Payment Banks For Financial - Literacy and Inclusion

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ABSTRACT

The service marketing needs more attention on offering efficient services to the customers. As the services are invisible, they can gain confidence and goodwill through efficient and prompt customer services only. Among the service organizations banks play an important role in marketing various types of needs of the customers. Indian economy is advancing towards smart and cashless, that is essential for general population to know about e wallet and payment banks. IT enabled financial literacy makes our nation smart and less corrupted. Payment banks play the role to have financial inclusion by giving proper awareness among the population. This paper focuses on a purview of awareness level among people towards Payment Banks. The study is based on recently published articles and updated news in nationwide printed and online medias related to Payment Banks.

Key words: Payment Banks, Financial literacy, Financial inclusion, Cashless economy

INTRODUCTION

Pradhan Mantri Jan Dhan Yojana (PMJDY), one of the biggest financial inclusion initiatives, was announced by Prime Minister, Shri Narendra Modi on 15th August 2014.It aims at providing a platform for the low-income groups to save their life earnings. In the absence of such a platform, income of the disadvantaged sector including the rural labourers and the urban wage workers is often saved in the form of gold or is used in overspending.

Pradhan Mantri Jan Dhan Yojana provides a platform for universal access to banking facilities with at least one basic banking account for every household, financial literacy, and access to credit, insurance and pension facility. It covers both urban and rural areas and those who open account would get indigenous Debit Card. Payments banks will be available where physical penetration is difficult at less cost of banking services when compared to differentiated banks.

OBJECTIVES OF THE STUDY

- To have an insight on the concept of payment banks.
- To know how payment banks, facilitate for financial inclusion.
- To identify the limiting factors in the operation of payment banks.

RESEARCH METHODOLOGY

This is a conceptual paper. The inferences are based on the secondary data. Here data is collected from various books, journals, research articles and published government reports.
Payment Bank

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On 23 September 2013, Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households, headed by Nachiket Mor, was formed by the RBI. On 7 January 2014, the Nachiket Mor committee submitted its final report. Among its various recommendations, it recommended the formation of a new category of bank called payments bank. Payment Banks are a part of a special category banks which are authorized to offer a limited range of services to its customers, which include providing remittances and receiving payments.

This is the first time in Indian history the RBI has granted banking authority to other non-banking financial sectors and has provided a second set of differentiated licenses to small-scale banks. This initiative is aimed at redefining the Indian economy by providing a secure payment gateway for all transactions. It also reaches out to the migrant labourers and lower income groups by providing all services on mobile phones and issuing a very low transaction fee for every service.On 19 August 2015, the Reserve Bank of India gave "in-principle" licences to eleven entities to launch payments banks. Three of them surrendered the license later.

1. Aditya Birla Nuvo Limited (Idea)
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. India Post Payment Banks
5. Fino Pay Tech Limited
6. National Securities Depository Limited (NSE)
7. Reliance Industries Limited
8. Shri. Dilip Shanthilal Shanghvi (Sun Pharma)
9. Shri. Vijay Shekhar Sharma (Paytm)
10. Tech Mahindra Limited
11. Vodafone m-pesa Limited

After demonetisation, this is the RBI’s second move to eliminate black money and promote cashless transactions to digitise India. Since it is an initiative to go cashless, it eliminates the need to exchange bad currency notes and the cost of regeneration of fresh notes. According to RBI guidelines issued in November 2014, a payments bank will maintain cash reserve ratio with the central bank. Apart from it, they will be required to invest minimum 75% of their deposits in statutory liquidity ratio eligible government securities with maturity up to one year and hold maximum 25% in current and time deposits with other scheduled commercial banks for operational purposes and liquidity management.

As per RBI norms there are some restrictions and permissions

- They can’t lend loan.
- They can’t issue credit cards.
- They can’t accept NRI deposits.
- They can accept deposit up to one lakh like savings bank account.
- They can provide transfer and payment facilities through mobile phone.
- They can offer automatic payments of bill.
- They can issue Debit card and ATM card.
- They can facilitate direct transfer to bank account.
- They can offer forex services.
- They can issue forex card to travellers.

HISTORY OF PAYMENT BANKS

23 September 2013: The RBI formed a committee on comprehensive financial services for small business and low-income households headed by Nachiket Mor.

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7 January 2014: Committee submitted its final report with various recommendations includes the formation of new category of bank called Payment Banks.
17 July 2014: The RBI issued the draft guidelines for the Payment Banks, inviting interested entities.
27 Nov 2014: RBI released final guidelines for payment banks.
6 July 2015: The external advisory committee submitted findings. The applicant entities were examined for their financial track record and govt issue.
19 August 2015 The RBI gave “in principle” licenses to 11 entities to launch payment banks out of these 3 were surrendered.

PAYMENT BANKS AND FINANCIAL INCLUSION

Indian banking system has witnessed some remarkable changes since 1991 with adaption of new economic policy. Banking sector is one of the well performing sector after liberalisation and the success is related with the major timely banking reforms taken by RBI. The term financial inclusion refers the delivery of financial services at minimum cost to the lower income and unbanked segment of the society. The Govt of India introduced payment banks with the primary objective of widening the banking area to the unbanked rural. There are millions of Indians don’t have access to banking facilities. They are not able to avail the benefits, loan, insurance and even interest on savings. India can achieve 80-90 percentage of financial digitalisation through payment banks with providing IT enabled financial literacy among the rural public. The payment banks play a significant role in implementing government’s direct benefits, transfer schemes, where subsidies on health treatment, education, and gas were paid directly to beneficiaries account. The customers can open and operate their account with payment banks by using smart phone with internet without visiting the branch itself, which make more attractive and easier to go for financial inclusion.
Payment banks are coming under the category of M Banking which can be operated with the help of smart phone with internet. Cash withdraw and pay in more rural location, through any point of sale terminal with a business correspondent, essentially an authorised partner for the banks,who can even verify the KYC on behalf of banks.

BOTTLENECKS IN OPERATION

Resistance from customers’ end: In the banked segment, the biggest challenge faced by the payment banks is the attitude of customers. Even the educated customers resistant to shift their traditional way of banking to smart on security and reliability concern.

Less awareness of e payment: Less educated and lower access to the internet and IT infrastructure population especially from rural and semi urban are not much aware of payment banks and its operation.

Online banking provided by traditional banks: Urban Educated customers still go for online banking provided by their banks, which they believe more safety and reliability in operation. They are slowly shifting to new platform of e wallet or m wallet.

Lack of Gift and Cash back facility on FMCG: In the initial stage of penetration to the behavioural segment of customers, payment banks have to widen their offers like vouchers and cash back to Fast Moving Consumer Goods rather luxury.

CONCLUSION

India is going towards the cashless economy, which is more adaptable and feasible with recent economic trend. Payment bank is a key value proposition and would be really a game change in Indian Banking System. Payment banks provide higher customer engagement by providing them 24x7 access to the different kinds of transactions at minimum cost and effort. They support the clients with various collaborations by which they provide specific service with extreme quality. But still in India even educated and employed people not aware of payment banks, its services, benefits and security norms. Government of India should conduct some awareness programme in this context. Internet literacy needs to be promoted among the rural as well as urban due to digital illiteracy.The Payment Banks should blend their banking operation with traditional banks and gradually shift to new system to cater the resistance level of clients.

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