ABSTRACT

In Indian economy have been cashless transaction and today banks played very important role in the society. Payment banks have another innovative banking service in India, payment banks transaction going on only digital instrument. Payment Banks, to which licenses have been issued by the RBI, are a step in the direction of banking/financial inclusion. They are not only likely to reach out to unbanked people and rural areas but will also ensure more money coming into the banking system and will introduce more competition among banks. The innovation is also expected to accelerate India’s journey into a cashless economy. India’s domestic remittance market is estimated to be about Rs. 800-900 billion and growing. With money transfers made possible through mobile phones, a big chunk of it, especially that of the migrant labour, could shift to this new platform. Payment banks can also play a crucial role in implementing the government’s direct benefit transfer scheme, where subsidies on healthcare, education and gas are paid directly to beneficiaries’ accounts.

Keywords: Banking sector, Payment bank services and financial needs

INTRODUCTION

Payments bank is the new buzzword in the banking industry. Payments bank have a multiplier impact on the banking system and financial inclusion, as they will provide doorstep banking to people in remote areas at lower cost and compete with traditional banks in future. Payments bank has built on a new model that will be focused on bringing financial services to the hundreds of millions of un-served or under-served. The pattern in which the payments bank is being formed, the overhead cost is very less because the existing structure is being used. A payments bank cannot lend or give advances to customers. It can issue cheque books and debit cards but not credit cards. There is a limit on the money you can keep in your account. You cannot keep more than Rs.100,000 in the paytm payments bank. The purpose behind these banks is to provide quick and basic banking services to the people at the bottom. Payments bank is played important role in India as a mechanism for financial inclusion and a millstone in Indian banking. The main purposes of payments bank not conduct business but also serve people. The new model of banking allows mobile firms, super market chains and others to cater to banking requirements of individuals and small business.

OBJECTIVE

1. To know the features and advantages of payments bank.
2. To examine the payments bank guidelines by RBI and payments bank in India.
3. To analysis the opportunities and challenges of payments bank.
4. To offer appropriate suggestions for an effective payment banks by RBI

RESEARCH METHODOLOGY

It is a conceptual study so no further data are required and it is not included in the study. Therefore hypothesis and testing could not be applicable. It is based on secondary data.

FEATURES OF PAYMENTS BANK

A payments bank is a differentiated bank with the specific objective of catering to the unbanked and under-banked. Although the Pradhan Mantri Jan Dhan Yojana has brought down the number of unbanked individuals in the country, there are still millions who do not have bank accounts. According to a World Bank report, India is home to 21% of the world's unbanked adults. Payments banks aim to service these customers, especially migrant workers and those from lower income households, as well as bring them into the formal financial system. While opening a bank account requires documentations and takes time, with payments banks, the process is fairly simple, paperless and instant, since the latter are primarily operated using mobile phones.

For instance, all you need to start using Airtel Payments Bank, the country's first payments bank, is your Aadhaar number, which is used for e-KYC, and your mobile number, which doubles as your account number. The key focus of payments banks is on the payments space. They facilitate domestic and international remittances, bill payments, wage payments, recharges, insurance premium payments, etc. While they also provide deposit and withdrawal facilities, they cannot lend like traditional banks. Given that India still has a rural population of 67%, which does not have easy access to basic banking facilities; payments banks can offer an effective alternative.

ADVANTAGES OF PAYMENTS BANK

1. Traditional banks can do everything payments banks can, but due to their structures and business priorities they may be unable to cater to certain segments and geographies.
2. The bank to open branches in every village across the country, payments banks can fill this gap through the use of mobile phones. There are two main ways in which payments banks are different from traditional banks: they can accept deposits of only up to Rs 1 lakh, and they cannot lend. Since payment banks aren't allowed to lend, they make their profits by selling third party products.
3. Payments banks largely deal with low value, high volume transactions. Hence, players who have a large presence, are accessible across platforms, and are able keep their costs low while providing a varied bouquet of services to customers, will be successful. Payments banks, therefore, complement traditional banks, rather than compete with them.
4. Payments banks themselves cannot offer certain services to customers, they can always partner with traditional banks for providing loans and selling investment products.
5. In payment banks, customers are willing to pay for the services they don't have access to otherwise. Payments banks have a chance to reach out to them with these products at reasonable prices, by tying up with the right partners.

