

Payment Banks Institutions' Innovation for Inclusion

Dr. Smita Rao¹, Dr. Hetal Gaglani²

¹(Department of Master in Business Administration, Jhulelal Institute of Technology, RTMNU Nagpur)

²(Department of Master in Business Administration Datta Meghe Institute of Management Studies, Nagpur)

Abstract: Financial inclusion is very important for the stable and economic growth of any country this can be achieved through active participation of banks. With the vision to reach every nook and corner of the country there are 164 Scheduled Commercial Banks (scbs) - 21 Public Sector Banks, 22 Private Banks and 44 foreign banks, 56 regional rural banks, 3 local area banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, but still rural part of country do not have access to formal financing. RBI gave license to payments banks to provide small savings accounts, payments and remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users. This paper highlights the licensing and features of various payments banks. The paper recapitulates the role of payments banks in financial inclusion. This paper also highlighted the challenges faced by payments banks and suggestions to rise above the challenges are also discussed.

Keywords: Financial Inclusion, innovations, Payments Bank, Scheduled Commercial Bank, RBI

I. State of Financial Inclusion: Story So Far

The purpose of banks in India

In ancient times people in India depends upon Zamindar and Sahukar to fulfil their requirements of money. The problem with the lending was that moneylenders had monopoly which gave them the authority to charge unreasonably high interest rates. The borrowers with no other option had to take loan from them and with the burden of payment of interest and principal they sometimes had to forego their collateral. The Cooperative movement started in India in the year 1904 where Cooperative banks objective was to provide rural credit and financial assistance for agricultural and rural activities. After that the concept of commercial Banking coined in India with the foundation of Bank of Hindustan in Calcutta in 1770. The three presidency banks - Bank of Bengal (1806), Bank of Bombay (1840) and Bank of Madras (1843) merged and formed Imperial Bank of India in 1921 that was later renamed as the State Bank of India in 1955. The central Bank, Reserve Bank of India established in 1935 on the recommendation of **Hilton-Young Commission**. In the year 1949 Banking Regulation was enacted and Reserve Bank of India became nationalized and become the part of Government of India to regulate, control, and inspects the banks in India. In the year 1969 and 1980 fourteen and then six commercial banks were nationalized so that banks not only cater the needs of large industries and big business houses but of agriculture, small-scale industries and exporters and largely to poor masses. In the year 1975 Regional Rural Banks (rrbs) were formed to penetrate banking in rural areas so that the banks can serve the unserved population of India. To provide agriculture, small and medium industries with proper funds government come up with National Bank for Agriculture and Rural Development (NABARD) in 1982, and Small Industries Development Bank of India (SIDBI) in 1990.

The year 1991 was the year of Liberalization, Privatisation and Globalization which accelerate the growth process of banks as the Narasimham Committee gave recommendation to private players to enter the banking system and foreign banks would be allowed to open offices in India either as branches or as subsidiaries. This gave new definition to banking as banking not only confine to depositing and lending money but also started considering customer satisfaction.

Present status of formal financing

Table 1 Group of Banks in India

Banks Group	Number
Public Sector Banks in India	21
Financial Institutions in India	04
Regional Rural Banks in India	56
Local Area Banks in India	03
Private Sector Banks in India	22

Foreign Banks Branches in India	44
Payment Banks	05
Small Finance Banks	10
TOTAL	164

