaction Score (CSAT) is a metric that gauge's customer happiness by asking customers to rate their experience with a product or service, typically on a scale from 1 to 10.
- Mobile App Usability Rating: Mobile App Usability Rating measures how user-friendly an app is, based on ease of navigation, design, speed, and functionality. Higher ratings indicate better user satisfaction and efficient, intuitive app performance.
- ATM Network Coverage: ATM network coverage refers to the reach and availability of automated teller machines in a given area. Broad coverage ensures customer access to cash withdrawals, deposits, and essential banking services.

## 3. GREY RELATIONAL ANALYSIS (GRA) METHOD

Grey Relational Analysis (GRA) is a mathematical and statistical method used to analyze and evaluate relationships among various factors, particularly when dealing with systems that are uncertain or incomplete. Developed within the framework of Grey System Theory by Professor Deng Julong in the 1980s, GRA has gained prominence in fields such as decision-making, engineering, economics, and environmental management. The method is particularly useful in situations where data is scarce or where systems are complex and nonlinear.[20] The core principle of GRA is based on the concept of "grey" systems, which are characterized by uncertainty and incomplete information. Unlike black systems, which are fully known and white systems, which are completely unknown, grey systems fall in between, making GRA a suitable tool for their analysis. GRA evaluates the degree of similarity or difference between sequences of data. It does this by calculating a grey relational grade, which quantifies the relationship between the reference sequence (the ideal or desired outcome) and other comparative sequences (the alternative options).[21] This method helps to identify which alternatives are more closely related to the ideal scenario. The first step involves normalizing the data to eliminate differences in scale. This can be done using min-max normalization or Z-score normalization. Normalization ensures that

the data can be compared on a common scale. After normalization, the grey relational coefficients are calculated. These coefficients represent the degree of association between the reference sequence and each comparative sequence.[22] The formula used to compute these coefficients considers both the absolute difference and the relative difference between the values. The grey relational grade is then determined by aggregating the grey relational coefficients. This grade provides a single value that indicates how closely each alternative aligns with the reference sequence. Higher grades suggest a stronger relationship to the ideal outcome.[23] Finally, the alternatives are ranked based on their grey relational grades. This ranking helps decision-makers identify the most favorable options based on the analysis. Grey Relational Analysis is a powerful tool for analyzing complex systems characterized by uncertainty and incomplete information. By focusing on the relationships among various factors, GRA provides valuable insights for decision-making across multiple disciplines. Its ability to handle ambiguity while offering a clear framework for evaluation makes it an indispensable method in today's data-driven world.[24]

#### 4. RESULTS AND DISCUSSION

TABLE 1. Payment bank

	Interest Rate on Savings (%)	Customer Satisfaction Score (out of 10)	Mobile App Usability Rating (out of 5)	ATM Network Coverage
High-Interest Bank	31.08	139.53	29.15	22.05
Customer-Centric Bank	29.12	142.97	33.69	27.30
Low-Fee Bank	24.08	122.58	29.18	23.10
Wide-Network Bank	23.17	128.28	24.60	17.59
Balanced Service Bank	33.33	186.41	27.96	18.89

These values represent the raw scores for different banks across various performance metrics: interest rate on savings, customer satisfaction score, mobile app usability rating, and ATM network coverage. The interest rate is expressed as a percentage, while the customer satisfaction score is out of 10, the mobile app usability rating is out of 5, and ATM network coverage is likely measured by some unit indicating coverage area or number of ATMs. These raw values can be used for in-depth analysis or comparison, but often, they need to be normalized or standardized for better insights, as they vary widely in scale.

