

COMMERCE MAGAZINE

# ***FIN TALK***

# ***PAYMENT BANKS***

***2024***

GENESIS GLOBAL SCHOOL

Vol. ***8***

10th April 2024 |



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# ABOUT PAYMENT BANKS

- Payment banks are a type of bank that provide basic banking services.
- Payments bank seeks to provide financial and payment services to small businesses, low-income households, and migratory workers in a safe, technology-driven environment.
- They are licensed by the Reserve Bank of India (RBI) and operate on a digital platform.
- They function as regular banks but cannot provide credit or loan facilities.
- Payment banks are registered under the Companies Act 2013 but are governed by a host of legislations such as Banking Regulation Act, 1949; RBI Act, 1934; Foreign Exchange Management Act, 1999, Payment and Settlement Systems Act, 2007 and the like.
- India currently has 6 Payment Banks namely, Airtel Payment Bank, India Post Payment Bank, Fino, Paytm Payment Bank, NSDL Payment Bank and Jio Payment Bank.

# OBJECTIVES

1. Promote financial inclusion by providing basic banking services to the unbanked population.
2. Increase access to banking services, especially in remote areas where physical bank branches are limited.
3. Facilitate digital transactions and promote a cashless economy.
4. Offer convenient and affordable banking services through mobile phones and other digital channels.
5. Enable easy and secure remittances, making it simpler for people to send and receive money.
6. Lower transaction costs by utilizing digital platforms and reducing the need for physical infrastructure.
7. Empower individuals and small businesses with basic banking services, such as accepting deposits and facilitating payments.

# Payment Banks: Revolutionizing Financial Inclusion

- Payment banks are rapidly emerging as a transformative force in the world of finance, particularly in regions with limited access to traditional banking services. These innovative institutions specialize in providing basic banking services, primarily focused on payments and remittances, without engaging in lending activities.



- The rise of payment banks is driven by the growing demand for convenient and accessible financial services, especially among underserved populations. By leveraging technology, payment banks are able to offer a range of services, including digital wallets, mobile banking, and electronic fund transfers, at a fraction of the cost associated with traditional banks.

# Payment Banks: Revolutionizing Financial Inclusion



One of the key advantages of payment banks is their ability to reach remote and rural areas where brick-and-mortar banks are often absent. Through partnerships with telecommunications companies and other stakeholders, payment banks are able to establish a widespread network of access points, enabling customers to conduct financial transactions conveniently and securely.

# Payment Banks: Revolutionizing Financial Inclusion

- Moreover, payment banks play a crucial role in promoting financial inclusion by catering to the needs of unbanked and underbanked individuals. By providing a gateway to the formal financial system, these institutions empower individuals and small businesses to manage their finances more effectively, build savings, and participate in the digital economy.
- As the adoption of digital payment solutions continues to grow worldwide, payment banks are poised to become indispensable players in the financial landscape. Their ability to offer low-cost, user-friendly services makes them well-positioned to drive financial inclusion and economic empowerment, ultimately contributing to sustainable development and poverty alleviation efforts.
- In conclusion, the rise of payment banks represents a significant milestone in the evolution of financial services, offering a viable solution to the challenges of financial exclusion and inequality. By harnessing the power of technology and innovation, these institutions are revolutionizing the way people access and manage their money, paving the way for a more inclusive and equitable financial future.

## 6. Financial Strain:

- Mounting financial pressures, exacerbated by operational issues and regulatory challenges, strained Paytm Payments Bank's financial viability. The bank faced difficulties in sustaining profitability and expanding its customer base amidst increasing headwinds.

## 7. Customer Exit:

- Dissatisfied with the overall experience and uncertain about the bank's future, many customers opted to switch to alternative banking providers. The exodus of customers further weakened Paytm Payments Bank's position in the market.

## 8. Rebuilding Trust and Recovery:

- To salvage its reputation and revive its fortunes, Paytm Payments Bank embarked on a journey of rebuilding trust and enhancing its operational resilience. The bank focused on strengthening compliance mechanisms, improving service quality, and restoring customer confidence.





