

Payment Bank: An Innovative Initiative Taken By The Indian Post Payment Bank In The Direction Of Financial Inclusion.

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Abstract

Since 1991, the Indian financial system has seen notable changes. After deregulation, the banking industry is one that is doing particularly well, and success may be directly attributed to large banks. Several significant technical advancements have occurred over the years thanks to RBI reforms. Payment banks and small banks are the two new banking types that the RBI established to the Indian financial sector in 2014. Increased financial inclusion and the distribution of financial products and services to underserved rural areas are the main goals of the introduction of these banks. Payment banks are a brand-new kind of bank that have the ability to reach the great majority of the underbanked and unbanked portions of the population with banking services. This essay discusses the structure of payment banks as well as the advantages that might be anticipated. How this Indian Post Payment Bank will be a notable step in bringing clients into the official financial system, notably migrant workers and those from lower income households. After the initial phase of the Pradhan Mantri Jan Dhan Yojana, the Indian Post Payment Bank will likely represent the second wave of financial inclusion. To provide a general understanding of payment banks, their operating principles, and how the notion of a payments bank strikes two birds with one stone, this study is entirely based on secondary sources. First, it is expanding the digital payment infrastructure in order to further the financial inclusion effort. Second, it promotes the culture of financial technology in Indian banking. The results show promise for expanding financial services and financial inclusion in India, particularly in rural regions and with a primary focus on low-income populations and small companies.

Key words : RBI ,Payment Bank , Financial Inclusion , Indian Post Payment Bank.

Introduction

In order to promote financial inclusion and widen access to financial services in India, the Reserve Bank of India and the Indian government have launched many programmes. Rural residents, low-income groups, migratory labour, and small companies are given special consideration. The Pradhan Mantri Jan Dhan Yojna (PMJDY), the Digital India Campaign, the introduction of electronic cash transfer systems like NEFT and RTGS, and the promotion of mobile payments are

just a few of the many initiatives that have been undertaken. The RBI and the Indian government's most recent endeavour is to establish payments banks. The RBI established the Payment Bank idea as part of its effort to promote financial inclusion in India, particularly in rural regions, with a primary focus on low-income people and small companies. These banks were primarily established to concentrate on transactions with low values but big volumes.

The Reserve Bank of India established a committee in September 2013 to investigate "Comprehensive financial services for small companies and low income people." Dr. Nachiket Mor served as the group's chairman. The committee's goal was to make recommendations for policies that would increase access to financial services and promote financial inclusion.

In January 2014, the committee delivered its findings to RBI. One of the main recommendations of the committee was to establish specialised banks, or "payments banks," to serve lower income groups and small enterprises, in order for every Indian citizen to have a foreign bank account by January 1, 2016. The RBI wants to improve the amount of financial services' penetration into rural areas of the nation by using payments banks. Out of 41 applications, the Reserve Bank of India granted "in-principle" licences to eleven firms on August 19, 2015, allowing them to start up payments banks.

The Reserve Bank of India has developed a new form of bank (RBI). A payments bank functions similarly to any other bank, but on a smaller scale and without taking on any credit risk. It can perform the majority of banking procedures, unlike other banks, although it cannot make loan advances or issue any credit cards. Demand deposit acceptance is currently limited to Rs 1 lakh per customer, with the possibility of an increase. Additionally, it provides remittance services, mobile payments, transfers, and purchases, as well as other banking services like ATM/debit cards, net banking, and third party fund transfers, among others.

There are currently six payment banks that are actively operating out of the 11 payment banks that have been granted licences; therefore, there will soon be more. India Post received permission from the Reserve Bank of India to operate a payments bank in August 2015. It was registered as a public limited government business in August 2016 in order to establish a payments bank. After the IPPB's pilot project was a success, it was launched in January 2017 in Raipur and Ranchi. On September 1, 2018, the first phase of the countrywide inauguration began.

The Department of Posts has established the India Post Payments Bank as a public limited company with 100% stock owned by the Indian government. Operating under the Department of Posts, Ministry of Communication, which aims to accomplish a Pan India roll out of 650 branches by early next year by utilising the unmatched reach of the India Post network.