Reserve Bank of India

As on 31st March, 2018 India has 164 Scheduled Commercial Banks (scbs) - 21 Public Sector Banks, 22 Private Banks and 44 foreign banks, 56 regional rural banks, 3 local area banks 1,562 urban cooperative banks and 94,384 rural cooperative banks. With the vision of reaching to every nook and corner of India to provide formal financing to interior parts which not only inculcate the saving habits in people the Reserve Bank of India has set up 2 new kinds of banks i.e. Payment Bank and Small Banks, where in RBI gave licence to the banks under Section 22 (10) of the Banking Regulation Act, 1949 to carry on business by 11 entities as Payment Banks and granted approval to the 10 applicants to set up Small Finance Banks. In FY07-18, total lending increased at a CAGR of per cent and total deposits increased at a CAGR of 11.66 per cent. The scheduled commercial banks have opened 1,594 branches in 'Tier 1' includes cities with population of 100,000 and above. 342 branches in 'Tier 2' includes cities with population of 50,000 to 99,999, 595 branches in 'Tier 3' includes cities with population of 20,000 to 49,999, 350 branches in 'Tier 4' includes cities with population of 10,000 to 19,999, 441 branches in 'Tier 5' includes cities with population of 5,000 to 9,999, and 626 in 'Tier 6' includes cities with population of Less than 5000. The total number of new branches opened in 2018 is 3948.

The number of atms has been increased to access more and more banking services in all part of country. The scheduled commercial banks has installed 206,871 atms till 2018. During the year 2017-18 Public Sector Banks has opened total 1,45,787 atms out of which 29,628 is in rural areas, 42,374 in semi-urban areas, 41,254 in Urban areas and 32,531 in Metropolitan areas. Private Banks has opened 60,145 atms out of which 4,845 is in rural areas, 14,464 in semi-urban areas, 15,747 in Urban areas and 25,089 in Metropolitan areas. Foreign Banks has opened 939 atms out of which 17 is in rural areas, 17 in semi-urban areas, 172 in Urban areas and 733 in Metropolitan areas. By end-March 2018, the 56 regional rural banks extended 90 per cent of the loan to priority sector which comprised agriculture loans for 76.1 per cent, followed by micro, small and medium enterprises 14.0 per cent.

Following are the achievements of the government in the year 2017-18

- To improve infrastructure in villages, 204,000 Point of Sale (pos) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).
- Between December 2016 and March 2017, a major drive was undertaken to boost use of debit cards, resulting in an increase in the number of Point of Sale (pos) terminals by an additional 1.25 million by 2017 end from 1.52 million as on November 30, 2016.
- The number of total bank accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 333.8 million as on November 28, 2018.

II. Financial Inclusion

Financial inclusion is very important for the stable and economic growth of any country this can be achieve through active participation of banks. Thus Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in fair and transparent manner by mainstream institutional players.

Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).



Financial inclusion can play a key role in facilitating inclusive economic growth particularly in a developing economy. The essence of financial inclusion is to ensure access to financial services to the under banked and unbanked population of the country. The uniqueness of having a bank account is that it not only provides basic banking facility but also finance for investment/production purposes which opens opportunities for enhanced employment. The objective behind financial inclusion is to provide three types of financial service to the households or individual of rural:

Contingency Planning to provide financial products like retirement plans in which the rural households can invest and get a reasonable annuity amount at the age of retirement. The rural people can also get the benefit of taking various life and general insurance this helps the family to face the uncertainty and unforeseen incidence in life. The individuals can also be given avenues to make long term investment at higher rate of interest rate for future securities.

Credit Facilities the formal financing should not only inculcate the habit of saving and deposit among the rural people but also provide them with the loans to start their entrepreneurial set-ups, loans for emergency and personal consumptions that will help the people to approach to formal financing whenever loans are required and this will save them from the moneylenders' traps.

Wealth Creation the households shall also get financial literacy related to various financial avenues where they can invest or save their money as per their risk taking perspectives. They can get financial advisory services to invest their money in best financial opportunity.

Since 2005, concerted efforts have been made by the Reserve Bank India (RBI) and National Bank for Agriculture and Rural Development (NABARD) to extend financial inclusion across India, especially to weaker sections of society. In 2003, a study revealed that only 27 per cent of total households had accessed credit from institutional sources including banks and cooperative institutions. In 2012, just about 40 per cent of adult population had bank accounts.

Technological innovations for financial inclusion in every unbanked and under banked rural parts of India.