# FALL OF PAYTM

## The Unraveling of Paytm Payments Bank: A Tale of Missteps

- In recent years, Paytm Payments Bank emerged as a promising player in India's financial landscape, offering digital banking solutions to millions.

However, its journey took an unexpected turn as it faced a series of challenges leading to its downfall.

### 1. Regulatory Scrutiny:

- Paytm Payments Bank faced regulatory scrutiny over compliance issues, including KYC (Know Your Customer) norms and adherence to anti-money laundering regulations. These issues raised concerns among regulators and impacted the bank's operations.

### 2. Trust Erosion:

- Reports of customer data breaches and security lapses tarnished Paytm Payments Bank's reputation. Trust, a crucial element in banking, eroded as customers grew apprehensive about the safety of their funds and personal information.

### 3. Operational Setbacks:

- Operational inefficiencies, such as frequent service outages and transaction failures, plagued the bank's user experience. These setbacks frustrated customers and undermined confidence in the bank's reliability.

### 4. Competitive Landscape:

- Amidst intense competition from established banks and fintech startups, Paytm Payments Bank struggled to differentiate itself and maintain a competitive edge. Innovative offerings from rivals attracted customers, posing a significant challenge to the bank's growth prospects.

### 5. Leadership Turmoil:

- Leadership changes and internal conflicts further destabilized Paytm Payments Bank. Lack of cohesive direction and strategic vision hindered the bank's ability to navigate turbulent waters effectively.

### Current situation:

Despite various measures taken by Paytm in order to recapture the payment industry, they failed to gain the trust of consumers as well as RBI. RBI ordered to stop all its services of Paytm payments bank beyond february 29 2024. In fact immediately after RBI's announcement Paytm's share price crashed by 40%.

### Conclusion:

The downfall of Paytm Payments Bank serves as a cautionary tale in the fast-paced world of digital banking. While the bank once held promise as a disruptive force, its journey was marred by regulatory challenges, operational setbacks, and competitive pressures. As it navigates through turbulent times, the road to redemption for Paytm Payments Bank remains fraught with challenges, yet not devoid of opportunities for renewal and revival.





# **INTERVIEW**

## **Of General Bank Manager**

**Interviewer: Why did you join the banking sector?**

**Candidate: I joined this sector because it offers a variety of opportunities and possible rapid career progression. It is one of the most booming industries which is growing at a rapid rate. The scope of this sector has widened drastically over the years.**

**Interviewer: How do you approach building and maintaining customer relationships in the banking sector?**

**Candidate: I prioritize building trust and rapport with customers by providing personalized financial solutions, actively listening to their needs, and demonstrating a commitment to their financial well-being. I also follow up regularly to ensure customer satisfaction and address any concerns promptly.**

**Interviewer: Can you explain how do you manage or cope up in stressful situations ?**

**Candidate: Stress in banking sector is something which either comes with delay or deadline. I always plan to do list and work accordingly. Most of the time I manage to complete task in advance. This helps a lot in managing work and stress too.**

**Interviewer: How do you stay updated with the latest developments in the banking sector?**

**Candidate: This is not so difficult, you need to be in market and meet your customers. I regularly engage in professional development activities. Additionally, I follow reputable financial news outlets and subscribe to industry publications to stay abreast of the latest trends and regulations.**