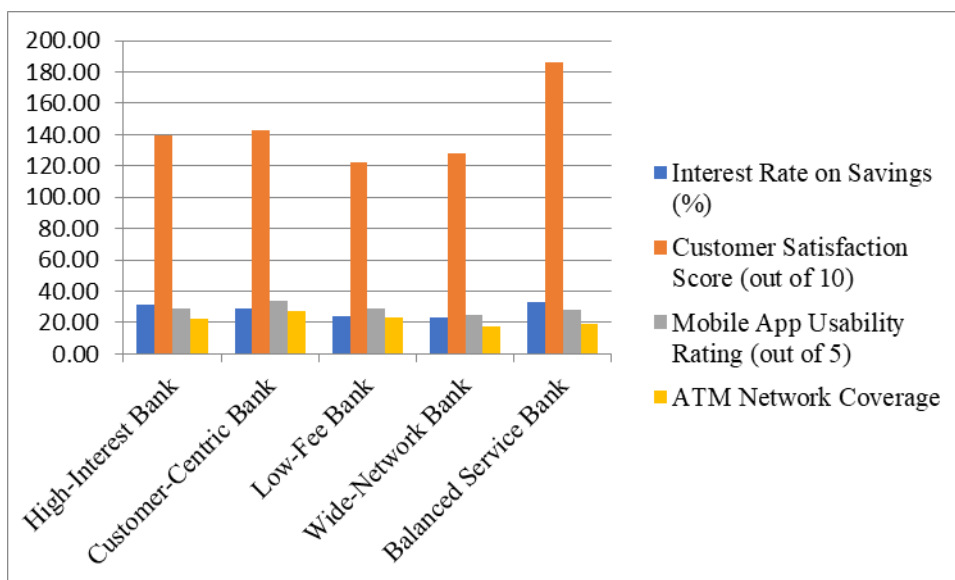


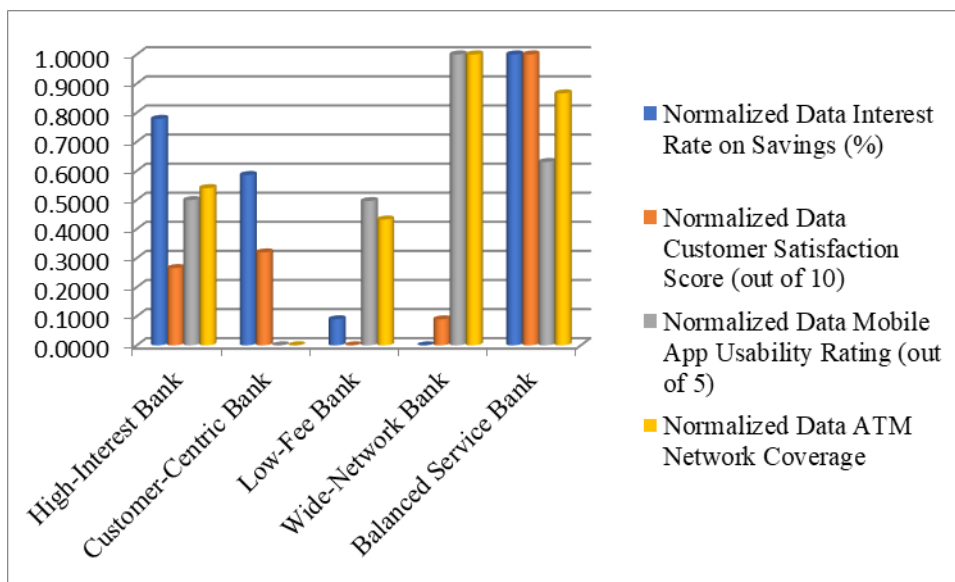
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**TABLE 2.** Normalized Data

Normalized Data				
	Interest Rate on Savings (%)	Customer Satisfaction Score (out of 10)	Mobile App Usability Rating (out of 5)	ATM Network Coverage
High-Interest Bank	0.7785	0.2655	0.4994	0.5407
Customer-Centric Bank	0.5856	0.3194	0.0000	0.0000
Low-Fee Bank	0.0896	0.0000	0.4961	0.4325
Wide-Network Bank	0.0000	0.0893	1.0000	1.0000
Balanced Service Bank	1.0000	1.0000	0.6304	0.8661

Normalized data refers to the transformation of raw data into a consistent scale, typically between 0 and 1, to allow for easier comparison. In this case, the values for each bank's performance metrics interest rate, customer satisfaction, mobile app usability, and ATM network coverage have been adjusted so that they all fall within a standardized range. A value of 1 indicates the highest performance, while 0 represents the lowest. This normalization process removes unit differences and makes the comparison across various banks more straightforward, allowing for an equal evaluation of each metric regardless of its original scale.



