

## **Practical constraints of payment banks**

### **What is the issue?**

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- Payment banks was introduced to by RBI to increase the accessibility and affordability of banking.

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- But recent estimates reveal that payment banks are facing practical constraints in achieving their goals.

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### **What are payment banks?**

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- Payment banks was introduced to deepen access to formal financial services in unbanked and under-banked areas.

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- It can't offer loans but can raise deposits of upto Rs. 1 lakh, and pay interest on these balances and can issue debit cards and ATM cards.

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- It primarily aimed to help people to open a bank account almost at their doorsteps with the help of an agent.

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- Payment banks can enable transfers and remittances through a mobile phone and can offer services such as automatic payments of bills, and purchases in cashless, cheque less transactions through a phone.

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- Few example of payment banks in India are Airtel money, Paytm payments bank, Vodafone m-Pesa, etc.

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### **What are the practical constraints with payment banks?**

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- **Lack of awareness** -The awareness about payment banking system is yet to reach the vulnerable, illiterate, low-income and rural population.

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- **Different options** -Among those customers who knew about the product, especially in urban areas, there was little interest in using it, since several other options already existed to perform financial transactions.

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- **Lack of training** -Agents who work for payment banks have limited training on the features of the product, terms and conditions and its benefits.

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- **Heavy workload** -Payment bank agents are frustrated due to amount of time needed to on-board customers, conduct transactions on their behalf.

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- **Less incentives** -The agents were not provided with adequate incentives to promote the product.

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- The monetary commission provided per transaction was also too low.

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### **What measures needs to be taken?**

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- Payment banks need to intensify their efforts and try different approaches to create awareness about the product.

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- Payment banks need to heavily invest in marketing, especially in rural areas, and compensate agents substantially.

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- Payment banks need to explain the features and uses of the product to their agents such that they can effectively transfer this knowledge to the consumer.

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**Source: Business Line**

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