PAYMENT BANKS GUIDELINES BY RBI

RBI has spelled out clear guidelines for payment banks. While it is expected that these guidelines would evolve over the coming years, the following is what has been laid out as the initial set of guidelines.

1. Minimum entry capital for payment banks is fixed at rs.100 crores. The committee had recommended an amount of rs.50 crores but it seems that RBI has chosen to play safe and doubled the amount. This high amount of initial capital would mean that innovation would be slow because the risk to the payment bank model is very limited.
2. Payment banks can accept demand deposits. The restriction therein is that the maximum balance per customer can only be Rs.1, 00,000. This can be for both current and savings accounts. All deposits have to be invested in Government bills and securities, thereby indicating that fee income for transactions is what would probably be the biggest revenue driver for payment banks.

3. Payment banks would primarily provide remittance and payment services. The boundary condition here is that the total credits into an account should not exceed Rs.1, 00,000. This means that the payment banks would only make sense to lower economic strata of the Indian banked and unbanked population.

4. Payment banks must be a banking correspondent of a commercial bank where in they can offer services like marketing of bank’s loan products etc.

5. Commercial banks can also leverage this model by launching a payment bank subsidiary.

6. Currently RBI has not talked about the pricing for the services of the payment banks. Given the tough regulatory framework for payment banks, a pricing flexibility would be essential.

7. Payment banks can be “Internet only”. It is a very interesting proposition and it remains to be seen if this is the path that India’s first digital bank would take. With the increased usage of mobile, social media and internet, possible value has only increased in the last few years.

**PAYMENTS BANK IN INDIA**

Payments banks offer a great deal of convenience to customers. Even if you have an existing account with a traditional bank, a payments bank can allow you to access banking services and perform transactions, well after the normal banking hours have ended. This eliminates the need for you to make time specifically for travelling to your branch to carry out transactions.

Another important benefit is cash digitisation. Nearly 90% of transactions in India are typically cash based, but demonetisation has given a huge push to payments banks with its emphasis on digital transactions. We have already witnessing new set of customers, including vendors, grocers and small business owners, opting for cashless payments. The adoption level has only increase going forward, and payments banks have facilitated this digital transformation.

Payments banks are therefore expected to create some disruption in the banking system and bring banking to the masses on a wider scale. While Airtel has launched its services, other players like FINO PayTech and Aditya Birla Idea Payments Bank are looking to launch theirs by early next year.

**Table 1: Showing Size of Deposits**

<table>
<thead>
<tr>
<th>Size of deposits</th>
<th>Individuals</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of accounts (%)</td>
<td>Amount (%)</td>
<td>No. of accounts (%)</td>
</tr>
<tr>
<td>Less than Rs.25,000</td>
<td>31.5</td>
<td>2.4</td>
<td>38.6</td>
</tr>
<tr>
<td>Rs.25,000 to Rs.1,00,000</td>
<td>36.4</td>
<td>13.1</td>
<td>29.5</td>
</tr>
<tr>
<td>Rs.1,00,000 to Rs.15,00,000</td>
<td>31.3</td>
<td>55.7</td>
<td>28.7</td>
</tr>
<tr>
<td>Rs.15,00,000 to Rs.1 crore</td>
<td>0.8</td>
<td>15.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Rs.1 crore and above</td>
<td>0.0</td>
<td>12.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: RBI's latest report on Basic Statistical Returns, 2016
While the Rs 1 lakh deposit limit of payments banks may seem small, around 70% of the bank accounts in India have less than Rs 1 lakh deposits.