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**TABLE 3.** Deviation sequence

Deviation sequence				
	Interest Rate on Savings (%)	Customer Satisfaction Score (out of 10)	Mobile App Usability Rating (out of 5)	ATM Network Coverage
High-Interest Bank	0.2215	0.7345	0.5006	0.4593
Customer-Centric Bank	0.4144	0.6806	1.0000	1.0000
Low-Fee Bank	0.9104	1.0000	0.5039	0.5675
Wide-Network Bank	1.0000	0.9107	0.0000	0.0000
Balanced Service Bank	0.0000	0.0000	0.3696	0.1339

A deviation sequence is a method used to analyze how individual data points differ from a reference value or baseline. In this context, the deviation sequence represents the differences in key metrics for each bank such as interest rate on savings, customer satisfaction, mobile app usability, and ATM network coverage relative to an expected value or ideal performance. Each metric is expressed as a deviation value, showing whether a bank's performance is higher or lower compared to the others. This helps identify strengths and weaknesses in various service aspects, guiding comparisons between the banks.

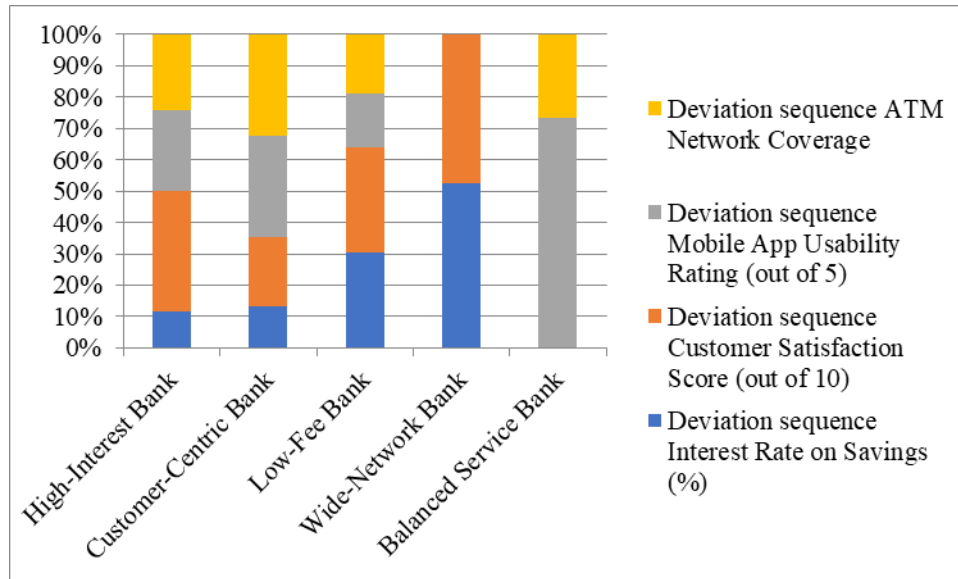


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TABLE 4. Grey relation coefficient

Grey relation coefficient				
	Interest Rate on Savings (%)	Customer Satisfaction Score (out of 10)	Mobile App Usability Rating (out of 5)	ATM Network Coverage
High-Interest Bank	0.6930	0.4050	0.4997	0.5212
Customer-Centric Bank	0.5468	0.4235	0.3333	0.3333
Low-Fee Bank	0.3545	0.3333	0.4981	0.4684
Wide-Network Bank	0.3333	0.3544	1.0000	1.0000
Balanced Service Bank	1.0000	1.0000	0.5750	0.7888

This table presents Grey Relation Coefficient (GRC) values for five types of banks across four metrics: Interest Rate on Savings (%), Customer Satisfaction Score, Mobile App Usability Rating, and ATM Network Coverage. The "Balanced Service Bank" scores highest overall, achieving perfect scores (1.0000) in customer satisfaction and high ratings in network coverage, indicating a strong, balanced performance across services. The "Wide-Network Bank" excels in mobile app usability and network coverage, while the "High-Interest Bank" performs well in interest rates but has moderate scores in other areas. This distribution highlights each bank type's focus on different strengths based on the GRC metric.