LITERATURE REVIEW

Payment banks have a significant influence on the implementation of government direct benefit transfer programmes, which pay benefits for things like petroleum, health care, and education straight into users' accounts. It may result in competition between traditional and payment banks, which will broaden and enhance the quality of banking services while lowering prices, maybe leading to financial inclusion in the end. (P. Firdous, P. Harika, and Dr. V. Ramesh Naik)

Range of Payment banks provide a useful method of contacting the general public for even the smallest payments at odd hours, which unquestionably makes the payment systems accessible to the general public. The Indian system is also based on the fact that the majority of people trade with cash, turning it into a fictitious cash handling system that digitally records even the smallest transactions. (Jimit Raval, Madhavi Damle, Pushendra Thenuan)

Despite the fact that the payment bank is a revolutionary development, it's crucial to keep in mind that there are certain ways in which payments banks differ from conventional banks. While the Minister of State for Communications asserts that this would usher in "the second wave of financial inclusion," the Pradhan Mantri JanDhan Yojana's initial phase has yet to be fully carried out. (Sinha,)

The objective is to employ scalable technology to lower the cost of client acquisition and service delivery in this high-volume, low margin game. To make this company profitable in the long run, payments institutions must use a flexible cost structure (Anand Ramachandran,CFO of Paytm)

The research done Due to uncontrolled regional rural banks and the rural branches of commercial banks, the rural public was ignorant of the emphasis on advances in digitalizing banks. How the role of payment banks will be strengthened and improved in terms of financial inclusion and financial literacy Payment banks need to balance their expenses and advantages in a careful manner. (J.Vaishnavi, \sN.Shruthi)

These banks gain from the digitization of currency. In India, about 90% of transactions are normally made in cash, however demonetisation has greatly boosted payments banks' business due to their focus on digital transactions. "We are already seeing a new group of clients choose cashless payments, including vendors, grocers, and small business owners. According to Gupta, payments banks will support this digital revolution as usage levels rise in the future.

OBJECTIVES OF THE STUDY:

- To investigate the rise of Payment banks in India.
- To examine the differences between payment banks and conventional banks.
- To research Indian post payment banks' contribution to financial inclusion.

METHODOLOGY:

This conceptual and descriptive research article uses secondary sources of data to support its findings. The information is gathered from national and international publications, government papers that have been made public, an RBI report, news articles, websites, etc. Re-analyzing, interpreting, or evaluating prior data constitutes secondary research. aid in comprehension of past events and current events.

HOW PAYMENT BANKS WORK :

In contrast to traditional banks, the Reserve Bank of India developed a new type of bank called as a payment bank. These banks are anticipated to reach consumers primarily through mobile devices as opposed to traditional bank branches. significant steps to enhance financial services and promote financial inclusion 233 million people remain unbanked, with the majority living in rural regions and working for low-income organisations and small companies. Due to regional rural banks and the rural branches of commercial banks being unregulated, the rural populace was ignorant. To combat this issue and reinforce the promotion of financial inclusion and financial knowledge. 40% of people still lack access to regulated financial services.

On September 2013, Dr. Nachiket Mor, the committee's chairman, took the initiative to form the committee on comprehensive financial services for small businesses and low-income households. The committee's goal is to design the principles that will direct the development of institutional framework and regulations for financial inclusion and the deepening of financial services.

The final report, which was delivered in January 2014, recommended the creation of a new type of bank called a payment bank. The RBI released a draught set of rules for payment banks in July 2014 and requested feedback from the public and other interested parties. The RBI published the

final rules for payment banks in November 2014. The list of organisations that have sought for a licence as payment banks was made public by the RBI in February 2015. A total of 41 people applied. Additionally, it was disclosed that the licence applications will be reviewed by an outside advisory committee (EAC) under the direction of Dr. Nachiket Mor. 28 February 2015: It was stated that Indian Post will use its extensive networks to manage the payment banks during the presentation of the budget. The external advisory group delivered its conclusions on July 6, 2015. The applicant entities' financial history and legal troubles were investigated. On August 19, 2015, the Indian Reserve Bank (RBI) granted "in principle" licences to 11 organisations for the establishment of payment banks, out of which 3 were revoked. The "in-principle" permission given will be valid for 18 months, according to the RBI, during which time the applicants must meet the requirements and all other requirements outlined in the guidelines. After determining that all requirements have been met, the RBI will issue complete licences pursuant to Section 22 of the Banking Regulation Act, 1949, and will be registered as a public limited company under the Companies Act, 2013.

While some capabilities are not permitted for the payment banks but are a tool in other traditional public and commercial banks, a payments bank is a separate kind of bank with the special goal of serving the unbanked and underbanked. Payment banks are only permitted to receive deposits up to a maximum of Rs. 1 lakh per person; subsequent increases may be permitted in accordance with RBI regulations. They are not permitted to offer any loans, credit facilities, etc.

RBI have been laid down the guidelines for payment bank:

- Payment banks are not permitted to issue credit cards.
- It is not permitted to take any kind of NRI deposits.
- Establishing subsidiary institutions is not permitted.
- Financial transactions other than banking transactions are prohibited.