Reserve Bank of India's move to set up 11 payments banks is expected to expand penetration of the banking sector in rural areas of the country, According to World Bank report. The decision by the Reserve Bank of India to grant in principle approval for 11 entities to set up payments banks, which would be directed at small savers in underserved (largely rural) markets, could help transform the rural remittances market. On 19 August 2015, the Reserve Bank of India gave "in principle" licences to eleven entities to launch payments banks:

1. Aditya Birla Nuvo Limited (IDEA)
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. Department of Post, Govt. of India
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

OPPORTUNITIES AND CHALLENGES OF PAYMENTS BANK

In a significant reform from the post 1991 era of Indian Banking, RBI has understandably taken a bold step by mooting the ideas of Payment Banking and Small Banking in 2015. As early as last two years ago RBI allowed 11 entities to start payment banks; the following opportunities and challenges of payments bank in India

1. Payment Banks are aimed to be an important tool in the idea of Financial Inclusion by providing small saving accounts, payment and remittances by enabling high volume - low value transactions in deposits and payment / remittance services.

2. Payment Banks, the The Newbie of the Town have the burden of huge expectations on them. As a matter of fact, along with banking for the un-banked, they are expected to provide both insurance and mutual fund products. These banks however will not offer any loans and credit cards unlike the regular banks, what’s often termed as universal banking.

3. Payment banks are allowed to invest their deposits in Government bonds. The operational limit of these banks is Rs 1 lakh per account, which considering the target market is ideally balanced. of the total 41 applicants, RBI has approved, in Principle approval for 11 major players including the likes of Airtel, Vodafone, NSDL , Tech Mahindra etc.,

4. Payments Banks are believed to be the safest of banks since they have only the government as the borrower. Who has Rs 100 crores in his pocket and has the ability to pass the RBI's fit and proper norm, shall get into the Payment Bank business in future. We could even see about 50 - 100 such banks being setup in the next couple of decades, revolutionizing the money flow. The mere geographical reach of the Payment Banks and the idea of their presence everywhere will impact whole India in totality.

5. Payments bank will essentially depend on Technology to reach to all the customers, using mobiles as the vehicle of banking, as mobile go even where humans don't. While physical bank branches will still be needed for some purposes likes opening an account, depositing cash etc., Mobile phone will become the virtual ATM and small payments cheque-book, day-to-day payments including peer-to-peer payments.

6. The cost savings through paperless branch-less mode of banking, intense competition is anticipated in Payment Banking System. This should eventually drive down the charges for
remittances, fund transfers and other banking transactions. Customers of the regular banks who do not have the means to maintain minimum balance can be welcomed to these banks as revenue is earned through transaction charges and not on the spread of interest between deposits and loans.

7. Government will be the biggest beneficiary of the payment banking, as payment banks will expand its access to cheap funds. Currently regular banks are the largest investors in government bonds. While this will remain so even with the entry of payment banks, the sheer impact of additional money coming into Payment Bank accounts which can only invest in short term government bills (up to 1 year), will drive down short term interest rates, and the government can thus borrow more cheaply.

8. Payment Banks to target migrant labourers and self-employed besides low income household, offering low cost savings accounts and remittance services, this new experiment comes with its own set of challenges. Since Payment Banks are stripped down i.e., they can’t offer loans or credit, the question of who will serve the credit needs of the un-banked still remains at large.

9. Payment Banks also pose a new regulatory challenge to the RBI and RBI will need to step up its game. However, in the background of limited access to formal banking system, the move to introduce new forms of banking must be the way to go forward.

SUGGESTION TO PAYMENT BANKS BY RBI

1. The Reserve Bank of India (RBI) has suggested payments banks that have been granted the in-principle licence to ensure there is sharing of infrastructure among banks. The regulator believes that have help achieve the spirit of financial inclusion more efficiently.

2. The idea by the banking regulator is that there should be sharing of resources and functional interoperability which has also allows us to keep the costs under check.