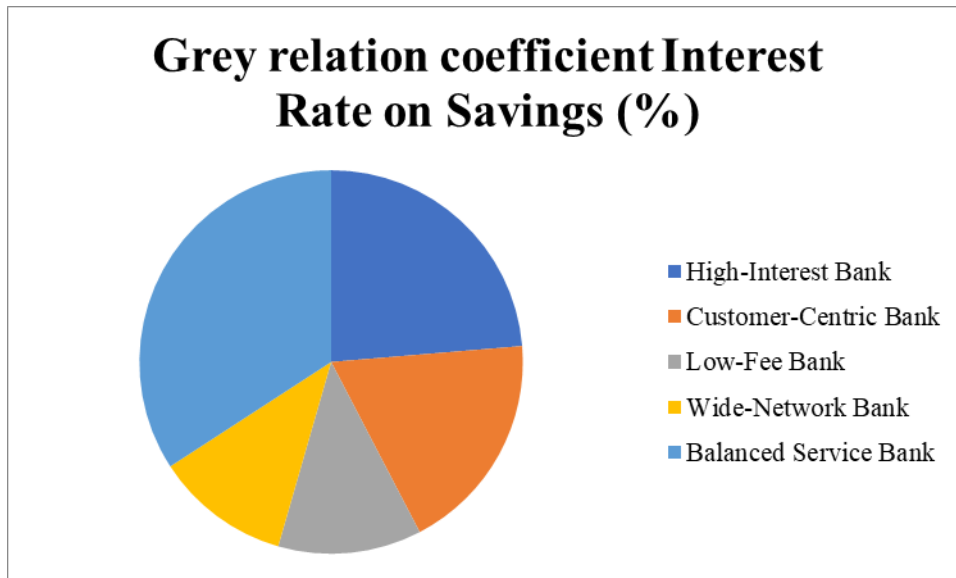


FIGURE 4. Grey relation coefficient

This pie chart illustrates the "Grey Relation Coefficient" (GRC) percentages for interest rates on savings across various types of banks. Each segment represents a different bank type, with portions indicating their relative GRC values. The "High-Interest Bank" occupies the largest segment, suggesting it has the highest coefficient related to interest rate offerings on savings accounts. Other banks, including "Customer-Centric Bank," "Low-Fee Bank," "Wide-Network Bank," and "Balanced Service Bank," occupy smaller segments, implying lower coefficients in comparison. This distribution highlights the dominance of high-interest banks in savings rate attractiveness, while other banks may emphasize different features over high interest rates.

TABLE 5. GRG

GRG	
High-Interest Bank	0.5298
Customer-Centric Bank	0.4093
Low-Fee Bank	0.4136
Wide-Network Bank	0.6719
Balanced Service Bank	0.8409

GRG (Goal-Programming-Based Ranking) is a method used to rank entities based on their performance across multiple criteria, often considering both the ideal and desired goals. The values shown for each bank ranging from 0.4093 to 0.8409 represent the GRG scores. A higher GRG value indicates better overall performance relative to the goals set for each metric (such as interest rates, customer satisfaction, or ATM network coverage). The banks are ranked from lowest to highest GRG scores, with the Balanced Service Bank having the highest performance, suggesting it best meets the predefined goals across its evaluated factors.

