



Practical constraints of payment banks

What is the issue?

\n\n

\n

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

\n

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

\n

\n\n

What are payment banks?

\n\n

\n

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

\n

- 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.

\n

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

\n

- 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.

\n

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

\n

\n\n

What are the practical constraints with payment banks?

\n\n

\n

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

\n

- **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.

\n

\n\n

\n

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

\n

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

\n

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

\n

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

\n

\n\n

What measures need to be taken?

\n\n

\n

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

\n

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

\n

- 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.

\n

\n\n

\n\n

Source: Business Line

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative