



A STUDY ON “PAYMENT BANKING IN DIGITAL AND FINANCIAL INCLUSION THROUGH LEADING –SOCIAL ADVANCEMENT INITIATIVES”

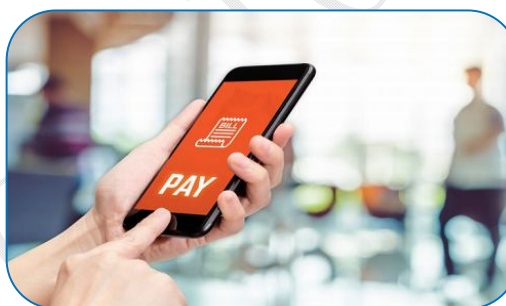
Prof. K. M. Mahesh¹ and Dr. K. Manjunath²

¹Research Scholar at Dravidian University, Kuppam, AP & Principal, Sri Bhagawan Mahaveer Jain Evening College, V.V.PURAM, Bangalore.

²Research Supervisor, Associate Professor Department of Commerce and Management Seshadripuram college Bangalore.

ABSTRACT :

The Payment Banks (PBS), which offer electronic remittances, financial advisory, online banking and more, offer immediate value to unbanked consumers. They are designed to improve social culture, through digital and financial inclusion. Payment Bank (PBS) will lead the social advancement in terms of living standard when society uses the skill fullest, that society will prosper, it makes society upward movement. The demonetization and digitation are given scope for innovating techniques of banking payment system. The concept of payment banks was first proposed by a Reserve Bank of India (RBI) committee on Comprehensive Financial Services for Small Businesses and Low-Income Households, led by board member Nachiket Mor. Payment Banks (PBS) will help in promoting financial inclusion, or the process of spreading banking services is critical in India, where more than half of the adult population still do not have access to banking services. Through the Payment Banks (PBS) promoting 5 A's of Financial Inclusion in cashless payment: Availability, Accessibility, Acceptability, Affordability, and Awareness. The Jan Dhan Aadhaar Mobile (JAM), Swiping ePoS and MicroATMs will help people to get digital transaction awareness.



KEYWORDS : Payment Banks, Financial inclusion, Reserve Bank of India (RBI), Social advancement and Digitation.

INTRODUCTION:

A Payment Bank is not a commercial Bank but a registered public limited company under the Company Act, 2013, which has also obtained a license under Section 22 of the Banking Regulation Act, 1949, and a special permit by RBI to operate as a payment Bank. A payment Bank will drive the financial inclusion (more people into the banking system) of migrant laborers, low-income households, and small businesses. Digital Economy will play a role in enhancing the financial inclusion. Digital Economy being referred as the “Sharing Economy” and “Sharing Resources”. Initiative by the Government and RBI there is a revelation in the banking industry in India from **Conventional Banking to Convenience and Digital Banking** through payment banks.

Financial inclusion enables improved and better sustainable economic and social development of the country. Digital financial inclusion, defined as providing access and delivery of basic banking services everyone in the population. By using digital financial tools, (mobile remittances, using blockchain technology) with

psychological tools (financial education) will make the vision to provide universal financial services at affordable cost to a section of disadvantaged remotely located and low-income segments of society. Financial of lower-income people of society at an affordable cost is a prerequisite for poverty reduction and social advancement.

OBJECTIVES

1. to study on recent technological changes in payment system.
2. to study a JAM trinity for taking the governments benefit
3. to study the digital and financial inclusions in other countries .
4. to understand the economic growth through digitalization

Limitations

not reached the rural people in India.
Time
Initiatives by government
Review of literature

Research methodology

1. data (primary as well as secondary data)
2. variables independent variable and dependent variable
3. statistical (test , tools , techniques)