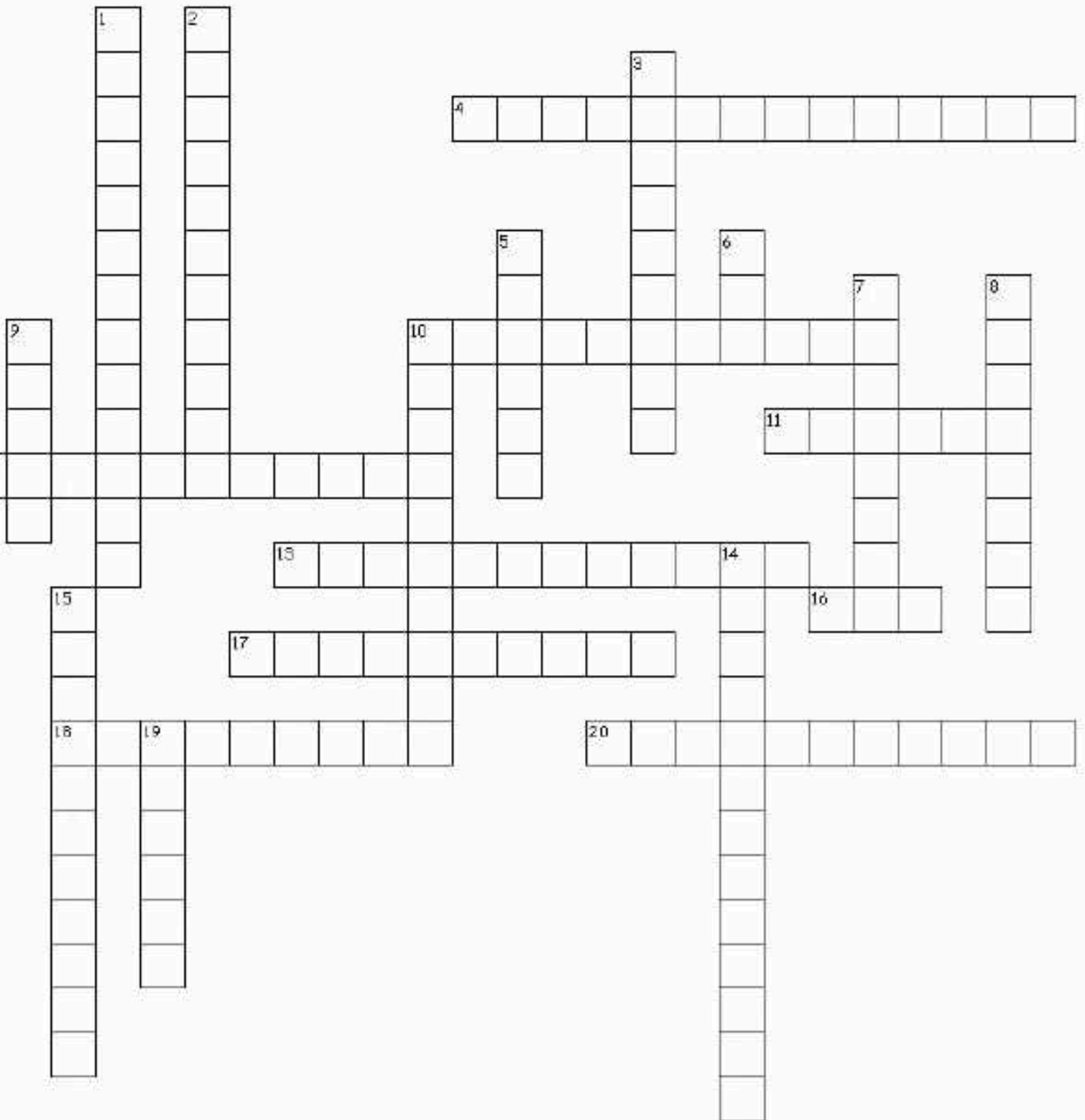
**Interviewer: What are your views on payment banks?**

**Candidate: Payments banks operate similarly. They focus on digital transactions, remittances, and financial services for the unbanked population. They don't engage in lending activities but promote financial inclusion.**

**Interviewer: How do you approach building and maintaining customer relationships in the banking sector?**

**Candidate: I prioritize building trust and rapport with customers by providing personalized financial solutions, actively listening to their needs, and demonstrating a commitment to their financial well-being. I also follow up regularly to ensure customer satisfaction and address any concerns promptly.**