The Following Criteria Needs to be Fulfilled by Owner of a Payment Bank:

- Payment banks should have a minimum equity capital requirement of INR 100 crores.
- The owner's or promoter's share should be at least 40% for the first five years.
- Foreign ownership of the firm must adhere to the FDI regulations for banking institutions
- Rural areas without banking services must have 25% of the branches.
- Payment banks are required to keep a maximum of 25% in current and time/fixed deposits with other scheduled commercial banks and to invest a minimum of 75% of their "demand deposit balances" in government securities.
- The bank and its activities should be completely networked, technology-driven, and compliant with established standards and norms from the start.
- To address client complaints, it needs a Customer Grievances Cell.

Once the aforementioned requirements are met, the banks will be registered as public limited companies under the Companies Act of 2013 and granted a licence as payments banks under Section 23 of the Banking Regulation Act, 1949.

BACKGROUND REASON FOR LIMITING 1 LAKH DEPOSIT :

According to RBI Statistical report around 70% of the bank accounts in India have less than Rs 1 lakh deposits.

| SIZE OF DEPOSITS | INDIVIDUALS | | OTHERS | | TOTAL | |
|----------------------|------------------------|------------|------------------------|------------|------------------------|------------|
| | Number of accounts (%) | Amount (%) | Number of accounts (%) | Amount (%) | Number of accounts (%) | Amount (%) |
| Less than ₹25,000 | 31.5 | 2.4 | 36.6 | 0.3 | 32.0 | 1.4 |
| ₹25,000 to ₹1 lakh | 36.4 | 13.1 | 29.5 | 1.8 | 35.7 | 7.7 |
| ₹1 lakh to ₹15 lakh | 31.3 | 55.7 | 28.7 | 7.6 | 31.0 | 33.0 |
| ₹15 lakh to ₹1 crore | 0.8 | 15.9 | 4.0 | 13.7 | 1.1 | 14.9 |
| ₹1 crore and above | 0.0 | 12.9 | 1.2 | 76.8 | 0.1 | 43.0 |
| TOTAL | 100 | 100 | 100 | 100 | 100 | 100 |

Source: RBI's latest report on Basic Statistical Returns, 2016

COMPARISON OF PAYMENT BANK WITH OTHER COMMERCIAL BANK:

| Feature | Payment bank | Traditional bank |
|--------------------------|--------------|------------------|
| Making deposit | YES | YES |
| Deposit limit | RS.1 LAKH | NO LIMIT |
| Withdrawal facility | YES | YES |
| Interest on loan | YES | YES |
| Availing of loan | NO | YES |
| Credit card | NO | YES |
| Debit card /ATM facility | YES | YES |

All fundamental banking services are offered by these payment banks, which also permit cash deposits of up to Rs 1 lakh per account. These banks provide a reduced transaction charge since they primarily serve low-income people. Few of them also provide a greater interest rate on the money, ranging from 4% to 7%. deposited in contrast to the 3–4% interest rate that the majority of commercial banks give. It reaches out to lower income groups and migratory workers by offering all services via mobile devices and charging a negligibly low transaction cost for each service. This programme has already been made available around the world and has achieved ground-breaking success in Kenya.

INDIA POST PAYMENTS BANK (IPPB)

With 100% of its stock owned by the Indian government and regulated by the Reserve Bank of India, IPPB is a public sector organisation that falls under the Department of Posts and the Ministry of Communication. By connecting nearly all post office branches, IPPB will concentrate on delivering banking and financial services to consumers in semi-urban and rural regions. There are currently 650 branches spread throughout India, along with 3250 post offices, 11,000 gramin dak sevaks in rural areas, and postmen in urban areas, all of whom offer doorstep banking services. Comparatively, the IPPB network is 2.5 times larger than the network of a typical bank.

India Post received authorization from the Reserve Bank of India in August 2015 to operate a payments bank. After Airtel and Paytm, this bank is the third to receive a licence to operate a payment bank. It was registered as a public limited government business in August 2016 in order to establish a payments bank. At January 2017 at Raipur and Ranchi, a trial experiment was run in two branches. Indian Post Payment Bank finally received approval to open. On September 1, 2018,

the first phase of the national inauguration took place. Because of its 2.5 times greater network than a typical bakery network, it is said to both both India's newest bank and the mother of all banks. Around 17 billion postal savings bank accounts (PSaccounts) may be linked to IPPB's Payment Bank with approval.

India Post Payments Bank (IPPB), a new public-sector organisation, is on track to overtake other Indian banks as the country's second-largest lender. With a network that reaches into the country's rural areas, it is already the largest payments bank in the nation in terms of network size. Indian Post In order to carry out this project, Payments Bank will make use of the resources and personnel already under the control of the postal network. By incorporating those who are already employed in India's informal sector, it seeks to advance financial inclusion.