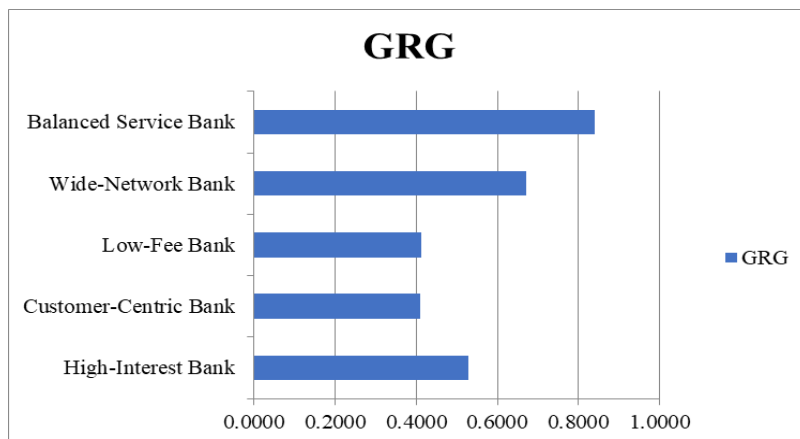


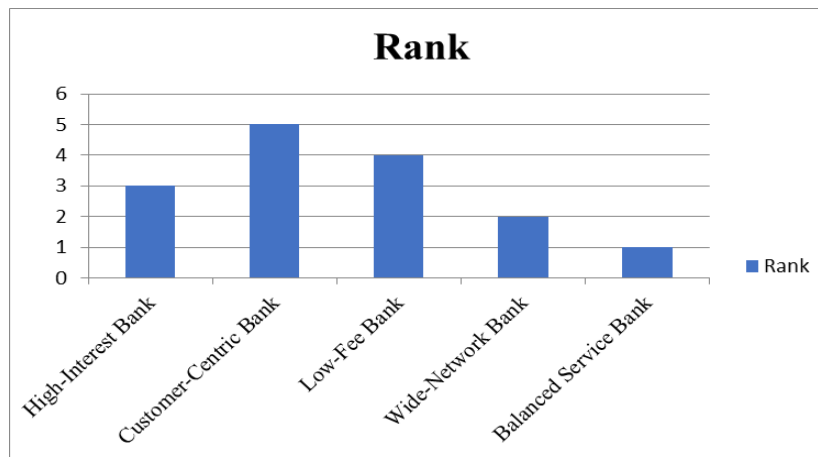
FIGURE 5. GRG

This horizontal bar chart displays the "GRG" values for different types of banks. The "Balanced Service Bank" has the highest GRG score, reaching nearly 1.0, suggesting it is the most favorable option based on this metric. The "Wide-Network Bank" follows with a GRG of around 0.8, indicating a strong position as well. The "Low-Fee Bank" and "Customer-Centric Bank" have mid-range GRG scores, suggesting moderate effectiveness. The "High-Interest Bank" has the lowest GRG score, under 0.5, indicating it ranks the least favorably. This ranking highlights the balanced service and network coverage as key strengths in banking preferences or performance.

**TABLE 6.** Rank

Rank	
High-Interest Bank	3
Customer-Centric Bank	5
Low-Fee Bank	4
Wide-Network Bank	2
Balanced Service Bank	1

The "Rank" values represent the relative position of each bank based on their performance across various criteria. These rankings are typically determined after evaluating multiple metrics, such as interest rates, customer satisfaction, mobile app usability, and ATM network coverage. A lower rank number indicates a better overall performance, with 1 being the highest rank and 5 being the lowest. In this case, the Balanced Service Bank is ranked 1, meaning it performed the best, while the Customer-Centric Bank is ranked 5, indicating it ranked lowest in comparison to the other banks based on the evaluation criteria.



**FIGURE 6.** Rank

This bar chart shows the ranking of different types of banks based on an unspecified metric. The "Customer-Centric Bank" ranks the highest with a score of 5, followed by the "Low-Fee Bank" at 4. The "High-Interest Bank" has a score of 3, while the "Wide-Network Bank" ranks lower at 2. The "Balanced Service Bank" ranks the lowest with a score of 1. This ranking suggests a preference or performance hierarchy, with customer-centric and low-fee banking options appearing to be more favorable compared to others, possibly due to their focus on customer satisfaction and affordability.

## 5. CONCLUSION

In recent years, the banking landscape has undergone significant transformations, driven by technological advancements, regulatory changes, and evolving customer expectations. One of the most innovative developments in this transformation is the emergence of payment banks. These banks, designed primarily to offer basic financial services through technology, have the potential to address financial inclusion challenges and reshape the way people engage with banking. In this conclusion, we will explore the key features, benefits, challenges, and future prospects of payment banks, along with their impact on the financial ecosystem. Payment banks are a new category of banks introduced in several countries to provide basic banking services without involving the complexities of traditional banks. They were first proposed by the Reserve Bank of India (RBI) in 2014, aiming to offer simple financial services, primarily focusing on digital payments, remittances, and low-cost savings accounts. Unlike traditional commercial banks, payment banks are not allowed to offer loans or take on credit risks. Their primary business model revolves around facilitating payments and offering basic deposit products. Financial Inclusion One of the most important contributions of payment banks is their role in promoting financial inclusion. In many developing countries, large segments of the population are unbanked or under banked, with limited access to formal financial services. Payment banks, with their low-cost, digital-first approach, have bridged this gap by providing access to savings accounts, digital payments, and remittances. This allows individuals in remote areas