# CROSSWORD

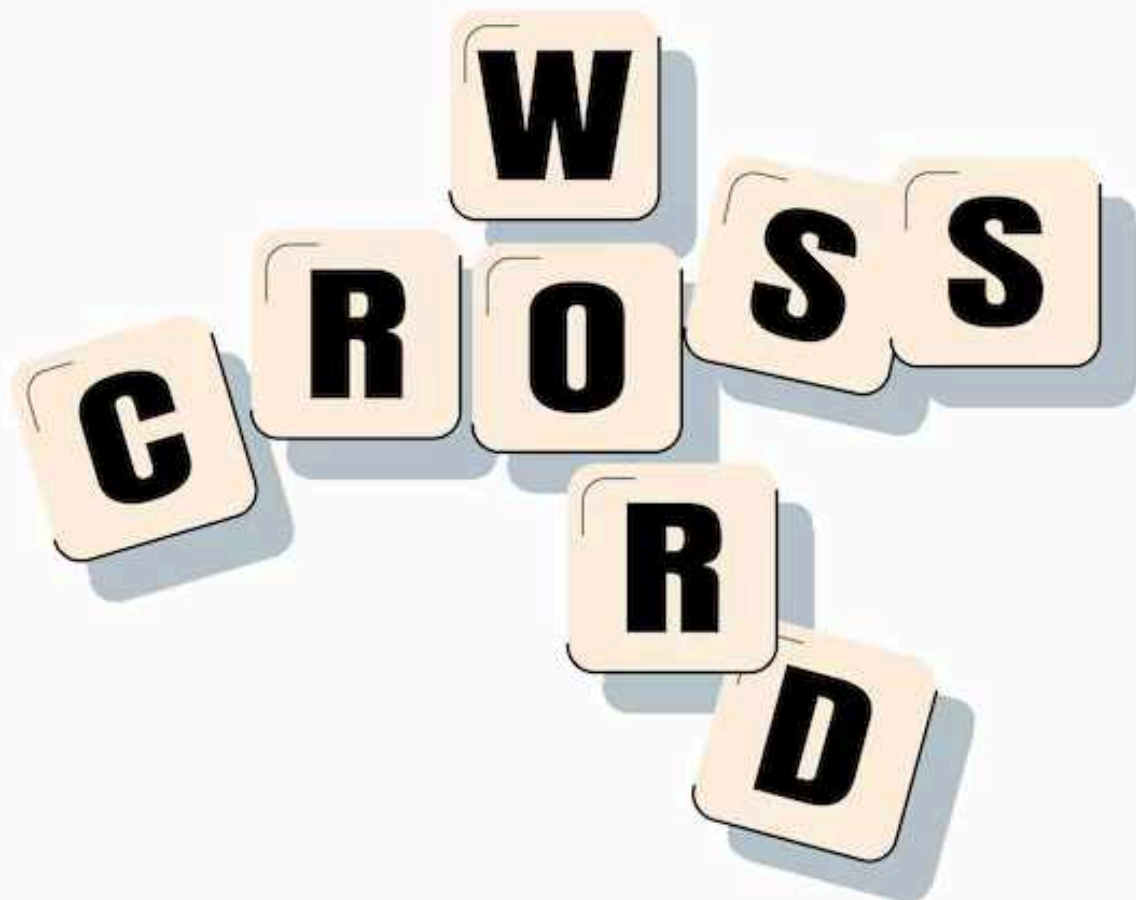


**Across**

- 4 Available from banks, credit cards and building societies. Must be paid back over 1 - 5 years.
- 10 A co-operative financial institution.
- 11 Buying something now and paying for it later.
- 12 The currency that is acceptable in a country.
- 13 A medium term source of finance, mainly used for the purchase of cars and expensive household goods.
- 16 The abbreviation for a cash dispenser.
- 17 A form of security required by the bank when lending money.
- 18 Also known as a debit card.
- 20 A short-term source of finance which charges high interest, e.g. Visa, Mastercard.

**Down**

- 1 A short-term source of finance available to people with a current account.
- 2 An instruction to the bank manager to withdraw a different amount from your bank account on a regular basis.
- 3 A person who agrees to pay the interest and loan if the borrower cannot.
- 5 A written instruction to the bank to pay the person named as the payee.
- 6 Needed when using an ATM.
- 7 The cost of borrowing money.
- 8 A long-term loan used to buy a house.
- 9 Anything that people accept as payment for goods and services.
- 10 This is like a credit card, except you must pay the amount due when you receive your statement each month.
- 14 An instruction to the bank manager to withdraw the same amount from your account each month.
- 15 A cheque that is over six months old.
- 19 Not spending money.



# CARICATURE





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