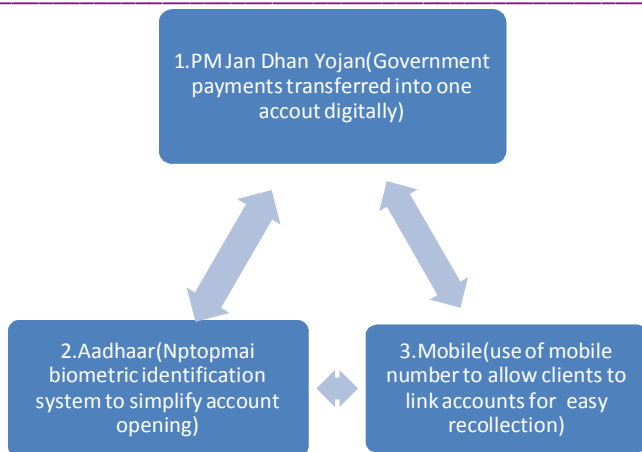
Social Advancement through Digital and Financial initiatives

1. The National Optical Fibre Network (NOFN) or Bharat Net Broadband revaluation in rural areas will drive for digital technology.
2. The Economic Survey 2016-17 pushed for universal basic Income (UBI) will help in the inclusion of rural area.
3. The Aadhar Enabled Payment System (AEPS) and Points of Sale (Micro ATM) hence the financial inclusion.
4. Financial Education to the rural population through mobile technology.

A recent McKinsey and company study estimates that digital Finance could reach the Bulk of today's excluded, mobilize new deposits and Expand credit, adding 6% points to emerging market GDP in 10 years time, worth some \$3.7 Trillion. The driving force behind the digitization of retail financial services in emerging markets is the mobile phone. Already today, more people worldwide own a mobile phone than a bank account and by 2020, 80% of working-age adults will have a smartphone in their pocket. Technology and digital finance can help close the Gender Gap.

The "BranchLess banking through business correspondents" is a very important role for social and Economic growth of country, appropriate means savings , credit and remittance is a must for all section of society.

India used a three Pronged Approach to enhance customer satisfaction to the clients



Sources: Asian development Bank –Financial inclusion in the digital economy-Deepak Mohanty-Executive Director RBI

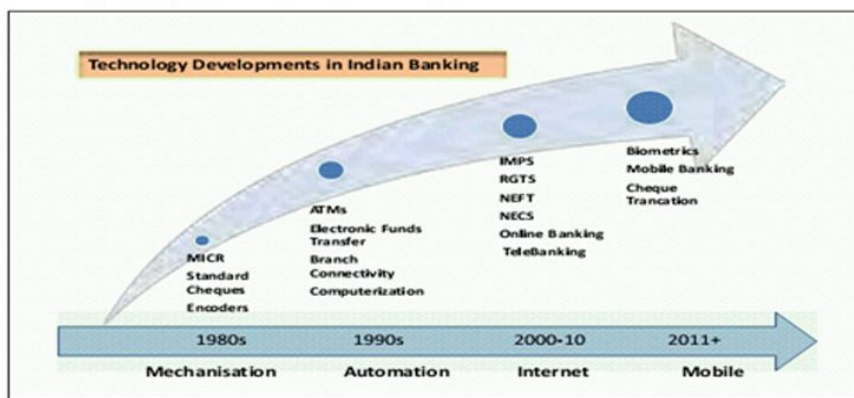
In 2013, CRISIL launched an index (inclusive) to measure the status of financial inclusion in India, to assess the financial inclusion. The Index combines 1. Branch penetration, 2. Deposit penetration, 3. Credit penetration, and 4. Insurance penetration. Source: Mint 1 March 2018 by Pawan Agrawal Chief analytical officer, CRISIL Ltd.

The Digital India initiative, payment banks have helped improve the reach of formal financial services to an economically disadvantaged section of the population and geographically remote regions.