- **Micro ATM Application:** Installing ATMs in rural areas is unviable for banks due to the low number of accounts, low volume of transactions, low value of transactions and high cost of setting up an ATM. The government has suggested a micro-ATM model for transactions in the rural areas. Micro-ATM is a bank-led model which allows online interoperable financial inclusion transaction at POS through the business correspondent of any bank using the Aadhaar authentication. The micro-ATMs designed are cost-effective. They support vernacular language display and voice with inbuilt biometric authentication that helps the banks to achieve total financial inclusion in real terms.
- **Core Banking:** A major technological development in banking sector is the adoption of the Core Banking Solutions (CBS). CBS is networking of branches, which enables customers to operate their accounts and avail of banking services from any branch of the Bank on CBS network, regardless of where the customer maintains his/her account. The customer is no more the customer of a Branch as he becomes the Bank's customer. Thus, CBS is a step towards enhancing, customer convenience through, Any-where, Anytime Banking. It is important to leverage on to this technological advancement to look at areas beyond CBS that can help in not just delivering quality and efficient services to customers but also generating and managing information effectively.
- **Paper Based Payment:** Reserve Bank had introduced Magnetic Ink Character Recognition (MICR) technology for speeding up and bringing in efficiency in processing of cheques. Recent developments in paper-based instruments include launch of Speed Clearing (for local clearance of outstation cheques drawn on core-banking enabled branches of banks) and introduction of cheque truncation system (to restrict physical movement of cheques and enable use of images for payment processing).
- **Business Correspondents with ICT:** opening branches. About 3.16 crore Financial Inclusion accounts have been opened till March, 2012. The concept of BC & BF has been started in 2006. BC & BF are nothing but the representative of banks who provides banking services through use of ICT based solutions in his own or nearby villages. Banks give remuneration and or transaction based commission to him against his service. POS device and how to solve. BC open an account of customer through POS device which is directly connected to branch server through internet. BC gives receipt to account holder for their each transaction. After opening of account with BC client get smart - card. Smart - card is the only way to access account which was opened by BC. BC has also got one smart- card for his identification. After inserting both bcs and clients smart card BC can access account. Bcs got webcam and fingerprint identifier along with POS device. For opening of account BC take photo and fingerprint of client. This identity used as the

proof for opening of account. When account holder want to access his account, finger print is required for identification.

- **Mobile banking:** As presently more than 60 percent of the populace is in ownership of a mobile telephone. This includes a large segment of the rural populace. Widespread penetration of mobile technologies and their integration with banking infrastructure has enabled banking services outreach in a low cost and efficient manner through mobiles phones. Mobile banking has proved to be useful with zero foundation expense to the bank and no extra venture from clients.
- **Aadhaar Enabled Payment Systems:** AADHAAR enabled bank accounts will be opened for every resident, with his consent. It is envisaged that disbursement of social security benefits like pension, scholarships, MGNREGS wages, etc. Would be through Aadhaar enabled bank account. UIDAI is actively working with states/central ministries to designate Aadhaar enabled accounts for disbursal of all social security benefits. The individual would be able to access his/her AADHAAR enabled bank account through a low cost interoperable micro-ATM network which will have large geographical reach.
- **Mobile Vans:** In this project a fully technology enabled mobile van roam around the villages on a pre-specified date and time to provide full banking services at the doorstep of the villagers. In fact this widely applause model has bridged the gap between branch and the village.

Why Financial Inclusion is still not achieved

Even after opening 164 banks which are having there braches in rural, semi-urban, urban and metropolitan centres the 100% financial inclusion is yet to achieve. In view of commendable penetration of banking services and sustained policy of financial inclusion, by December 2018, 80 per cent of Indian adults have a bank account today. Indeed, a great achievement. But the worrying point is, half of them are rarely used. According to the World Bank, 48 per cent of the country's bank accounts have had no transactions in the last one-year. Globally, the percentage of inoperative accounts stands at 25.

