

### What is a Payment bank :-

- A bank licensed as a payment bank can receive deposits and offer remittances only. It cannot issue loans and credit cards.
- Nachiket mor committee in 2014 in its report recommended for a new type of banks called Payment banks and in 2015 RBI accepted this and gave 'on principle' license to 11 entities to launch payment banks.
- Its aim is to revolutionize financial services. These types of banks are useful for low-income households, small business and other unorganized sector.
- Airtel is India's first payment bank.

### Benefits of payment banks:-

- Payment banks are useful as it offer zero balance account. That means there is no penalty on zero balance in payment banks account.
- Yields in high profits of the banks as there is no infrastructure cost. For example in Airtel case, Airtel retail outlets is acting as banking points. India Post too setup payments bank, and it operates from the present post offices only.
- High interest rate is given by the payment banks in comparison to commercial banks to attract deposits.
- Some payment banks are telecom distributors and through their service you can keep your account number same as your mobile number. This is convenient for people and easy to remember.
- Right now there is cash-back and discount on every transaction. For example, Paytm offers discount on purchased made through their payment bank.
- Some added benefits of payment banks are accidental insurance, mutual fund.
- It will help people of rural areas where they don't have access to bank connectivity. Now they can use their account through their mobile phones.
- They also issue debit cards and ATM cards which is usable on ATM network of all branches.
- These payment banks are linked with one's banks savings account via IMP's and NEFT transfers.

### Limitations of payment banks:-

- Maximum deposits in these payment banks are up-to one-lakh only.
- Payment banks cannot issue loans and credit cards.
- At present payment banks charges some percent of your amount when you withdraw or transfer money.

**Conclusion:-**

Payment banks are useful in this digital age, where focus is on cashless payments and use of digital money. It is a step taken by RBI to redefine banking in India and government will meet its goal of financial inclusion. These banks target those masses who cannot afford to visit branch every time and is providing them basic facilities through mobile phones. This move is also a plus to 'Pradhan Mantri Jan dhan Yojna'.

**Afterwords :-** What is your opinion on this topic? Express your thoughts in the comment section below.

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