

ACOMPARATIVE ANALYSIS OF PAYMENT BANKS AND SMALL FINANCE BANKS

¹D.Umarani, ²Afreen sulthana, ³Dr.N. Subrahmanyam

¹Research Scholar, K.L Business School, (KoneruLakshmaiah Education Foundation), Vaddeswaram, AP, India. 9502843850. Email: umarani886@gmail.com

²Research Scholar, K.L Business School, (KoneruLakshmaiah Education Foundation), Vaddeswaram, AP, India.

³Professor, K.L Business School, (KoneruLakshmaiah Education Foundation), Vaddeswaram, AP, India, 8106625638, nsubrahmanyam2011@gmail.com

ABSTRACT

This exploration paper predominantly center on the extent of installment banks in india, a most recent activity in use by the reserve bank and government of India. Avoidance of financial part within rustic india is solitary of the significant difficulties looked through the Indian economy, in the present-day installment banks are likewise being arrangement to zero in on soaring capacity yet low down worth exchanges by low down pay family units & private companies. At the point of this examination paper is toward contemplate the feasibility of installment banks and the chances and difficulties of this innovative activity. In this paper, we will attempt in the direction of assess the impression of the individuals as respects to installment banks and reach a few determinations for a similar utilizing subjective just as quantitative investigation. To which licenses have been given by the RBI, are a stage toward banking budgetary incorporation they are not just prone to contact unbanked individuals and rustic territories yet will likewise guarantee more cash coming into the financial framework and will present more rivalry among banks. With the allowing of licenses to 11 installments banks and 10 little banks in September, 2015 the Indian financial part has seen a significant development in contacting an alternate customers and model of conveyance which was not recently secured by the planned business banks. The goal of the change is to improve budgetary consideration in the nation. This paper talks about the requirement for money related consideration of an enormous need part in India that is left unbanked or casually banked.

The paper endeavors to examine the rules through which the RBI has authorized these banks, the setting of this new examination and the issues and concerns shared by a wide assortment of partners. The paper might likewise want to refer to the case of UJJIVAN, a main NBFC-MFI, which has the little bank permit and dependent on the cooperation's with the key chiefs and different partners of the firm the paper might want to clarify the sort of future situation the new participants in the financial field would prone to experience.

Catchphrases: banking segment, payment bank administrations and money related necessities customer entrance, communications, reputation, machinery requirement, prosperity of company, and business communication.

1. Presentation:

The Government of India and RBI have been taking numerous activities near advance monetary incorporation of individual 'switin provincial regions, minimum-salary gatherings, traveler laborers and independent ventures. Numerous activities have been dispatched, for example, the Prada Mantra Jan Dan Yana (PMJDY), the Digital India Campaign, dispatching of electronic store move systems, for example, NEFT and RTGS, and advancing portable installment devices, for example, Aortal Money and Pay tm. The conception of installments is the most recent activity in use by the Government of India and RBI. The dynamism of the genuine economy requests for an adaptable and serious financial framework to fulfill up the needs for different constituents of the economy. The Indian economy has developed complex over the most recent couple of decades and there has been reformist progression and globalization of the economy. In any case, there is as yet an enormous piece of populace that remaining parts unbanked or casually banked. Near 90

percent of private companies don't have formal money related banking and around 60 percent of the country and metropolitan populaces have no monetary organization by any means

2. Review of literature:

M Jayden, H Singh, P Kumar - IIMB the executive's audit, 2017 - Elsevier An ongoing advancement in the Indian financial structure has been the development of another financial establishment—little money banks (SFBs). These banks are relied upon to infiltrate into money related incorporation by furnishing essential banking and acknowledge administrations for a separated financial model to the bigger populace. In this setting the new SFBs have numerous difficulties in coming out with another, separated plan of action. A large number of the examination papers had clarified the targets of the Reserve Bank of India in favor of the foundation of Payments Banks inside the nation. The most extreme spotlight surrounded by these destinations be on the part of this banks in advancing budgetary consideration into the nation.