to participate in the formal financial system, improving their access to economic opportunities. Affordable and Accessible Banking Services Payment banks typically charge fewer fees compared to traditional banks. They offer basic banking services such as savings accounts, money transfers, and bill payments at a lower cost. This affordability makes banking services more accessible to people with lower incomes, helping them manage their finances better. Additionally, the use of digital platforms means that customers do not need to visit physical branches, saving them time and transportation costs. Promotion of Cashless Transactions With the growing emphasis on digital payments, payment banks have played a significant role in promoting cashless transactions. They enable individuals to conduct secure, online transactions, which not only reduces dependency on physical cash but also enhances financial transparency and accountability. In a country like India, where cash transactions have historically dominated, payment banks are helping shift towards a more digital economy, in line with government initiatives like Digital India. Remittance Services Payment banks have made it easier and more affordable to send money across borders or to remote areas. Many payments banks partner with various money transfer services, allowing for cost-effective, quick, and secure transfers. This is particularly beneficial for migrant workers who need to send remittances back home. By providing these services at a fraction of the cost of traditional remittance methods, payment banks have made international money transfers more accessible. Enhanced Security and Transparency Since payment banks operate predominantly through digital channels, they offer enhanced security features, such as encryption and two-factor authentication. These features help reduce the risks associated with physical cash and unauthorized access to financial accounts. Digital banking also fosters greater transparency in financial transactions, as all transactions are recorded and easily traceable. Limited Product Offerings Payment banks are restricted in terms of the products they can offer. They cannot provide loans, credit cards, or other complex financial products available through traditional banks. This limits their ability to fully cater to customers' diverse financial needs, particularly for those looking for credit products or investment opportunities. While payment banks focus on basic savings and payment services, customers may need to seek other financial institutions for additional services. Profitability Concerns The low-cost nature of payment banks, coupled with limited-service offerings, makes it challenging for them to generate substantial profits. Without the ability to offer high-margin products like loans, payment banks often rely on transaction fees and deposits for revenue. However, with low-income customers and limited business operations, achieving profitability can be difficult. As a result, many payments banks face financial sustainability concerns and struggle to scale their operations effectively. Regulatory and Compliance Issues Payment banks operate under strict regulatory frameworks set by central banks, which can sometimes limit their flexibility in terms of innovation and expansion. Additionally, ensuring compliance with regulations related to anti-money laundering (AML) and know-your-customer (KYC) requirements can be costly and complex, especially for smaller payment banks that lack the infrastructure of larger institutions. Regulatory challenges can hinder the growth and scalability of these banks. Infrastructure and Technological Barriers While digital banking offers convenience, it also relies heavily on technological infrastructure. Payment banks must invest in secure and scalable digital platforms to handle a large number of transactions, manage customer data, and offer a smooth user experience. In many developing countries, issues like unreliable internet connectivity, lack of technological literacy, and inadequate digital infrastructure can limit the effectiveness of payment banks, especially in rural areas. Competition from Traditional Banks and Fin tech Companies Payment banks face stiff competition from traditional commercial banks, which are increasingly offering digital banking solutions and lower-cost services to attract customers. Additionally, fin tech companies and mobile wallet providers, such as PayPal and Google Pay, are also competing for the same customer base by providing easy-to-use digital payment solutions. Payment banks must differentiate themselves by offering unique services or features to stay competitive in the fast-evolving financial landscape. The future of payment banks looks promising, but it will require overcoming the challenges outlined above. As digital infrastructure continues to improve, particularly in emerging markets, the potential for growth in the payment banking sector is significant. The increasing adoption of smart phones and the internet, along with government support for digital financial inclusion initiatives, presents a strong foundation for payment banks to expand their reach. To ensure long-term success, payment banks may need to diversify their service offerings and explore new business models. For example, they could partner with traditional banks to offer more comprehensive services or expand into lending and insurance products through partnerships with other financial institutions. As customer demands for personalized financial products rise, payment banks may also leverage data analytics and artificial intelligence to offer tailored solutions. Moreover, the growing focus on financial literacy and the shift toward digital financial education will create new opportunities for payment banks to engage with customers and help them better understand the benefits of digital banking. In conclusion, payment banks have the potential to revolutionize the banking sector by making financial services more accessible, affordable, and secure. They play a vital role in driving financial inclusion, promoting cashless transactions, and offering affordable remittance services. However, they face several challenges, including limited product offerings, profitability concerns, regulatory hurdles, and infrastructure limitations. Despite these challenges, the future of payment banks appears promising, with opportunities for growth through technological innovation, strategic partnerships, and diversification of services. With the right support and strategic planning, payment banks can become a critical pillar of the global financial ecosystem.

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