

## An Awareness and Usages Study of Payment Bank

**Dr. Komal Gupta\***

Faculty of Commerce and Management, Kalinga University, Naya Raipur, Chhattisgarh, India.

\*Email: [komal.gupta@kalingauniversity.ac.in](mailto:komal.gupta@kalingauniversity.ac.in)

**G. Divya\***

Faculty of Commerce and Management, Kalinga University, Naya Raipur, Chhattisgarh, India.

\*Email: [g.divya@kalingauniversity.ac.in](mailto:g.divya@kalingauniversity.ac.in)

### Abstract

In India Payment bank, is the process of providing of financial facilities through financial institution especially in the rural area to the householder, small businesses, workforces (labors), and to other small sectors. The bank allows everyone to deposit in their account just two lakh (Rs.200000) not more than that, may be increased further. Financial institution and payment bank issues ATM and debit cards for the customer and they don't have the authority to issue credit cards and give loans to the customers. If someone wants to lend, he/ she should go for the other financial institutions according to the policy of Reserve Bank of India (RBI), the aim of payment bank is to save the small account and provide payment system services to the refugees and help the low-income people of India. It is something new in India, in September 2013 formatted by Reserve Bank of India (RBI) and the RBI gives license to the small institutions and banks for better services.

**Keywords:** RBI, Low-income labors and household, Refugees payment services

### Introduction

Payment Bank is new concept in India, and it is connected to another bank, it has the smaller rule, payment bank provides ATM, Debit card, internet banking, and for third party transfer. Payment bank does not provide credit to customers, it just provides interest for depositor and account holder, everyone can deposit to their account up to two lakhs (Rs.200000) not more than that. In September 2013 this idea was introduced by Nachiket Mor. The committee recommended that the payment bank should provide some interest to customer, those who deposit their money in the payment bank. There were 41 applicants in February 2015 when RBI introduces Payment Bank. Payment banks are registered under the Companies Act 2013 but are governed by a host of legislations such as RBI Act, 1934; Foreign Exchange Management Act, 1999, Banking Regulation Act, 1949; Payment and Settlement Systems Act, 2007 and the like.

The Reserve Bank of India, on 19 August 2015 gave "in-principle" licenses to eleven entities to launch payments banks. The license was valid for 18 months. In the license the entities must fulfil the requirements and they are not allowed to engage in banking activities within the licensed

period of 18 months. If RBI is satisfied with the conditions are fulfilled, the RBI grant full licenses under Section 22 of the Banking Regulation Act, 1949.

The draft of payment bank planned by Reserve Bank of India, was authorized by RBI on 23<sup>rd</sup> September 2013. On 17<sup>th</sup> July 2014, this draft was issued and it was finally released on November 2014. The draft was to invite public, for those who are interested. On February 2014 the RBI( Reserve Bank of India) provided license to the 11 small financial institutions and banks, and later they gave license to few other financial institutions, under Section 22 of the Banking Regulation Act, 1949. The Reserve Bank of India received 72 applications and the process required more than 8 months to complete all the documentation and to issue the licenses.

Following is the list of RBI approved for provisional payments bank licenses:

1. Aditya Birla Nuvo Limited
2. Airtel M Commerce Services Limited
3. Cholamandalam Distribution Services Limited
4. India Department of Posts
5. Fino PayTech Limited

6. National Securities Depository Limited
7. Reliance Industries Limited (Jio)
8. Shri Dilip Shantilal Shanghvi (Sun Pharmaceuticals)
9. Paytm Payments Bank Limited
10. Tech Mahindra Limited
11. Vodafone m-pesa Limited

The following are the banks who surrendered their license:

1. Cholamandalam Distribution Services
2. Sun Pharmaceuticals
3. Tech Mahindra

The following are the list of active payments banks:

1. Airtel Payments Bank
2. India Post Payments Bank
3. Fino Payments Bank
4. Jio Payments Bank
5. Paytm Payments Bank
6. NSDL Payments Bank

The following is the list of defunct payments banks:

1. Aditya Birla Payments Bank (26 July 2019)
2. Vodafone m-pesa Limited

One of the biggest advantages of private sector is to provide better services, that is why Reserve Bank of India formatted payment bank to satisfy the customers, if we compare the payment bank with traditional bank, the payment bank is more successful and provide more and better services to the customers and small businesses, workforce labors, and low-income people. These people are satisfied from operating of payment bank that is why the demand of customers is increasing day-by-day

Currently low-income people who are using payment bank are satisfied with it, with their small amount they get high profits through transactions, and they seem happy with the operation and activities of payment bank that is why the users of payment bank are increasing among low-income group.