Dr. J.C Pandey(2009)has elaborated the administrations delivered via Payment Banks. The analyst likewise clarified the way toward conception a Payment Bank under the rules of RBI

G. Sivakrishna and S.Venugopal (2010)has made an observational examination lying on how e-banking assists with improving client base. The investigation was additionally an endeavor to break down the client recognition, client inclinations and consumer loyalty levels towards ebanking administrations. In light of the investigation, the specialists inferred that with better comprehension of client discernments, the banks will have the option to decide expected activities to fulfill the clients.

Objectives of the study:

1. To recognize the task of Small Finance Banks and payment banks in Financial insertion of the society.
2. To analyses the intimidation and challenge face by the Small Finance Banks and payment banks.

List of small finance banks:

- 1 .Au Financiers (India) Limited, Raipur
- 2 . Capital Local Area Bank Limited, Jalandhar
3. Dish a Micro balance Private Limited, Ahmadabad
4. Values Holdings P Limited, Chennai
5. ESAF Microfinance and Investments Private Limited, Chennai
6. Janalakshmi Financial Services Private Limited, Bangalore
7. RGVN (North East) Microfinance Limited, Guwahati
8. Suryoday Micro Finance Private Limited, Navi Mumbai
9. Ujjivan Financial Services Private Limited, Bengaluru
10. Utkarsh Micro Finance Private Limited, Varanasi

Installment banks:

Installment Banks may use the Mobile Platform to encourage exchanges stuck between at least both gatherings. They has intended to convey banking administrations in the the majority distant zones of the country since a stage towards financial advancement. Installments banks will be accessible wherever physical entrance is troublesome and it is well on the way to achieve a plunge in the expense of banking administrations when contrasted with separated banks. They have become a methods for connecting with the past unbanked districts to fuse those areas into standard budgetary frameworks by advancing money related consideration

LIST of Payment bank:

1. Paytm
2. Installment Bank.
3. India Post Payment Bank.
4. Fino Payment Bank.

Small Finance Bank Vs Payments Bank:

Here we can see below major differences among Small Finance Bank and Payments Bank

Basis of Difference	Small Finance Bank	Payments Bank
Who can sponsor	NBFCs, microfinance companies, local area banks, Individuals/ professional having 10 years experience in finance, etc.	Can be promoted by Telecom Companies, Prepaid Card Issuers, NBFCs, Supermarket Chains, PSUs, etc.
Promoter's Share	40% in starting Then can be little by little bring down to 26% in 12 years	40 % for first 5 years from the date of inauguration of business
Capital Required	least amount Paid Up capital should be 100 Cr.	Least Paid Up capital should be 100 Cr.
Regulatory Requirements	congregate CRR and SLR set through the RBI	congregate CRR and SLR set through the RBI
Customer Reach	Customers reached through its branches	Customers reached through Mobile banks
D.D(demand deposit)	May accept demand deposit like savings deposit not including any fixed limit	may accept demand deposit like savings deposit only up to Rs. 1 lakh
Time Deposit	May accept Time Deposit such as Recurring Deposit and Fixed Deposit.	Cannot accept Time Deposit such as Recurring Deposit and Fixed Deposit
Loan	Can offer loan. Must extend 75% loans to priority	Cannot offer loan

	sectors	
Remittance Services	Can provide Remittance Services	Can provide Remittance Services
Online Banking Solutions	Can offer online banking services	Can offer online banking services such as bill payment, etc.
Revenue	Earns revenue through lending services	Earns revenue through transaction charges and fee income for remittances
Debit Card	Can issue Debit Card and ATM Card	Can issue Debit Card and ATM Card
Credit Card	Can issue credit cards	Can't issue credit cards
Target Customers	MSME, Small Farmers, Small Businessman, Unorganized Workers, etc.	Poor migrant laborers, unbanked Indians, under-banked customers, low-income households and small businesses
Adoption of Technology	Should be fully technology driven right from the beginning	Should be fully technology driven right from the beginning
Branches	For Initial 3 years, 25% branches must be in rural areas to tap those areas	Must have 25% branches in rural areas
Third Party Products	Can sell third party products like mutual funds, insurance, pension products, etc.	Can sell third party products like mutual funds, insurance, pension products, etc.