IPPB It will expand its reach by utilising the massive postal network of roughly 1.55 lakh Post Offices and 3.0 lakh postal personnel in every district, town, and hamlet of the country to serve, beginning with the deployment of 3250 access points. 34 million savings accounts at the post office already have access to digital banking services including mobile banking, phone banking, direct benefit, etc.

India has one of the largest and most complete postal networks in the world. The IPPB may make the most of its available resources by utilising the existing post offices and the postmen who are familiar with their routes. The postal service already has postmen in place who can go door to door for client onboarding, responding to account statement inquiries, organising third-party services, and other responsibilities rather than having to hire and train a completely new staff. In both urban and rural locations, about 11,000 postmen have already begun their jobs. Additionally, because post offices are already located in remote areas of the nation, no new infrastructure is required.

The IPPB performs the same duties as a standard bank, however it is unable to grant credit lines in the form of loans or credit cards. But there is also no requirement for a minimum balance. Herein lies the initiative's greatest benefit. The bank relies on deposits and transaction fees rather than penalties and loans to make money. This makes the IPPB an inexpensive and accessible option since people may participate in the project and have a bank account without necessarily having a steady stream of income.

FINANCIAL PRODUCTS OFFERED

Here, we take a gander at the three various types of IPPB investment accounts - customary, computerized and essential saving record.

Standard Investment account :

The record can be opened with zero equilibrium and there is no prerequisite to keep a month to month normal equilibrium in the record like some other business bank. Anyone over 10 years with KYC can open this record. One can put aside limitless money installments and withdrawals in this record. Request kept limited to Rs.1 lakh and an individual can't permitted to have more than one record . The record doesn't accompany a charge card or check book just the ongoing record has the check book office rather a QR card is given. It gives an extraordinary, secure and helpful method for getting to your record without the problem of recollecting your record number. The exchanges can be started by utilizing biometric validation. examine the code and confirm through biometric check.

One can't open a joint standard investment account since the record can be held exclusively under a solitary individual's name. The selection office is, be that as it may, accessible for a customary

bank account. At present, the bank account don't give request draft office to customary bank accounts.

DOORSTEP BANKING:

Gramin Dak Sevak (GDS) or the mailman will be there to satisfy the doorstep banking of IPPB. One might request doorstep banking (non-cash as well as money exchanges) close to home. At no expense, one might request the kickoff of the record at the doorstep. When opened, one might try and request these - move assets, store and pull out cash, re-energize or take care of bills through the doorstep banking administrations, at ostensible charges. Outsider Help :Protection Advance Speculations.

BASIC SAVINGS ACCOUNT :

The second sort of bank account that can be opened in IPPB is the Essential Bank account that will be like the customary record. It will have every one of the elements and advantages, for example, doorstep banking, utilizing of QR Card and so on presented by the standard investment account, notwithstanding, it will permit just four money withdrawals in a month.

Advanced Bank account:

The third sort of bank account that can be opened in IPPB is the computerized bank account that can be opened from the IPPB Portable Application accessible on Android telephone. Anybody over the age of 18 years, having Aadhaar and Container card, can open this record. The all out total store reasonable in the record is Rs 2 lakh a year. For limitless access, one necessities to go through full KYC utilizing biometric based Aadhaar confirmation to redesign the advanced investment account. There won't be any QR card in the event of this record.

CURRENT Record :

IPPB offers the office of an Ongoing Record to the little traders/kirana stores and individual money managers .IPPB's Ongoing Record kicks you off making a course for computerized exchanges for your business needs. Alongside this, IPPB likewise offers a Trader Application for meeting business prerequisites. The ongoing record can be opened at the Mail center Counters or very close to home through our Mailman/GDS. Ostensible month to month normal equilibrium expected to be kept up with The record can be opened with zero equilibrium Worked on financial administrations through QR card Ostensible month to month normal equilibrium expected to be kept up with Moment credit of client installments into your record Basic and secure credit only exchanges

- Deal with your record carefully - Whenever, Anyplace
- No extra interest in POS machines
- Empowering little traders/kirana stores/disorderly retail
- Construct exchange history

Different Sorts OF Monetary Assistance Advertised:

Versatile BANKING : IPPB offers a cutting edge, basic, secure and simple to-utilize Portable financial help through a Versatile application to get to the IPPB record and complete exchanges from the comfort of their cell phone.

SMS BANKING : India Post Installments Bank, gives the office of SMS banking so clients can immediately access the record subtleties on their cell phones, essentially by sending a SMS to the IPPB's SMS Banking number 7738062873.

