ORIGINAL RESEARCH PAPER

Volume-8 | Issue-10 | October - 2019 | PRINT ISSN No. 2277 - 8179 | DOI : 10.36106/ijsr

INTERNATIONAL JOURNAL OF SCIENTIFIC RESEARCH

PAYMENT BANKS GLOBAL EXPERIENCES

Management

Sanjay Kumar Yadav

Research Scholar, Management University Department of Commerce and Business Administration, Lalit Narayan Mithila University, Darbhanga

ABSTRACT

The development of strong banking network is a key for economic development. On August 19th 2015, RBI granted 'in principle' approval for payment banks to 11 entities. Payment banks can provides services like accepting deposits, issue of ATM/Debit cards, remittance through various channels including branches, Automated Teller Machines (ATMs), Business Correspondents (BCs) and mobile banking but cannot lend money or issue credit cards. Setting up payment banks is a big step and strong way towards financial inclusion. The payments banks will provide (i) Small savings accounts and (ii) payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high volume-low value transactions in deposits and payments/ remittance services in a secured technology-driven environment.

KEYWORDS

Business Correspondent, Automated Teller Machine, Small Saving Accounts

INTRODUCTION:

Economic development of any country depends mainly on savings and investment. Bank is a financial institution which accepts money in from of deposits and gives loans and advances to the individuals and industry. Bank performs the function of financial intermediaries, on one hand it mobilizes deposits and on the other hand it invests these deposits in the industry. It encourages savings by giving handsome returns in the form of interest and offering security. It mobilizes deposits through its wider network of branches. Thus, development of strong banking network is a key for economic development. On August 19th 2015, RBI granted 'in principle' approval for payment banks to 11 entities. Payment banks can provides services like accepting deposits, issue of ATM/Debit cards, remittance through various channels including branches, Automated Teller Machines (ATMs), Business Correspondents (BCs) and mobile banking but cannot lend money or issue credit cards. Setting up payment banks is a big step and strong way towards financial inclusion. The payments banks will provide (i) Small savings accounts and (ii) payments / remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high volume-low value transactions in deposits and payments/ remittance services in a secured technology-driven environment (Kamble, 2015).

Payment Banks- International experiences

While Kenya remains the bastion of innovation for financial services offered over mobile phones, the evolution from popular transfer systems like M-PESA to a widely used mobile banking system still remains elusive. The innovation table is littered with cutting edge products, launched with much excitement, yet met with more tepid market receptions. The latest contender to join IkoPesa, M-Kesho and Kopaachapaisa joint venture from Safaricon and Commercial Bank of Africa (CBA) called M-Shwari. Launched in November 2012, it is already receiving much attention for its mobile phone-based credit scoring system, and robust growth rate.

Contrary to some perceptions M-PESA was not the first mobile payment solution, others operating in the Philippines and in Zambia had already operated for years and were, at the time, considered successful. So Safaricom could simply have copied Celpay in Zambia, or Smart or G-Cash in the Philippines. It didn't. Instead it chose to develop a solution for operation within a microfinance institution, Faulu Kenya. The intention was to enable the microfinance institution to accept loan repayments through mobile payments. The pilot testtook place in Mathare a slum in Nairobi and Thika a town 50km north of the city.

Equity Bank is an example of a bank successfully building and managing its own agencynetwork. Agents of Equity Bank are meticulously selected based on empirical guidelines, and then extensively trained. They are usually individual entrepreneurs running existing stores meeting the bank's selection criteria. Agents are mapped to branches and receive liquidity management, operational and other support through a dedicated agency manager at the branch. The agency manager liaises and coordinates with relevant branch staff for the effective functioning of the agency channel.

In Uganda and Tanzania MTN, Vodafone, Airtel and Tigo all sought to replicate Safaricom's approach and to eradicate, or at least minimize, OTC transactions. Despite this, the recent Agent Network Accelerator (ANA) surveys in these two countries suggest that OTC is growing– with 30% of agents in Uganda and 23% of agents in Tanzania admit to offering "money transfer" or OTC transactions. And a small sample survey of agents in peri-urban Kampala suggested that around 50% of their transactions were OTC.

In Bangladesh and Uganda agents charge customers an extra, unofficial amount for OTC transactions despite receiving commission from the providers. This means that the agent is earning twice (from the customer and the provider). In markets, such as urban India as well as Pakistan, where each agent is offering the services of many providers, the agents send the money using the provider that offers the best commission, rather than the provider preferred by the customer. Furthermore, OTC transactions are quick to perform, and agents do not have to spend their precious time registering wallets which may also eventually be used to dispense with their services to buy airtime and/or conduct transactions such as remittances and payments. OTC transactions are thus, in many cases, the lifeblood of agent networks – in the words of Brad Jones, "Whilst all operators are keen to migrate customers to mobile wallets over time, the ability to reward their agent network with transaction volume and income from OTC transactions means that the agent network will continue to be far more important than the mobile channel in emerging markets in Asia for the next few years."

The popularity of OTC transactions lies in the benefits they offer – particularly for the poorer segments of society. A recent study conducted by Micro Save in Bangladesh showed that 85% of the respondents who use mobile money had not registered their own accounts. The reasons for this were that people (42% of whom are illiterate in Bangladesh) find it difficult to navigate the transaction menu, which is either in formal Bengali or in English language, and thus prefer to take help from a trusted agent. The recent Bangladesh ANA study conducted by The Helix, highlights another important reason for OTC: people lack acceptable KYC documentation. OTC also offers some protection against inadvertently sending the money to the wrong number – the sender can call the receiver to confirm the money has been received before paying the agent. Some experts have suggested that customers prefer to remain unregistered and use OTC so that, in the absence of interoperable systems, they are not locked into using services from one provider.