### Objectives

There are many objectives of payment bank, but following are the main objective of the payment bank:

- Increasing the financial inclusion through services

- Offering small saving accounts
- Payment of fee or services that is allowing low-income household
- Small business (targeting small business which invests less than 2 lakh)
- Workforce labors (low-income group)
- Small income group of rural area
- Some others unorganized sectors or some sector which has the similar activities as that of unorganized sector

The objectives of the payment bank in India established specially to target those people who have low-income to support small business, for easy and quick transaction through internet and this saves their time. The small businessmen and low-income group find it difficult to carry cash from one place to another as there were many risks of loss or any other damage, that is why RBI made an easy way of transactions. The goal of payment bank is to increase the financial position, save the public money and pay some interest rates to those who have account and it help low-income group and small business in their day-to-day activities.

### Need of Payment Bank

Reserve Bank of India (RBI) taken initiative for payment banks with the primary motive to promote digital, paperless and cashless banking in India, In other side in India 940 million people using mobile which its makes about 75% population of India, most of users are villager or rural people. if users wants to protect their money from robbery, destroy of fiscal money, non-banking financial organizations are granted the authority to offer basic bank services to every Indian citizen. A payments bank is specific objective of catering to the unbanked and underbanked. Even the Pradhan Mantri Jan Dhan Yojana has brought down the number of unbanked individuals, there are millions people 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 planned to service these customers, especially migrant workers and those from lower income households, as well as bring them into the formal financial system. It also has the added benefit of secured, technology-driven transactions which can easily be tracked without any loop hole for black money.

### Advantages

Payment bank in 2014 brought a big opportunity and advantage to the people of India, it made easier the process of purchasing, transferring, withdrawing, saving, and increasing the financial position. Customers of payment bank can take many advantages and benefits, for example:

- Higher interest rate
- Cash back benefits
- Provides account number as the same of your mobile number
- Discount offering
- Save your money
- Zero balance account (means if in your account is no balance there is no charges)
- Convenience benefits (means use of telecommunication)
- 24 hours available services
- Low charges of transactions
- Can transacting and deposit from anywhere and anytime

Payment bank is not like commercial bank that the customers just can deposit and withdrawal their money on a specific time but the people who has account in payment bank they can deposit, withdrawal and transfer anytime and from anywhere to anyone who has account. That is why payment bank got success in India and the customers of payment bank are increasing day-by-day.

### How does payment bank works?

Payment bank in India is a new idea which came into existence in 2014, and it is not like commercial bank, because commercial banks provide all the services to their customers and the deposit is not limited while the payment bank just provides ATM cards, Debit cards and does-not give any loan to the customer and the deposit of payment bank is limited up to Rs 2 lac. Payment bank doing the following activities or operations.

1. Accepting deposit up to 2 lakhs
2. Paying interest up to 4 to 7% for deposit
3. Enables Mobile payment
4. Offering of remittance services
5. Transferring of fund
6. Issue of debit cards
7. Issue of forex cards
8. E- banking services

9. Selling of insurance and funds to the third party for financial protection
10. 24 hours services available
11. Provides services to the rural area
12. Do not provide loan to the customers
13. Do not issue credit cards to the customers

Payment bank is collecting money by deposit and transferring the deposited money to the public companies or to the government banks and the public/ government banks provides higher interest rates because payment bank gives 6% interest while the government/ other banks pay more than 6% interest rate and payment bank charges some amount on each transaction. For example, if your transaction between Rs.10 Up to Rs.4000 The customers should pay Rs.5-25 And if your transaction or withdrawal is more than Rs.4000 payment bank will charge you 0.65% . For instance, Airtel payment bank charge 0.65% per transaction and paying the highest interest rate for saving account 7.25% which is the current best offer.