In the year 2017-18 many rural areas number of brick and mortar branches and branched in business correspondent had been closed due to more cost incurring in comparison to number of accounts being opened in those areas. Further some banks need to disengaged the business correspondents as they were not performing up to the mark due to very less commission they are getting for their service to attach the rural individual to the banks. There has been a decline in the number of newly opened bank branches —from 8,749 in FY15 to 3,948 in FY18. But the fall is more perceptible in rural centres with population below 9,999 (Tier-5 and Tier- 6). The number of new branches opened in such centres has dropped from 3,274 to 1,067 during the three-year period. Indian banking industry has recently witnessed that the digital technology and mobiles can be used to reach people in interior part of villages without incurring much cost to the banking system. It roll out of innovative banking models- payments banks.

III. Payment Banks In Financial System

In September 2013, the Reserve Bank of India constituted a committee headed by Dr Nachiket Mor to study 'Comprehensive financial services for small businesses and low income households'. The objective of the committee was to propose measures for achieving financial inclusion and increased access to financial services.

The committee submitted its report to RBI in January 2014. One of the key suggestions of the committee was to introduce specialised banks or 'payments bank' to cater to the lower income groups and small businesses so that by January 1, 2016 each Indian resident can have a global bank account. On the recommendation of the committee RBI had given in-principle approval to 11 entities to start payments bank in India. The payment banks to start operations are:- Airtel Payment Bank Limited, Paytm Payment Bank, Fino Payments Bank, Indian Post Payments Bank, Jio Payments Bank, Aditya Birla Payments Bank.

RBI main objective for payments banks is to enhance financial inclusion by providing small savings accounts, payments and remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users. A payment bank works through the existing set ups or online platform. It can carry out most banking operations- like accepting demand deposits (upto Rs. 100000 per account from individuals and small businesses, offer remittance services, mobile payments/transfers/purchases and other banking services like ATM/debit cards, net banking and third party fund transfers but can't advance loans or issue credit cards. Payment Banks offer a higher interest rate in the range of 4% to 7% on the money deposited compared to the interest rate of 3 to 4% offered by most commercial banks.

Table 2: Types of Payments Banks

PAYMENT BANK	DESCRIPTION	NETWORK	FEATURES
Airtel Payment Bank	It is the oldest Payment Bank. Opened by Bharti Airtel. Kotak Mahindra also have stake in it.	1.5 million retailers across country. It has 4 lakh banking point.	Interest rate of 5.5% in its saving account. UPI payment system for fund transfer. It is free, instant and always available. Gives a free digital debit card in association with the mastercard. Opens your account instantly and requires no documents. Except Aadhaar along with the fingerprints. Airtel number would be your bank account number. Free Personal Accident Insurance cover of ₹ 1 lakh.
Paytm Payment Bank	The bank has started its operation since December 2017. Advising its wallet customers to shift into the payment bank.	1 lakh outlets for taking cash deposits and withdrawals.	It gives 4% interest rate on its saving account. Open a zero balance saving account. Fixed deposit facility in partnership with the indusind Bank. Free Digital Rupay Debit card. For a full KYC, you have to visit the Paytm KYC centres. Free Insurance cover of ₹ 2 lakhs.
India Post Payment Bank	Launched on September 1, 2018. All the 1.55 lakh post offices in India will be linked to IPPB system.	Has permission to link around 17 crore postal savings bank (PSB) account with its account.	Gives different interest rate according to the deposit amount. Deposit upto ₹ 25,000– 4% Deposit upto ₹ 50,000– 5% Upto ₹ 1,00,000– 5.5%. Open a zero balance saving account. Existing saving account with the post offices can be converted to the Payment bank saving account. Postman would visit to your home for cash deposit and withdrawals. It would be a charged service.
Fino Payment Bank	Started operation in June 2017. It services include current & savings accounts, remittances,	its own branches at 410 places. It has 25000 banking points across the country. It is present at BPCL.	It gives an interest rate of 4% on savings accounts. Provide remittance service at the charges of 1%. Partnered with the ICICI Bank. It also sells the term deposit, auto loan,
	business correspondent (BC) lending, mobile banking through the bpay app, life & general insurance and bill payments	petrol pumps	personal loans and home loans of the ICICI Bank. Bank requires ₹ 1000 minimum balance in the account. Cross-sells the gold loan and insurance products.
Aditya Birla Idea Payment Bank	Started the operations in August 2018. The payments bank, in which group companies Idea Cellular and Aditya Birla Nuvo own 51% and 49%	Converting 20 Crore customer of telephone service retailer base across the country to payment bank	Open your Savings Account with zero paperwork. Your Mobile number as your account number. Bank with our mobile banking app, Internet Banking or dial *400# or walk into your nearest ABPB Banking Point. Access Insurance, work as platform to get Personal Loans from lender of your choice and an e-commerce marketplace for shopping, hotel & travel bookings.