SWOT ANALYSIS:

strength:

1) The country has enormous population out of which 70% of the population lives in the provincial zones of the country. Consequently, banks of two public and private divisions have bit of leeway of the condition as the concealed and unbanked provincial population can revolve into a foremost market for the banks.

2) The financial part of country is very huge having an enormous number of major parts as open and private area banks. India has 57 grameen saves money with in excess of 17,000 branches the nation over. Consequently, with the presence of these particular banks who as of now manage the provincial buyer government can without much of a stretch increment the energy of monetary consideration. Shortcomings:

1) The greater part of persons falls in the lesser pay bunch moreover who can't meet their essential desires even and they are the one who to be gotten the domain of banking predominantly similarly, in spite of endless endeavors a variety of records opened beneath Jan Dan Yojana are torpid without so much as a introverted swap over done inside 45 days subsequent to notch of the record.

2) The triumph of budgetary deliberation relies on solid innovation concerning network, extra number of pinnacles and shortly everything its requires to exist improved the same as this is a feeble zone where the nation wishes to do improvement.

3) require of mindfulness concerning financial offices and ease of access of various monetary substance and administration amid pastoral populace is a main failing of the economy.

Openings:

1) the community has a huge out of work populace which can subsist for advancing monetary consideration next to making them an aspect of its conveyance instrument of the cycle as business Correspondents (BCs) and business facilitators (BFs) and this jobless population of the economy can be utilize for dispersion monetary education and achieve money related deliberation.

3. Difficulties to small finance banks:

Resolve confront solid rivalry while the number and sort of major parts during the budgetary administrations gap grows. They may need to beat explicit difficulties while they change since their current contour of MFIs to the SFBs. MFIs/NBFCs in India depend on a plan of action obsessed by credit. A portion of the difficulties looked by SFBs are 1. Significant expenses of Transformation: SFBs should bear the steady expense of foundation, HR and authoritative change. A portion of the zones which may involve significant expenses are: Upgrade of MIS and advance start frameworks to a center financial arrangement, building up hazard the executives and depository capacities, creating reserve funds items, dealing with the change from a credit just establishment to an expanded money related organization, employing new staff, preparing and ideal usage of obtainable staff and additional foundation expenses. It will add to the common and unchanging expenses and dependent on verifiable proof from market source, such extensive extending changes may have an earn back the original investment time 3-5 years. 2. Endeavors and Cost of Deposit enlistment: SFBs have refusal related knowledge of stores dealing with as lion's share of them was working as MFIs. There are two features of the test presented in this space. Right off the bat they should contend with set up open part and local rustic banks. These banks appreciate higher trust in the network, are all around put in the provincial business sectors, and are forcefully attempting to upgrade their piece of the overall industry. Their current framework, notoriety, business journalist organization, and mastery in store assembly will be a danger for SFBs. Besides, the expense of store assembly will be higher for SFBs considering the provincial portion they will cook and truly previously, these fragments have had low normal store sizes. They should put resources into the framework that empowers them to assemble stores through setting up a physical branch organization, business reporter organization, ATM organization, and key association through banks. Agreed the non-existent history into assembling stores, it would be hard to rouse the belief and certainty amongst shoppers needed to pull in stores.. 3. Rivalry: contest resolve be wild as SFBs will confront rivalry from accessible banks and non-bank monetary organizations (NBFCs) who might hoping to stretch out their range to serve the unbanked and under banked, particularly in semi-metropolitan and provincial regions. Various current banks are depending on their image alongside innovation to go into semi-metropolitan and rustic territories to fill the hole. SFBs should meet people's high expectations of separating themselves from different parts in this evolving scene.

