PAYMENT BANKS - A REVOLUTIONARY STEP IN INDIA FOR FINANCIAL INCLUSION

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ABSTRACT

In an attempt to evaluate the various initiatives taken by Government towards Financial Inclusion with the help of secondary sources published by RBI (Reserve Bank of India), CRISIL (Credit Rating Information Services of India Limited), EPWRF (Economic & Political Weekly Research Foundation). The interpretation of the secondary data compiled from these reports revealed that the growth of Financial Inclusion is slow (2010-2015), a number of reasons are responsible for this failure that are the absence of bank branches, inability to maintain minimum balance requirement, lack of infrastructure, lack of documents are few to be mentioned. The increase in the Financial Inclusion over the years (2010-2015) is very slow supporting the decision of the Government for the Payment Banks towards financial inclusion.

Keywords: Payment Banks, Financial Inclusion, Financial Index.

INTRODUCTION

Financial inclusion has remained a challenge for the Indian economy for a long time. Despite the rigorous efforts of government and launching of a lot of schemes and policies financial inclusion objective could not be achieved. From a long time, the Reserve Bank of India gave high importance to financial inclusion to support the complete growth process for the economy. There are various challenges in this area such as bringing financially debarred sections within the boundaries of the formal financial system. "The effective way of financial inclusion is to ensure delivery of financial services which includes opening the bank accounts for savings and transactional purposes; low-cost credit for personal, productive and for other purposes, life and non-life insurance facilities, financial advisory services, etc" (RBI, 2013). The Government launched a number of schemes to bring the unbanked population under banking umbrella. The government, RBI, IRDA, PFRDA took various steps towards financial inclusion with the objective of providing various banking facilities from lower to the middle class family such as Swabhimaan (10 February 2011), Pradhan Mantri Jan Dhan Yojana (28 August 2014), Pradhan Mantri Suraksha Bima Yojana (9 May 2015). After all these schemes financial inclusion didn't get momentum, still maximum no. of the population was unbanked. To overcome this, RBI formed Nachiket Committee headed by Dr. C. Rangaranjan, on 7th January 2014 Nachiket Committed submitted its final report in which committee recommended new category bank known as payment banks.

In November 2014 Reserve Bank of India (RBI) gave license to 11 companies for setting up Payment Banks (India Today, 2014). "The goal of RBI behind issuing the license to these payment banks was financial inclusion by providing the banking facilities in the easier way to migrant labor workforce, low-income households, small businesses and other unorganized sector entities" (India Today, 2014). Whether these payment banks will be able to contribute towards the objective of financial inclusion is a big question. As payment banks are expected to change the very concept of banking in India, it is being said that payment banks will prove to be a revolutionary step towards financial inclusion in India. This research paper will significantly focus on the status of financial inclusion in India, the reasons behind poor financial inclusion and how payment banks can be the revolutionary step in India in improving financial inclusion.

FINANCIAL INCLUSION

Financial inclusion is to deliver financial services to the unbanked and under banked class of society in affordable cost and in appropriate, simple and dignified manner. The committee on financial inclusion headed by Chairman Dr. C. Rangarajan defined "financial inclusion as the process in which weaker sections and low-income groups can access to financial services and can enjoy timely and adequate credit when needed"(Debashis Acharya & Tapas Kumar Parida, 2013).Committee on Financial Sector Reforms headed by Chairman Dr.Raghuram G.rajan defined "financial inclusion in which universe can access to broad range of financial services which include banking products and other financial services like insurance and equity products at a reasonable cost" (Debashis Acharya & Tapas Kumar Parida,2013). "Financial inclusion as the availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and nonpecuniary costs" (Claessens, 2006) . "Financial inclusion as a process that ensures the ease of access, availability and usage of the formal financial system for all the members of an economy "(Mandira Sarma, 2008). "Financial Inclusion may be defined as the process of ensuring access to financial services and adequate credit when needed by vulnerable group such as weaker section and low-income group at an affordable cost" (CGAP, 2013) "Financial Inclusion refers to a state in which all working age adults have effective access to credit, savings, payment, and insurance from formal service providers. Effective access involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, with the result that financially excluded customers use formal financial services rather than existing informal options" (G-20, 2013).

IMPORTANCE OF FINANCIAL INCLUSION

Financial inclusion can bring positive effects on the economic and social development in the following ways.

- The Payment Banks will provide the platform for saving to exclude financial duress from the life of low-income category (people at the bottom of the pyramid).
- The engagement of the people at the bottom of the pyramid in the banking can improve their economic condition and raise the standards of living.
- The financial inclusion through banking can help the government to pass the subsidies and benefits to these people without any leakage.