Jio Payment Bank	Launched on 3rd April 2018 A 70:30 joint venture between RIL and State Bank of India (SBI)	Moving customers of its jiomoney prepaid mobile wallet to Jio Payments Bank	Open Savings Accounts with eKYC Verification Online and Can Transfer Money from Jio Money app to Jio Payments bank accounts Jio Bank Debit/ ATM Card to get cash from ATM's Install Jio app using registered mobile number and use Jio payments bank mobile banking service like balance check, mobile transfer, payments Real time money transfer from your Jio Payments Bank to any bank in India Salary account of small business can be open with Jio Payment Bank You can buy financial products like mutual funds as well as do Fixed Deposit.
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IV. Research Methodology

Methodology of the Study In the process of completing this study, the researcher has referred to several credible sources of data including existing research literature, industry publications and other reports published by various government and non-government agencies.

V. Literature Review

Joseph and Varghese (2014) studied the effect of financial inclusion on the development of Indian economy by bank growth rate in terms of number of bank branches, usage of debit card and credit cards. The researchers observed that the usage of debit cards increased tremendously throughout the study period and decreased the number of people with access to the products and services offered by the banking system continues to be very limited, even years after introduction of inclusive banking initiatives in the country.

Monalisa (2015) analysed the extent of Financial Inclusion in the rural areas of district Hisar and suggested some measures to speed up the process of Financial Inclusion. It also highlighted the problems faced by the respondents in the selected sample with the present banking system and suggestion given by them to tackle the problems. The sample size consists of covering 367 respondents. The methodology used in the research for selecting a respondent as a sample is convenient and random sampling. The study found that 65.67% households of rural areas of district Hisar have been financially included.

Shivnani & Siwach (2017) argued that Airtel being the first to launch live payment banks people are aware about the payment bank but as it is a new concept for them they are not want to open the account. They concluded that digital and paperless payment banks will be accepted by all levels of people in future.

Sikdar & Kumar (2017) analysed that RBI has strategically awarded licences to various telecom operators, mobile companies and India post who can better engage with customers via technology and easy accessibility. The players need to adopt appropriate cost effective, innovative and viable business models with a concept of high volume and low margin leveraging technology.

Objectives Of The Study

- To understand the role of Payment banks in financial inclusion
- To study the Licensing Procedure of payment banks
- To understand the challenges of Payment banks
- To suggest the innovative ways to meet the challenges faced by Payment banks

Role of Payment banks in financial inclusion

In 2015 on the recommendation of committee headed by Dr Nachiket Mor to study 'Comprehensive financial services for small businesses and low income households' the Reserve Bank of India gave 'in principle' approval to 11 companies to form what we call a payments bank, the model was commenced to deepen access to formal financial services in unbanked and under-banked areas to achieve the 100 percent financial inclusion in India. The primary objective of establishing pbs is to harness technology so as to increase financial inclusion by opening small savings accounts and providing payments/ remittance services to migrant labourers, small businesses, low income households and other entities in the unorganised sector, by using the digital medium. The model is beneficial for both the customers and financial service providers as it has both

accessibility and affordability.

Accessibility to consumers: it very toiling for the rural people in interior parts to get connected with the formal financial system they have to travel nearby villages or taluka where the banks are situated. This not only incurs cost of travelling to them but also make them forego their one day wages for visiting the banks. This two facet loss of money refrain them from opting financial service of banks or other financial institutions. The idea of payment banks help these vulnerable populations by giving the facility of opening a bank account almost at their doorsteps with the help of an agent and could make transactions using their phones.