3. For payments banks keeping a check on the cost have be an important concern. As part of the mandate, these banks need to reach the unbanked area where infrastructure sharing has become a key to ensure cost efficiency.

4. New banks will be required to fulfil the expectation of payment access points within 15 minutes of walking distance. This has necessitated better automated teller machine (ATM) infrastructure. Common infrastructure such as white label ATMs (WLAs), micro ATMs and cash recyclers may be desirable to achieve this goal, driving the creation of common infrastructure and collaboration.

5. The sharing of infrastructure has already begun with certain payments and small finance banks looking at tying up with WLA players. The cost structure works out for the niche banks with the cost of setting up an ATM being Rs 3-5 lakh while the cost of maintaining it is Rs 25,000-40,000 a month. However, if the bank opts for a tie-up with the WLA operator, then they only have to pay the interchange fee.

6. Out of the 42 applicants for payments bank licence, RBI granted in-principle licence to 11 applicants. Payments banks can accept deposits of up to Rs 1 lakh and offer current and savings account deposits. They can also issue debit cards and offer internet banking. But they are not allowed to lend or issue credit cards.

7. On the other hand, payments have asked RBI for further flexibility in the investment regime. According to the current rules, payments banks need to invest 75 per cent of the demand deposit balances in government securities and treasury bills with maturity up to one year.

CONCLUSION

Payment banks can be conceptualized and understood an entity similar to traditional banks but catering to a niche area. The main aim of a payments bank is to provide small savings accounts; payment services ensure delivery of subsidies across all sections of households and rural people. Today many people not have a bank account that in includes millions of people in our country. We see that approximately 50 percent of the Indian population is unbanked and thus lacks banking accounts and its faculties. Payments bank has provided secure cashless transactions using the digital medium. Finally
this excellent platform to achieve financial inclusion and RBI has taken effective steps formulated policies and strategies for implementation of payment banks successfully, many players have a good reach to all section of the society.

MANAGERIAL IMPLICATION

1. The policies and strategies adopted by Reserve Bank of India, the central bank of the country is providing very innovative and flexible financial services to its customers by all modes of innovation. But still performance can be enhanced by means of customer satisfaction and also by handling customer’s requirements in a more effective manner.
2. The RBI has mainly focused on the innovative as well as promotion of lower income group’s welfare side and also welfare of the society.
3. The CSR policy of the bank is really very innovative and is very strategic in nature up to an extent. But it is observed that banks in India are moving towards sustainability through innovative service and flexible operations and offerings. That the rate of innovation mechanism adopted by RBI and relevant Banks has enhanced. But this Era of innovative mechanism is surely going to be a great challenge in near and upcoming future for banks in the country.

LIMITATIONS OF THE STUDY AND SCOPE FOR FURTHER RESEARCH

With the entry of payment banks, the process of shifting money from bank accounts to wallets will become truly seamless, and thus it is extremely possible that many customers may open payment bank accounts in addition to their regular bank accounts. The study is based entirely on analysis of secondary data, and as such, all limitations inherent to the primary data directly affect the reliability secondary data. The limitation of conducting research very small business, we cannot need to settings limits the reliability of the collected data. Furthermore, there is a time lag between the collection of data and its subsequent analysis for the purpose of this study. The present paper has focused on the payment banks: emerging challenges & opportunities of cashless transactions in Indian economy

Payment systems have moved from the backroom to the boardroom of all financial institutions due to the recognition of the critical role that a well-functioning payment system plays in supporting the financial and real economies, and also because of the increasing attention bank board’s pay to the automation of banking operations and services and their impact on bank income and profits. From a broader perspective, a less than optimal use of payment instruments and/or inefficient or poorly designed systems to process these instruments may ultimately have an impact on systemic stability, economic development and growth. In April 2007, the World Bank’s Payment Systems Development Group (PSDG) launched the first World Bank Global Payment Systems Survey among national central banks to collect information on the status of national payment and securities settlement systems worldwide.

REFERENCES