INITIATIVES TAKEN TOWARDS FINANCIAL INCLUSION IN INDIA

Before the 1990s several initiatives were undertaken like creation of State Bank of India in 1955, nationalization of commercial banks in 1969 and 1980. The Government and RBI play the significant role towards financial inclusion for economic growth.

In India, a lot of policy initiatives have been taken by the government and RBI to promote financial inclusion by increasing the banking penetration for economic growth in the country. In 1995 initiative towards the development of State Bank of India were undertaken and nationalization of commercial banks took place in 1969 and 1980 (Dr. Debashis Acharya and Shri Tapas Kumar Parida, 2013). In 1970 Lead Bank schemes initiation was the huge step to expand the financial inclusion (Dr. Debashis Acharya and Shri Tapas Kumar Parida,2013). In 1982 National Bank for Agriculture and Rural Development (NABARD) was established to provide finance to banks for increasing credit to agriculture and in 1975 regional rural banks

(RRBs) was established for expansion of branches in rural areas (Dr. Debashis Acharya and Shri Tapas Kumar Parida,2013). Since 2005 RBI took steps towards implementing policies to encourage financial inclusion in more structured and in focussed manner. The 11th five-year plan from 2007-2012 the government focussed on "inclusive growth" of financial inclusion (Dr. Debashis Acharya and Shri Tapas Kumar Parida, 2013).

In 2011 the earlier campaign on financial inclusion started with the limited objective. UPA Government initiated Christened 'Swabhimaan' but was not able to gain momentum, in this out of the 5.92 lakh villages in the country, only 74,000 could be covered (Rahul Trivedi, 2015). Then Pradhan Mantri Jan Dhan Yojna was announced by Prime Minister Narendra Modi, launched on 28th august 2014 in which more than 1 crore accounts were opened (Rahul Trivedi, 2015). Banks organized mega account opening camps and for the opening of bank accounts each rural and urban branch in the district coordinated with district authorities but the results were not even noticeable. All these schemes failed to achieve the momentum towards financial inclusion because of a number of reasons including lack of awareness, financial literacy, and formalities related to documentation for opening of account because of which various populations in rural areas were unable to open accounts as they did not have documents.

The banks had a minimum balance requirement which customers have to maintain and there were limitations for withdrawal of cash while opening the account customers had to fill the KYC (Know Your Customer) form which was difficult for illiterate customers to fill. Reserve Bank of India (RBI) to achieve the goal of financial inclusion also created PPI(Pre-Paid Instrument Providers) model in which people didn't require to carry cash, cheque book, credit card or visit ATM booth, they could load cash in their mobile and use it for payments and shopping. RBI appointed Nachiket Committee to review the performance of this model. This committee observed that PPI doesn't offer interest rate- this doesn't help in saving money of poor people and small businessmen; because of this Nachiket suggested RBI to stop giving licenses to open PPI (Mrunal, 2014) and committee recommended new category bank known as payment banks.

In November 2014 Reserve Bank of India (RBI) gave license to 11 companies for setting up Payment Banks (India Today, 2014). "The goal of RBI behind issuing the license to these payment banks was financial inclusion by providing the banking facilities in the easier way to migrant labor workforce, low-income households, small businesses and other unorganized sector entities" (India Today, 2014). Whether these payment banks will be able to contribute towards the objective of financial inclusion is a big question. As payment banks are expected to change the very concept of banking in India, it is being said that payment banks will prove to be a revolutionary step towards financial inclusion in India. This research paper will significantly focus on the status of financial inclusion in India, the reasons behind poor financial inclusion and how payment banks can be the revolutionary step in India in improving financial inclusion.

FEATURES OF PAYMENT BANKS THAT WILL CONTRIBUTE TOWARDS FINANCIAL INCLUSION:

- Payment Banks can play the role of business correspondent for commercial banks to offer services like marketing of bank's loan product.
- Payment Banks will provide the remittance and payment services in which total credit into an account limit will not exceed more than Rs1, 00,000, this will helpful for the people of lower economy
- In payment banks, it is compulsion that Payment Banks should invest the deposits which are limited to 100,000/- in government bills and securities
- Payment Banks can be the first digital bank in India, making the transactions online.
- Payment bank will provide reliable fast and convenient platform to transfer money domestically through home bank, NEFT and IMPS facility.
- Payment banks will simplify Know Your Customer (KYC), Anti-Money Laundering (AML)/ Countering Financing of Terrorism(CFT)
- The problem of infrastructure in the rural and remote area, payment banks will act as a solution to these infrastructure problems as it operates via mobile phones and will facilitate organized finances throughout the country.

