



## Payment Banks

### What is the issue?

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The government is promoting Payments Bank across the country to further the financial inclusion.

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### How is a payments bank different from a commercial bank?

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- The main objective of a payment bank is to further financial inclusion by providing small savings accounts and payments/remittance services to migrant labour workforce, low income households, small businesses and other unorganised sector entities.
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- There are two kinds of banking licences that are granted by the Reserve Bank of India - universal bank licence and differentiated bank licence.
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- Payments bank comes under a differentiated bank licence since it cannot offer all the services that a commercial bank offers.
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- In particular, a payments bank cannot lend.
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- It can take deposits upto Rs.1 lakh per account and it can issue debit cards but not credit cards.
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- Commercial banks in India like State Bank of India or ICICI Bank, do not have any such restrictions.
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### What other functions payments bank can undertake?

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- A payments bank can work as a business correspondent (BC) of another bank.

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- They can also distribute simple financial products like mutual fund units and insurance products.

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### **How many payments banks have commenced operations?**

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- Out of the 11 entities that received in-principle licence for opening payments bank, 7 entities received the final licence.

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- Four payments banks have started operations — Airtel Payments Bank, India Post Payments Bank, Paytm Payments Bank and Fino Payments Bank.

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- RBI has mandated the minimum paid-up equity capital for payments bank at Rs.100 crore.

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### **Where can a payments bank deploy its deposits?**

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- Apart from maintaining Cash Reserve Ratio (CRR), these entities have to invest a minimum 75% of demand deposit balances in Statutory Liquidity Ratio (SLR)-eligible government securities or treasury bills.

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- The bills has to be with maturity of up to one year and hold a maximum of 25% in current and time/fixed deposits with other commercial banks for operational purposes and liquidity management.

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### **Who all are eligible to set up a payments bank?**

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- RBI permits non-bank Prepaid Payment Instrument (PPI) issuers, individuals and professionals, non-banking finance companies (NBFCs), corporate business correspondents (BCs) etc. to apply for a payments bank licence.  
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- Setting up of a joint venture by a promoter with an existing commercial bank is also allowed.  
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- A promoter cannot apply for a payments bank licence now. However, RBI has said it intends to use the learning from the current licencing round to appropriately revise the guidelines and move to giving licences more regularly, that is, virtually “on tap”.  
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**Source: The Hindu**

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