MISSED CALL BANKING :To add to their accommodation of saving money with IPPB, can get their record data with next to no issues, through the office of missed call banking. Ought to enroll

their versatile number for IPPB's missed call banking administration and begin profiting the advantages.

Telephone BANKING : IPPB's telephone banking gives the accommodation to get to financial balance from the solace of their home, while at work or progressing. You can get data on their financial balance,

IPPB's items and administrations and resolve questions .To profit these help ought to call complementary number 155299. Depending on the kind of exchange, telephone banking administrations could be a mix of IVR (Intelligent Voice Reaction) and connection with a teleoperator (specialist helped). Exchanges that can't be finished through IVR will be helped by a devoted telephone banking official.

Speedy Reaction CARD : IPPB QR card reclassifies how banking is finished. It gives an extraordinary, secure and helpful method for getting to their record without the problem of recollecting your record number. Try not to have to recollect any PIN/Secret phrase, as exchanges can be started by utilizing biometric verification. They can do cash exchanges, cash move, bill installments, or credit only shopping utilizing this card. In the event of a lost or taken QR card, the cash will in any case be protected in your record as every exchange is confirmed through biometrics. IPPB QR is not difficult to utilize. Follow these 3 straightforward advances:

1. Scan the code
2. Authenticate through biometric confirmation
3. Complete the exchange



INDIA POST PAYMENTS BANK (IPPB) PAYMENT SERVICES :

- Charge Installment : All the billers that acknowledge installment through Bharat Bill Installments framework will be accessible .
- THE Immediate Advantage Move (DBT) :Plan was sent off in 2013 by the Public authority of India with an expect to lessen spillages by removing agents and moving advantages/sponsorships straightforwardly to the
- recipient's ledger. With IPPB, using the advantages of DBT has been made more straightforward. As a DBT recipient, all that you need to do is connect your Aadhaar

number with their IPPB investment account for accepting their DBT cash. They will get the DBT cash straightforwardly credited to their IPPB account, kept up with at your local mail center

- Settlement AND Asset Move : India Post Installments Bank (IPPB) clients can browse a
- assortment of installment choices to move cash to their family and family members. Clients can partake in IPPB's financial and bother free administrations for sending cash anyplace, whenever, across India. administration, for example, Quick Installment Administration (Debits) , Public Electronic Assets Move (NEFT) and constant gross settlement (RTGS)

Discoveries :

- The program of "Advanced India" which started by the Public authority of India(GoI) is still in the early stages. Anyway Indian Post Installment bank can assist with making more noteworthy utility as they have proactively laid out their conspicuousness.
- Formal banking or monetary framework isn't tending to the monetary of in reverse individuals living in remote corners across India. Installments banks will open branches there.
- On a normal 70% of populace have less than Rs.1 lakh store in their ledger. Installment bank significantly focused on these populace .
- The best benefit of an Indian post installment banks is the helpful in completing exchanges close to home .Neighborhood mailman is going to turn into a financier .
- This study demonstrates that installments banks will increment monetary consideration by giving little investment accounts and installments/settlement administrations to transient workers, low-pay families, independent ventures and other disorderly area elements.
- Indian post installment bank is 2.5 times then similarly ordinary bank organization . The installments bank will continuously connect all 1.55 lakh mail depots in the country to offer the assistance out of which 1.30 lakh mail centers in the rustic region. that will have something like one branch in each region and spotlight on monetary administrations in country regions.
- IPPB will offer a scope of items, for example, investment funds and current records, cash move, for example, RTGS, NEFT, Demos, direct advantage moves, bill and utility installments, and endeavor and shipper installments.

CONCLUSION :

The most widely used method for conducting digital transactions is payment banks. India is pursuing a cashless and digital economy because it is more practical and flexible in light of current economic and technical developments. Financial inclusion is the process of ensuring that vulnerable groups, such as weaker parts and low-income groups, have access to the financial goods and services they need at an accessible price in a fair and transparent way from mainstream institutional actors. The rivalry between traditional and payment banks, however, will result in an expansion and improvement in the quality of banking services as well as lower prices, which may ultimately contribute to financial inclusion. It is still too early to compare the capabilities of Payment banks to those of well-known banks. Before the true advantages of payment banks can be realised, there are many bottlenecks that must be removed. Many Indians, millions of them, lack access to financial services. They are not eligible for government assistance, loans, insurance, or even savings account interest. The unbanked and underbanked will be reached by payment

banks, IPPB, in all facets of society and regions. The main ingredients for the success of Payment banks may be improvisation and innovation in the industry.