

smart  
money **PAYMENT BANKS**

## BANKING FOR THE UNBANKED

Move over traditional banks, payment banks take mobile banking a step further

Soon, you will be able to pay monthly bills electronically without accessing your bank account details. This is because the Reserve Bank of India (RBI) has recently given the nod to 11 entities to start payment banks. Considering that a large part of the population in India does not have access to banking services, payment banks are expected to reach far-flung areas, extending the umbrella of financial inclusion to everyone.

### WHAT ARE PAYMENT BANKS?

- These entities have been created to accept deposits through savings accounts of up to Rs 1 lakh from each individual.
- These banks will issue you a debit card and an ATM card, but not credit cards.
- You will be able to invest in mutual funds or insurance policies through these accounts provided the amount doesn't cross the Rs 1 lakh limit.

- It will also offer remittance services, helping people who do not have access to formal banking systems.
- But unlike a traditional bank, it will not provide you loans.

### WHAT IT MEANS FOR YOU

- The move will immensely help lower-income groups who do not have access to formal banking systems. For example, if your maid, driver, gardener opens an account with the payment bank, you

will be able to pay their salary electronically.

- In turn, people from the lower-income groups will be able to remit the money back home to their families.
- It will provide you a platform to pay bills online through a separate account, without divulging details of your main bank account.
- Currently, most transactions in India are done in cash. It will be a step forward in facilitating cashless transactions.
- Most importantly, since the cost of access will be low, payment banks are likely to offer higher interest rate.

### HOW IT IS DIFFERENT FROM MOBILE WALLETS

Currently, semi-closed wallets such as Airtel

Money do not permit cash withdrawal or redemption by the customer. Payment banks, however, do not have such restrictions. Vice President (Product and Strategy), FINO PayTech, Shailesh Pandey says, "Mobile wallets are a subset of payment banks. Wallets do not allow you to cash out but you will have such facility under payment banks. In addition, payment banks will offer you a host of facilities ranging from opening an account to remittance services."

### WHEN WILL THE LICENCES BE ISSUED?

- The in-principle approval will be valid for a period of 18 months, during which time the applicants have to comply with the requirements prescribed by the RBI. After the fulfilment of all conditions, the RBI will consider granting them a licence. The chosen entities cannot start banking business until a regular licence is issued to them.
- The new category of banks can revolutionise the banking and payment system. Experts say it is best to wait and watch how it turns out.

### WHO ARE THE RECIPIENTS?

Aditya Birla Nuvo  
Airtel  
Cholamandalam Distribution Services  
Department of Posts  
FINO PayTech  
National Securities Depository  
Reliance Industries  
Dilip Shantilal Shanghvi  
Vijay Shekhar Sharma  
Tech Mahindra  
Vodafone



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