LITERATURE REVIEW

In India still after so many schemes financial inclusion remained a challenge. In November 2014 Reserve Bank of India (RBI) gave license to 11 companies for setting up Payment Banks with objective to provide basic banking facilities in the easier way to migrant labor workforce, low-income households, small businesses and other unorganized sector entities. Few studies have been conducted to analyze the importance of the Payment Banks and what are the challenges and opportunities associated with the Payment Banks towards financial inclusion in India. For instance:

CARE, (2014) brought focus on the CARE's view towards RBI guideline for payment banks and small finance banks in respect of financial inclusion. CARE mentioned that these banks facilitate saving fund habit among the unbanked population by providing them deposit products with a regulated institution. Payment and remittance facilities would be useful for the migrant worker population. The report also mentioned that payment banks can minimize credit and liquidity risk as there is the mandatory maintenance of CRR and investment of funds in government securities. The report focused on low transaction cost in payment banks for customers because of leveraging technology in providing services.

Deloitte (2014) focused the opportunities and challenges of payment bank. This article mentioned that as payment banks will be able to provide new offerings in the form of accounts, deposits, payment and cash withdrawals and these banks will be able to provide their customers profitable sourcing and deployment of funds which can enhance relationship with customers and create huge opportunities for payment banks but there are some challenges too as they are restricted to perform some activities like maximum deposit limit is restricted to 100000 per customer, no over a credit exposure etc.

This article also mentioned that reporting can be enhanced and profit can be decreased as maintaining CRR and investment in government securities is mandatory by RBI regulations and the customers of payment banks are people of unorganized sector which are one more challenge for business feasibility.

Anand, (2015) explained the challenges of payment banks in this article. He says that infrastructure is a big challenge to reach to the people on the bottom of the pyramid. As there is need of payment banks to invest 75 percent in government securities and treasury bills with maturity of up to one year, this can lead to incremental demand of bonds which can play role in bringing down the yields and can influence earnings.

Aggarwal, (2015) brought notice about payment banks as a revolutionary step in Indian banking space. India had only one category of the commercial bank that is the universal bank, which can perform complete banking activities including borrowing, lending, investment, and to all the categories of clients. But these commercial banks could not capture the low-income population. Payment banks are likely to modify banking structure of India by offering unique services to these low-income people. The principal for a move towards differentiated bank licenses is that not everybody is capable of getting universal bank license.

Bhattacharyya and Shah, (2015) mentioned the employment opportunities that payment banks are expected to generate. There is an expectation that payment banks are going to generate a large number of jobs with a huge amount of salaries. In this article, the factors that can affect the management of payment banks are also discussed- stated technology, governance and risk piece.

CRISIL, (2015) described CRISIL rating- measured financial inclusion 3 parameter- branch penetrations, deposit penetration, and credit penetration. According to this rating payment banks have great opportunities in eight of 17 states in the east, north-east, and central India with the score below 40 compared with all India of 50.1

as on mar31, 2013. This article also focused on key areas that may generate opportunity for payment banks like service of remittances, facility of saving deposits, for behaving as the business correspondent and transaction fees by the usage of debit card and e- commerce.

Gajra, (2015) highlighted payment banks as a paradigm shift in India's Banking System. In this article the writer also highlighted on some features of payment bank that are going to play significant role in financial inclusion e.g. payment banks will provide 'last mile banking' services at low cost and to provide basic services like payment, subsidy transfer payment banks can use mobile platform and will play significant role in government's direct benefit transfer scheme. Mobile banking, the technology of less cost and a major number of operations are some of the factors on which success of these new banks will largely depend.

Gulati, (2015) focused that there is 35% of the population who do not have access to banking facilities, payment banks will be useful for these people. He also stated that through payment banks the strength of corporate can be fully utilized for the achievement of the objective of financial inclusion.

Iyer and Nair, (2015) wrote how payment banks will change India's banking landscape. Payment banks will change the way in which banks operate and will not act as competitors for regular commercial banks, rather the payment banks will act as complementary for the existing banks. They also mentioned that as payment banks are restricted to perform some activities as maximum deposit limit is restricted to 100,000 per customer and can invest only in government securities making the target customers entirely different, so banks should not be worried about the prospective competition from the entry of payment banks.

Jagannathan, (2015) mentioned the features of payment banks and said that payment banks will bridge the gap between bank branches and people of the rural area through mobile phones and will provide low-cost services. Efficient payment bank and private sector banks will play the significant role in eliminating black money from the financial market.

KPMG (2015) defined payment banks as the 'challenger' banks in India. The report says that payment banks will challenge other existing banks as payment banks will offer selective banking services and with no legacy constraints and greater responsiveness towards customers need can attract more customers.

Kumar, (2015) focused that the entry of payment banks will force other banks to be cheaper and it will affect the business of high-interest loans but it is beneficial for customers as they can switch from one supplier to another.

Mishra, (2015) drew attention towards payment banks as 'unprivileged' banking lounge; which will provide services of remittance to the low-income households, migrant labor, small business and other organized sectors.