Affordability to Financial Service Providers: when it comes to provide physical branches to every villages even in the interior parts of the rural areas it become very costly affair for the banks and financial institutions as they need to have a brick and mortar set-up, employee atleast three – four staff and incur operating costs. Installing atms in interior part also have the problem of infrastructure, electricity and ATM cash management and security. The idea of payment banks license the various non-financial institutions is to deliver banking through digital mode as these pbs are digitally connected with the population of India even in the remote parts of countries.

Payments banks are Telecom companies like Bharti Airtel, Big conglomerates like Birla group, Reliance & Future group, Mobile wallet providers, Pre-paid card firms, Department of posts of India, Micro Finance companies, Non-Banking Finance Companies (NBFCs), they can bring in their own customers to the banking sector. Take Airtel for instance. Airtel has over 270 million customers. Now that it has set up its payments bank, it can woo all its customers to bring their money to this bank. In fact, it is already doing this by offering interest at the rate of 7.25% on its Savings Account. Also, payments banks will focus on having a widespread network and easy access points in rural areas of the country. So, their reach is expected to be better than commercial banks that follow the branch banking system. So, payments banks will certainly help bring more people into the banking system. Another initiative for financial inclusion from the Indian Post Payment Bank is to offer door-step banking. The bank will charge a nominal fee of up to Rs. 35 for this. This facility will be available for transactions that are less than Rs. 10,000. The payments banks are attracting both payment banks are likely to attract both retail as well as businessmen as consumers would be free to open both savings bank accounts and current bank accounts with payment banks.

Payments banks also help financial inclusion by offering payment services to migrant workers and low-income households that withdrawn away from banking due to working far from the their home village they do not feel free to apply for bank account in some other city or town. Now with payment banks they can freely open the saving account with their telecom subscriber companies and easily access to their account whenever they required. Workers living in cities and away from their rural homes will be able to send money directly to payments banks located in their village. These payments banks are more likely to be accessible by their immediate family members when compared to commercial banks.

Payment banks not only come up with services to provide their customers but they are also giving competition to scheduled commercial banks. With increasing competition in the core banking services especially in semi-urban and rural sectors, traditional banks have to offer superior customer service and competitive products to stay ahead. All this competition among banks is likely to benefit the customers. The customers will have to be provided with quality products, prompt service and convenient access to financial services.

Licensing Procedure of payment banks

The idea of payments banks came about in this context, the goal being to broaden the reach of payments and other financial services to small businesses, low-income households and vulnerable populations.

Table 3: Procedure for Approval for Payments Banks

Eligibility Criteria
<ul style="list-style-type: none"> • The Payments Banks would be required to use the word 'Payments' in its name to differentiate it from other banks
Capital Requirement
<ul style="list-style-type: none"> • The Payments Banks would be required to use the word 'Payments' in its name to differentiate it from other banks • The payments bank will have a leverage ratio of not less than 3%

<p>Promoter's contribution</p> <ul style="list-style-type: none"> Initial contribution to the paid-up equity capital of the payment bank has to be at least 40% for the first five years after the commencement of business.
<p>Scope of activity</p> <ul style="list-style-type: none"> Offer Deposits (only current/saving accounts) Issue ATM / Debit cards Payments and remittances services Distributor of Third party products
<p>Restrictions</p> <ul style="list-style-type: none"> Holding a maximum balance / deposit of Rs 100,000 per customer Cannot issue Credit Cards Cannot undertake Lending activities
<p>Cash Reserve and Statutory Liquidity Ratios</p> <ul style="list-style-type: none"> Payments bank require to invest 75% of its demand deposits balances in Government Securities (G-Sec) & Treasury Bills to meet CRR and SLR A maximum of 25% of its deposits have to be held in current and fixed deposits with other scheduled commercial banks