LIST OF BANKS for incorporating Digitalization (FIRST BANKS TO INCORPORATING SERVICES) :

1. ISO	Canara Bank
2. CREDIT CARD	CENTRAL BANK OF INDIA
3. ATM	HSBC 1987
4. INTERNET BANKING	ICICI BANK
5. MOBILE ATM	ICICI BANK

Snapshot of Technology Developments in the Indian Banking Sector:



Source: original source ICAI JAN 2017 & Forbes India - 12 Aug 2017

ONLINE PAYMENT IN INDIA:

Nandan Nilekani's team laid the foundation of Unified Payments Interface (UPI), a platform formulated by millions of people to send and receive money. The National Payment Corporation of India (NPCI) was set

up in 2009 as an umbrella organisation for all retail payment systems (Under section 25 of the companies Act). For Achieving the goal of Inclusion, accessibility, and affordability RBI recognised the E-payment system. NPCI National Payments Corporation of India body runs UPI BHIM (Bharat Interface for Money) launched at Digi Dhan mela at Talkatora Stadium in New Delhi on 30 December 2016. It was named after Dr. Bhimrao R. Ambedkar and is intended to facilitate e-payments directly through banks. BHIM is an initiative to enable fast, secure, reliable cashless payments through mobile phone.

Payment Banks have been created help India reach its digital and Financial inclusion. It will help people who have been excluded in Traditional Banks services. It provides opportunity to the people to do the transaction digital and support financial inclusion. Digital Payments point of sales (POS), Debit Card, Digital wallets, Unified Payments interface (UPI) RTGS, NEFT, Aadhaar-enabled Direct Benefit Transfer (DBT) and Digital locker is major digital reform. This means Digital India = Inclusive India (sources: Swati Mishra - The Word Bank).

Payment Bank provides financial services to the remotest corners of the country. The Reserve Bank of India (RBI) has given 11 entities to operate in India as "Branchless banking through Business correspondents" for social and Economic growth and advancement through Savings, credit and remittance.

They offer electronic remittances, financial advisory, online banking and more, offer immediate value to unbanked consumers. They are designed to improve social culture, through Digital and Financial Inclusion. Payment Banks (PBS) will lead the Social advancement in terms of living standards when society uses the skills to the fullest, that society will prosper, it makes society move upward. The Demonetization and Digitization are given scope for innovating techniques of banking payment system. The concept of payments banks was first proposed by a Reserve Bank of India (RBI) committee on Comprehensive Financial Services for Small Businesses and Low-Income Households led by the board member Nachiket. More Payment Banks (PBS) will help in promoting financial inclusion. The process of spreading banking services is critical in India, where more than half of the adult population still does not have access to banking services. Through the Payment Banks (PBS) 5 A's of Financial Inclusion are promoted in cashless payment: Availability, Accessibility, Acceptability, Affordability, and Awareness. The Jan Dhan Aadhaar Mobile (JAM), Swiping ePoS and Micro ATMs will help people to get digital transaction awareness. Payment Bank provides financial services to the remotest corners of the country. The Reserve Bank of India (RBI) has given 11 entities to operate in India as "Branchless banking through Business correspondents" for social and Economic growth and advancement through savings, credit and remittance. In November 2014, RBI granted 11 applicants permission for commencing payment bank operations. Payment Banks cannot issue credit cards and cannot undertake lending activities. Following are payments banks approved by RBI.

Table: Name of Payment Bank Approved By RBI

SINO	Name of the Payments Banks
1	National Securities Depository Ltd ((NSDL)
2	Airtel Payment Bank
3	India Post Payments
4	FINO Payment Bank
5	Paytm Payments Bank
6	Aditya Birla Idea Payments Bank
7	Jio Payments Bank
8	Cholamandalam Distribution Services
9	Tech Mahindra
10	Sun Pharma's
11	Reliance Industries

Sources: Deccan Herald 30th October 2018

Table-Technological Development in Financial services in India

Year	Technological developments in Financial services
1980	First Credit Card launched in India
1987	First ATM Deployed in India
1997	Internet Banking Launched
2001-02	Core Banking services
2005	National Electronic Fund Transfer(NEFT) payments Launched by RBI
2006	Business Correspondents allowed for Banks by RBI
2008	Regulations for mobile Banking published by RBI
2010	Immediate Payment System(IMPS) launched for public by NPCI
	BHIM App
	RuPay Domestic Card Network
	White Label ATMs
	Aadhaar enabled Financial Services
	Point of Sale(POS)Machines