It seems time for a rethink in the name of customer service in advanced markets like Kenya and Uganda. IDs are not required at the ATM, can just a PIN be good enough at an agent as well? Or can agent interfaces be updated so that when they input a customer's number their ID pops-up in the screen for verification (tablets or smart phones would be needed)? Can the profile then be saved, so the customer can then be "fast-tracked" at that outlet in the future? Can a system be developed in general that allows agents to treat their preferred customers as such? The Helix Institute research in 2013 in Kenya and Uganda showed that 35% and 52% of agents respectively in each country had been operating for a year or less. This means there is only more competition to come, and providers who focus on these issues, and give their good agents an edge with customer service, will certainly see results in their bottom-lines.

In Kenya, 68 percent population doesn't have bank accounts but has the financial inclusion of 70 percent due to M-Pesa. Telenor and Tameer Microfinance Bank have together set up the largest branches banking service in Pakistan. Telenor has a large customer base, wide telecom and agent distribution network, marketing skills and relatively higher financial strength, while Tameer's expertise lies in financial products, risk management and compliance. Responsibilities are aligned to the core strengths, revenue are shared in proportion to expenses, and the revenue split is renegotiated over time.

There have been small banks in India for a long time, but their impact has been limited. There are dozen-odd old private banks such as the Catholic Syrian Bank in Kerala (started in 1920), Nainital Bank (1922) or RBL Bank in Ratnagiri (1943) which were left alone when their bigger counterparts were nationalised is 1969, but their share of deposits and credit advances in the overall banking system is less than five percent. Urban cooperative Bank (UCBs) has an even smaller share of 3.5 percent while the Regional Rural Banks' (RRBs) share is three percent. Moreover, most of them have built their business by lending to wealthy traders and not to the weaker sections.

As for developing countries, the Committee on Comprehensive Financial Service for Small Business and Low-Income Households, headed by RBI Central Board Member Nachiket Mor, had noted that such banks, though numbering in hundreds, had not increased Financial Inclusion significantly in countries such as Nigeria and Tanzania, while in places like the Philippines and Ghana they needed intensive, subsidised up grading to survive.

CONCLUSION

Payments banks need to envisage themselves as multi-layered platform that not only facilitates financial transactions, but also drives continuous engagement. This can be achieved through a rich repository of tools and other non-financial features and function a lities that lead to or emanate from a financial transaction; for example, a credit card payment reminder that leads to a payment or an option of cloud storage of receipts for bill payments after paying a bill.

It can be observed that if customers feel that technology is easy to use, they tend to use it more. The relation between convenience and usage of service is very high. Payment banks have made the services easy to operate with variety of features and hence, customers perform more number of transactions from these banks.

Qualification has impact in the use of technology. The more educated a customer is, the easier it is for him/her to use technology. From the data that was analysed, there has been very less significance between qualification and use of technology, as students who were pursuing their education were among the highest users of these payment banks.

Contrary to qualification, occupation has a huge impact in using the services of payment banks. Students, private employees and professionals were using the services of payment banks more than government employees and other people like housewives.

It has also been observed that a customer had other bank's account even when his/her primary bank was providing many products and services, indicating low degree of correlation between the number of services offered by a bank and customer's inclination to use services offered by other bank. The customer can keep relationship with more than one bank as different banks are satisfying different needs of the customer.

It has been observed that the customers mostly use payment banks for mobile recharge, followed by bill payments for food at restaurants and bill payments like purchase of grocery. Customers did not prefer using payment banks as savings bank account even when payment banks offered high interest rates, Hence, customers did not have higher amounts in their payment banks.

It's suggests that convenience or ease in use of technology has a positive impact on the use of payment banks, but other factors like gender, qualification and occupation also impact the customer to avail the services of a payment bank. It is further observed that, a bank can retain a customer with many products and services, but he/she can also be using the services of other banks too as the need of the customer from different banks can be entirely different. The customer typically use payment banks for services such as mobile recharge and payment of bills, while they still prefer universal banks for savings. The mind-set of the customers can be changed with proper promotion and awareness by the payment banks. Since RBI has put many restrictions on payment banks with regards to their operations, they can be made more competitive by easing some restrictions.

REFERENCES:

1. Kamble, Pramod P. (2015), Strengths and Limitations of Payment Banks in India, Prime International Research Journal, Vol. II, Issue 5, October, pp. 19-20
2. Mas, Ignacio and Ng'weno, Amdo (2010), Three Keys to M-PESA's Success: Branding, Channel Management and Pricing, Journal of Payment Strategy and Systems, Vol. 4, No. 4, December – www. Ssrn.com
3. Payment Banks : What Can We Learn from International Experience, Microsave – www.microsave.net
4. Srinivasan, R and Subramaniam, M (2015) Payment Banks in India – Demystified, SSRG International Journal of Economics and Management Studies, Vol.2, Issue 12, December, pp. 1-2
5. Tripathi, Rashimi (2017), Payment Banks and Small Finance Banks: Opportunity or Challenge for Existing Banks, The Indian Banker, Vol. IV, No.11, June, pp. 18-19
6. www.cbagroup.com
7. www.equitybankgroup.com
8. www.gcash.com
9. www.geliy-institute.com
10. www.microsave.net
11. www.safaricom.co.ke
12. www.worldbank.org