To understand the challenges of Payment banks

- **Lack of awareness** those who are most vulnerable, namely, the illiterate, low-income and rural population are not aware about the service of Payment Banks. They are still unaware that they can open and operate their saving account with the help of their mobile. They are not clear that if they would open the account in payment banks like they need not to visit branch for any transaction of money. Due to low consumer awareness subsequently result to low demand for the product
- **Lack of Believe in new banking concept** The people of Urban and Rural areas do not have confidence on concept of payments banks where the banking will be only one click away from you. As people have pre-occupied notions that banking can only be possible through traditional banks they are not accepting the payment banks with confidence.
- **Fear to use technology** due to illiteracy among rural vulnerable population they find it uncomfortable to deal in money through mobile. The rural population have mobile phone but many of them are not having smart phone and payments banks are expected to reach customers mainly through mobile phones rather than traditional bank branches.
- **Mobile Internet Penetration** in rural India the mobile internet penetration remains as low as 18%, a report published jointly by the Internet and Mobile Association of India (IAMAI) and KANTAR-IMRB in 2018. So the payment banks services are not readily available to the unbanked rural population.
- **Youngster are user of mobile internet** The service of payments banks are basically for opening small saving accounts to the rural people who are earning but do not have formal banks to deposit their money. But as per the report titled “Mobile Internet in India” published that mobile internet is predominantly used by youngsters, with 46% of urban users and 57% of rural users being under the age of 25. It means the target group of payments banks are not using mobile internet.
- **Low internet speeds** the download of the banks application and performing the transaction on mobile it is mandatory to have a smooth operation on mobile, which is not possible in rural parts as the internet connectivity in rural areas are very low due to lack of required infrastructure. As well as India is struggling with very low internet speeds – far lower than the global benchmarks. According to Akamai’s State of the Internet report, in the fourth quarter of 2016, the average internet speed in India was low tp 5.6 mbps. In November 2017, India had stood 69th and 109th in Ookla’s speedtest global index for fixed line broadband and mobile data, respectively.
- **Low training and incentives to Agents** the agents appointed under spreading awareness under payments banks receiving limited training on the features of the product, terms and conditions and its benefits as there is a severe lack of administrative and technical support from the payment banks. There is very low incentives or commission to business agents to promote the product and services of a payment bank in comparison to the efforts they need to put because of which the agents do not get motivation to spread awareness about the features of payment banks.

To suggest the innovative ways to meet the challenges faced by Payment banks

- The payments banks may go for extensive campaigning and advertising in unbanked rural areas to bring awareness among the low income group rural population so that they can avail the service of formal financing.
- Given the novelty of their product, payment banks need to intensify their efforts and try different approaches. Insights from the field suggest lack of demand for the product, primarily due to lack of awareness.
- The payments banks need to win the confidence of people that the banking through mobile is equally secured as brick and mortar.
- The payments banks may compensate agents substantially above and beyond the commission paid by scheduled commercial banks to motivate them to spend time with customers in explaining the benefits of the product.
- Payment banks need to extend proper training to the agents about the features and uses of the product to their agents so that they can effectively transfer this knowledge to the prospective customers.
- Payments Banks shall appoint area managers to take care of respective areas. The agents of those areas will give regular information about their activities as well as get technical support from manager
- Agents may help the customers by assisting them in use of services of payments banks and resolving their problems. Proper and time to time support is to be provided by the agents to consumers till the time they started feeling ease in using payment banks services.
- Proper internet connectivity and speed need to be address by the government and network companies so that the mobile applications related to payments banks would be possible.
- The government may start campaigns for imparting digital literacy in respect of formal financing through mobile which will bring the confidence in using payment banks services.

VI. Concluding Thoughts

The government of India and Central Bank of India is striving hard since 2005 for the financial inclusion so that every single person in India must be connected to the formal financial system of India. This not only help the people in rural parts to deposit their hard earn money at secured place nut also earn interest over the money deposited. Payment banks is one of the initiative of RBI to reach to the most vulnerable and low income group population of India where traditional banks is unable to reach through access through mobiles. The main exercise that the payments banks need to do is extensive marketing and campaigning so that customers began to open their saving and current accounts with payments banks.

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