Source: Deloitte-CII Northern Region Summit

List of White Label ATMs

Sl. No	List of NBFC White Label ATMs
1	Tata Communications Payments Solutions Ltd
2	Hitachi Payment Services Pvt. Ltd
3	Muthoot Finance Ltd
4	BTI Payments Pvt. Ltd
5	Vakrangee Limited
6	Riddhi Siddhi Bullions Limited
7	AGS Transact Technologies Ltd
8	SREI

List of services offered and not offered by Payment Bank

Services offered	Services not offered
1.Raise deposit up to 1 lakh interest offered like savings Bank	1.Advancing loans
2.Transfer through a mobile phone	2.Issue of Credit cards
3.Automotic payment of Bills purchases,cashless, Cheques less transactions	
4.Issue of debit card,ATM,ATM network of all banks	
5.Forex Cardtotravelers	
6.Forex services charge lower than banks	
7.Sell third-party financial products like insurance and mutual funds	

Sources:Feedougu.com



FINANCIAL AND DIGITAL INCLUSION AND PAYMENT BANKS/DIGITAL BANK MODELS IN OTHER COUNTRIES

KENYA: A leading bank in Kenya has launched Thin-Sim based mobile banking and Telecom service. Thin-Sim card is placed along with the normal sim cards in the phone and allows users to access financial services along with a telephone.

TANZANIA: Tigo pes in Tanzania has developed mobile agents model to provide cash-in and Cash out service by moving from one location to another. This increases the geographical areas under service and also provides door step Banking services

(Sources: EY Building a better Working world)

BANGLADESH: Bkash and Butch Bangla Bank mobile Banking have a top market share in mobile money in Bangladesh.

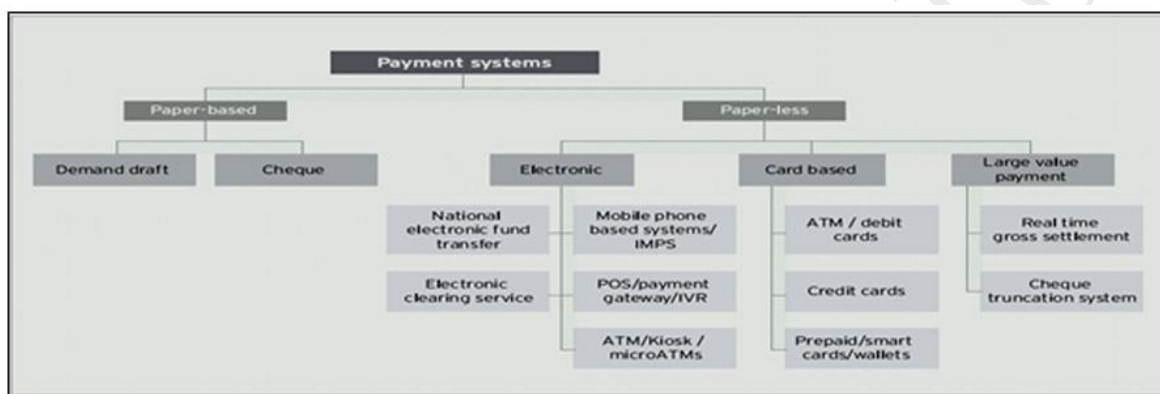
UGANDA: Mobile money has been a fast-growing phenomenon Uganda. Mobile operators are providing the mobile money the are Africell Uganda, MTN Uganda, Airtel Uganda and Uganda Telecom M-sente. (Sources- The "Evolution" of Regulation in Uganda's Mobile Money Sector - Rory Macmillan Partner, Macmillan Keck, Attorneys & Solicitors,) and Peggy is the platform which Post Bank uses to facilitate E-Payment service to a customer using pegpaywater bill, taxes, Tv Bills. (Source- E-payment post bank Uganda).

SOUTH AFRICA: More than 40% of South African households use trust-based models such as "stokvels", according to the National Stokvel Association of South Africa. A stokvel is a savings or investment society. National banking initiative, Mzansi product account. Nonprofit independent financial trust FinMark Trust believes that the Mzansi product has accounted for just under one-half of that growth. The South African banking industry and launched collaboratively by the four largest commercial banks together with the State-owned Postbank, (sources: World Economic Forum).