Difficulties looked by installment banks: There is a gigantic capability of installment banks in India yet such an activity is additionally confronting a few difficulties:

- Since web is the main method of activity for these banks, it will be reasonable enough to state that India is battling with the web speed and it has the speed which is a lot of lower than the worldwide benchmarks. As indicated by one of the report by Akaka's express, the normal speed of the web was 5.6 mbps in year 2016. Along these lines such a low speed is making an issue for achievement of installment banks in India.
- As the installment banks are totally innovation based with no generous physical presence, the installments banks is more inclined towards the more well informed occupants.
- Both the clients just as the operators have an exceptionally less familiarity with the idea of installment banking and its employments.
- Apart from the innovative obstacles, there is more for practices which is the principle reason of to acknowledging all the advanced demands looked by the clients.

It is hard to discover the operators required for reason for executing these mechanical movements with the clients as they themselves should be propelled monetarily and specialized to convey forward the goal of computerized installments. Since the usage of demonetization in India, the advanced installment framework in India got an incredible lift and yet this thus prompts decline in the utilization of money. Be that as it may, regardless of this reality a large portion of populace is vigorously dependent on (money dissemination of June 2018 was more by 9.8% when contrasted with June 2017)

Open doors for installment banks:

- Big size of the market: There is a major market which has not been tapped and endeavors can be made to incorporate the unbanked populace, which is around 233 million, to utilize banking offices. To accomplish these goals, the installment banks should fragment the entire market based on both demography and topography, to offer the uniquely designed items for the females and poor people and the forthcoming clients.
- Generalization: Since demonetization and with the administration activity on (Jan-DhanAadhar Mobile), there is a push for demonetization. Notwithstanding of activity taken, the majority of populace lean toward money mode for little worth exchange. The Merchant Discount Rate is collected at the pace of 0.75-1.0% on check cards and 1.5-2.5% on MasterCard's which is entirely high and appears to be exorbitant for little brokers. Indeed, even the RTGS and NEFT are chargeable and OTP-based computerized arrangements offered by banks are too exorbitant and even more they expect a more elevated level of innovation comfort.
- Provide for Financial Advisory: Financial warning is a regular term, that has been utilized yet infrequently applied. The vast majority of the Indians have an almost no admittance to the monetary prompt being given by banks or some other outsider and henceforth there lies an immense hole in the administrations and their usage.

Future activity for installment banks: There are three sorts of clients that installment banks are holding fast to: 1) the well informed youthful Indian who are glad to utilize proactive financial administrations and a safe stage for the installments. 2) The lower salary monetarily barred Indians who fundamentally bargains in real money and anticipate essential financial administrations on portable. Also, 3) monetarily included albeit carefully non keen clients. Along these lines taking a gander at the sort of individuals it can serve, the installment banks need to take a shot at the accompanying regions:

- Knowing this is an inventive plan to bank the unbanked populace, the Payment banks must put a decent measure of cash in promoting, particularly in rustic regions, and compensate the business power fundamentally — push forward and attempt to execute past the installment structure dependent on commission — to urge them to invest energy with clients in prospecting the recompenses of the administrations. This component needs to edify the item and its attributes to the business power in a way which will prompt the conviction of the client.
- To approve retail specialists in their full limit, the installment banks should be included at every single aspect of the cycle. To begin with, the cycle should move above and beyond in partner the operators as an indispensable aspect of the cycle so as to make a simple pathway for the client to adjust and utilize the cycle.
- Also it gets basic to place the innovation in picture particularly for the client service at whatever point wanted by giving compelling preparing and specialized information to the business power that thus will have the option to convey the equivalent to the end clients. The Payment banks must adopt a comprehensive strategy, beginning from expanding the measure of cash spent in the preparation to making it simple for the agents to keep on having the option to convey for present moment as well as for long haul. With the passage of installment banks, the way toward moving cash from ledgers to wallets will turn out to be genuinely consistent, and in this way it is very conceivable that numerous clients may open installment financial balances notwithstanding their standard financial balances. They may isolate little ticket installments from other bank installments by holding separate records. This is a key offer and would be actually a game change in Indian Banking System. Be that as it may, as it is another ingrain in India, numerous individuals are as yet not mindful about Payment Banks, its administrations, advantages and security standards. Consequently, the holders of Payment Banks need to make mindfulness among individuals.