### Methodology

Nowadays banks using online method for most of their transaction, especially in e-commerce and e-business, these methods take place by e-cash payment, debit card payment, ATM payment, e-wallet payment, prepaid payment, bank transfer, direct carries payment, crypto currencies, pay pal payment and Google payment. These payments take place through internet and bank to bank, customer to bank, bank to customer and customer to customer because it is easy, fast and safe and the customer is able to deposit and withdraw their money, purchase or transfer from anywhere, any time and from any person without much effort.

### Conclusion

RBI (reserve bank of India) formatted the payment bank in 2013 for making easy ways for any transaction through internet for those people who have small, low-income group and small business and clients can save the hour of journeying, it is a 24x7 office no convincing motivation to keep things under control for the opening of bank and no fear of closing at fix time, sooner or later staff unfit to go to all clients so they need to visit again if clients use web banking

it would be important for both client and bank, etc. The main aim of this idea is to collect the small amounts of money which is available with the low-income group or labor workforce, and to increase the financial inclusion of the same. First their money will be saved and from other side the bank invests on their money and pay some interest to the account holder. Payment banks use the electronic system in their banking, helping workforce labor, small business, and low-income groups for saving their money and just do business dealing with e-payment. Now there are many payment banks and financial institutions which got license and they operate in India, because of their good services the customers are satisfied and happy.

### References

1. RBI (Reserve bank of India)
2. Digital marketing books
3. [www.Wikipedia.com](http://www.Wikipedia.com)
4. E-library of Kalinga university of India
5. From [www.youtube.com](http://www.youtube.com)
6. From Airtel M Commerce Services
7. [www.google.com](http://www.google.com)
8. [www.googlechorm.com](http://www.googlechorm.com)
9. Kalinga university of India library
10. From Rajesh Goyal article
11. By Zee Media Bureau on Aug 20,2015,13:08PM IST
12. From Wikipedia, the free encyclopedia
13. Operating Guidelines for Payments Banks
14. Gupta Komal and Divya. G (2022) Customer Perception Toward E-Banking Services Provided by Private & Public Sector Bank in Chhattisgarh. International Journal of Early Childhood Special Education (INT-JECS), 14(3), Pg.no. 2159-2166.
15. Reserve bank of India releases applicants list of payment, small bank licenses
16. RBI releases Report of the Committee on Comprehensive Financial Services for Small Business and Low-Income Households.
17. <https://www.feedough.com/payments-bank/>
18. <https://zeenews.india.com/>
19. <https://bijlipay.co.in/blog/need-payment-banks-india/>
20. [www.allbankingsolutions.com/Banking-Tutor/Payment-Banks](http://www.allbankingsolutions.com/Banking-Tutor/Payment-Banks)
21. [www.answersite.com/Payment bank in India/Answers](http://www.answersite.com/Payment bank in India/Answers)
22. [economictimes.indiatimes.com](http://economictimes.indiatimes.com)
23. [www.allbankingsolutions.com](http://www.allbankingsolutions.com)
24. [www.investopedia.com/terms/p/payment.asp](http://www.investopedia.com/terms/p/payment.asp)
25. [www.quora.com/What-are-payment-banks-objectives](http://www.quora.com/What-are-payment-banks-objectives)
26. [www.rbi.org.in](http://www.rbi.org.in)
27. [www.allbankingsolutions.com/Banking-Tutor/Payment-Banks](http://www.allbankingsolutions.com/Banking-Tutor/Payment-Banks).
28. [www.thehindu.com/business/all-you-need-to-know](http://www.thehindu.com/business/all-you-need-to-know).
29. [en.wikipedia.org](http://en.wikipedia.org)
30. [www.mapsofindia.com/my-india/business/payment](http://www.mapsofindia.com/my-india/business/payment)