PHILIPPINES: Is the pioneers and earliest adopters of mobile money services even before M-Pesa of Kenya was launched. The smart communication's (SMART) money service was the first to market the scheme G cash in 2001.

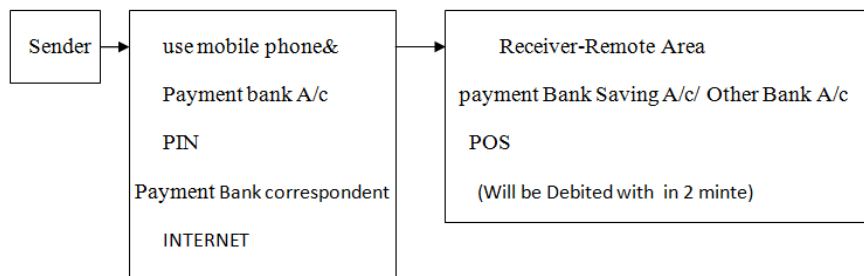
DIGITAL PAYMENT SYSTEM&FINICIAL INCLUSION	COUNTRIES
Pradhan Mantri Jan BhanYojana Scheme	India
MNO E-money system	SriLanka
M-Pesa	Kenya
Bank led Bkash E-money system	Bangladesh
The Unique Identifier	South Africa
G –Cash system	Philippines
Bank correspondent led Mobile telephone banking	Cobmbia
Peggy is the platform which Post Bank uses to facilitate E-Payment service	Uganda
Tigo pes	Tanzania

(Sources: Innovate to win Innovate for Financial Inclusion-Dr raneeyamaha)



Source: Banking on Technology, Perspectives on the Indian banking Industry&Forbes India 12Aug 2017

Payment Bank model(Send money to rurul India)



(Sources: Research Scholar own Idea)

Payment Bank-M-banking ,PMJDY and IPPB will reach unbanked and the under banked across all section of the society and rural area(Dr. G. Sabitha Srinivas-Jan. 2017).Payment banks will serve as channel to people to transfer money through digital and game changer(Saba Abid-Dec. 2016)Various new products such as Immediate Payment Services (IMPS), Prepaid Instruments (PPI) and National Automated Clearing House (NACH) have been added after formation of NPCI have enhanced the Digital and financial inclusion(Dhananjay B & Suresh Chandra B-August ,2015) .Penetration bank branches and Financial literacy are the two pillars of financial inclusion.(RavindraTripathi,Nikhil Yadav and Rajesh Kumar Shastri-10th January 2016.Payment Banks will create arevaluatry trend Indian Banking Industry,it will improve Financial Literacy and Total Financial inclusion both vital for a country Economic Development-Dr P.Siva Rama Prasad-2018,Mobile money is certainly one of the most powerful means for financial inclusion- By Kevin

Donovan.Unified Payment Interface or UPIs,Debitcards,Micro-ATMs,Payment wallets will impact on the digitalization of the economy by NandanNilekani

Financial Inclusion-Role of Payment Banks in India Dr. G. Sabitha Srinivas-Jan. 2017

Payment Banks: A Revolutionary Step in Indian Banking System Saba Abid-Dec. 2016

The electronic Banking Revaluation In India- Dhananjay B & Suresh Chandra B-August 3,2015

Financial Inclusion in India Through Pradhan Mantri Jan DhanYojana;An Empirical Analysis of Statistical Evidence-January 10, 2016.

Financial inclusion Vs Payment Banks By CMA Dr P. Siva Rama Prasad – Published Yojana Archives-Feb 2018

Mobile Money for Financial inclusion –Published in World Bank Group-By Kevin Donovan

Financial inclusion in the digital economy-Asian Development Bank-2016

ICTS for inclusive communities in Developing Societies-Edited Jacques steyn&Darelle van Greune –Publighing 2015 Google Book.

Interview published in India Today January 2017 by Nandan Nilekani on How India should transition to a digital economy.

Forbes India 12August 2017