The principle goal of money related incorporation is to guarantee admittance to formal credit for individuals who rely upon casual hotspots for satisfying their monetary needs, at a reasonable expense in a reasonable and straightforward way, and to advance budgetary training. The Government and the Reserve Bank of India (RBI) have put forth a few purposeful attempts to advance money related incorporation. These endeavors incorporate dispatch of co-usable banks and provincial rustic banks, presentation of need division loaning, arrangement of self improvement gatherings, arrangement of business journalists, and so forth. These activities assisted with getting an enormous part of the unbanked populace under the proper financial framework.

4 Conclusion:

With the entry of payment banks, the method of shifting cash from bank accounts to wallets can become really seamless, and so it's extraordinarily attainable that a lot of customers might open payment bank accounts additionally to their regular bank accounts. They will segregate small-ticket payments from alternative bank payments by holding separate accounts. This is often a key worth proposition and would be very a game amendment in Indian banking industry. however because it could be a new instill in Asian nation, many folks square measure still not privy to Payment Banks, its services, advantages and security norms. Hence, the holders of Payment Banks need to produce awareness among individuals.

The main objective money of monetary economic inclusion is to confirm access to formal credit for those that depend upon informal sources for fulfilling their financial desires, at an inexpensive value in a very truthful and clear manner, and to push monetary education. The RBI and Govt. have created many joint efforts to push financial inclusion. These efforts embrace launch of co-operative banks and regional rural banks, introduction of priority sector disposition, formation of help teams, appointment of business correspondents, etc. These

initiatives helped to usher in an oversized section of the unbanked population below the formal banking industry.

REFERENCES:

- [1] AchiketMor Committee report 20.14 – published by the RBI
- [2] Compendium of guidelines for Small Finance Banks- issued by RBI
- [3] Financial Inclusion in India- An assessment – a report published by RBI
- [4] Global Findex Database 2017, a report by World Bank.
- [5] CrisilInclusix—a report by CRISIL February 2018
- [6] Shifting trends in the microfinance ecosystem- Price Water Cooper report Nov 2016.
- [7] Evolving landscape of microfinance institutions in India – Ernst & Young report 2016.
- [8] Small Finance Banks: What can we learn from Indian experience- a Micro Save report.
- [9] Small Banks, Big opportunities- a Trans Org report.
- [10] PMJDY website (www.pmjdy.gov.in).
- [11] Evolving landscape of microfinance institutions in India,’ report jointly published by ASSOCHAM and EY.
- [12] The ‘Challenger’ BanksinIndia (2015)KPMG India.
- [13] Reserve Bank of India (2013), ‘Banking structure in India – The way forward’, Discussion Paper, August
- [14] Reserve Bank of India (2014), ‘Report of committee on comprehensive financial services for small businesses and low income households’, January.
- [15] RBI Guidelines for Licensing of Payment Banks: Opportunities and Challenges.(2014). Deloitte ToucheTomatsu India Pvt.Ltd.
- [16] Shah, Zahoor Ahmad (2017), “Digital Payment System: Problems and Prospects”, International Journal of Economic and Business Review, Volume 5, Issue 8, August.
- [17] <https://economictimes.indiatimes.com>