PTI, (2015) mentioned the views of World Bank with regard to the features of payment bank. According to RBI, payment banks are required to invest in 75% in government securities thus they have limited credit risk. The report also stated that various laws related to customers and different norms will be simplified which help to reach to the people on Bottom of Pyramid.

Ray, (2015) discussed the factors for the success of payment banks. The success of payment banks will depend on how they will expand their business, how payment banks will able reduce transaction and opportunity cost.

Raman, (2015) mainly focused on the role of payment bank in strengthening the financial inclusion. The funds in the accounts with payment banks could be easily accessed as these accounts will be connected to the existing financial institutional, market structure and widespread network of locations. He also focused on the link through which payment bank savings accounts can be connected to the government benefit scheme which will be beneficial for the government, citizen and service provider.

Shira, (2015) defined payment bank as the changing agent of Indian consumer behavior by stating that payment bank is focusing on cashless strategy in which customer can manage cash transaction through their mobile phones, payment bank will reduce transaction cost with the help of advanced technology and payment bank also increase access to the government welfare programs.

Singh and Bhargava, (2015) raised question whether payment banks will help to foster financial inclusion? and researcher came to the conclusion that by providing various services and products to low-income households, small businesses, etc payment banks will encourage financial inclusion.

Zee News, (2015) highlighted the features of the payment banks and stated payment bank will provide basic banking facilities to the lower income households, migrant labor workforce and other unorganized sector. To provide banking service to the huge unbanked population, payment bank license will enable the network of 1,54,000 post offices, including 1,30,000 rural post offices and also these payment banks will also ensure more money comes into the banking system.

Micro Save, (2016) focused on how the Payment Banks can earn profit. This article highlighted that those mobile network operators (MNOs) like Airtel, Vodafone, Idea and Reliance Jio will operate with the help of their agent network and on their existing customer base. It will depend on the payment banks that how they will reduce costs and will offer diversified services to serve the huge market with the help of technology and agent network. This article also talked about the major challenges in front of the Payment Banks such as how to optimize the distribution network and how to create value for the customer.

The Economic Times, (2016) mentioned a payments bank has a specific objective to cater the unbanked population and under banked population and will facilitate international and domestic remittances, wage payments, bill payments, insurance premium payments and recharge, etc. This article also specified that opening an account in the payment banks will be simple, instant, paperless and will be operated via mobile phones. The Payment bank can permit individuals to access banking service and perform transaction, even they have an existing account with traditional banks.

Rediff.com (2016): specified that Payment Bank will make easier for the poor people of India to transfer money, pay bills, buy insurance and will also help in retirement saving. This Researcher also specified that the idea of linking bank account with the mobile phones may make customers more loyal.

Prasad, (2017) focused on the various advantages of the Payment Banks like because of the payment banks the use of currency in rural areas will decrease, there is no credit risk as it is compulsion to invest in government securities, Payment will increase the penetration level of the products (life insurance, mutual funds-SIPs, General Insurance etc., the operational cost is low as compared to conventional banks, The mobile service providers can open the account of their existing customer as they have already complied with KYC norms at the time of issuing mobile phones, landline service or DTH etc.

Bagde, (2017) highlighted that the decision of the Payment Banks by the Government of India and RBI towards financial inclusion through mobile phones will help individuals in adopting m-banking and commerce in the coming future. The researcher also took example of Paytm and specified that now payment via Paytm wallet is accepted at tea stalls and road side small shops.

Firstpost, (2017) focused on the Airtel Payment Bank and stated that Airtel going to offer a 7.2% interest rate per annum on the saving account, Airtel will allow free money transfer from Airtel to Airtel number and customer can transfer money with the help of Airtel app and via USD (Unstructured Supplementary Service Data) code that is *400#.

Kaushal (2017) mentioned about the Airtel Payment Bank and highlighted that if withdrawal amount is less than Rs 4000 then the charge is Rs 5 to Rs 25 and if the amount is more than 4000 then the charge will be 0.65. There will be no charges in transferring money via the internet and USSD and there is no fee for transferring funds of less than 1000 from Airtel Payment Bank to another bank.

Live mint, (2017) focused on the current status of the Payment Banks in which it was stated that Reliance Industry, Vodafone M Pesa and Aditya Birla Nuvo have not declared their defined plans. Airtel Payment Bank and India Post Payment banks have started their operation offering 7.25% interest and 4.5-5.3% respectively.

For less than Rs 10,000 India Post Payment Bank is providing door step service and for this charging Rs 15-35 per visit. Paytm Payment Bank is going to launch with a pilot in some part of Uttar Pradesh with the target of 200 million accounts within the 12 months and also received Rs 220 crore from One 97 communication and Sharma. This article also stated that Fino Pay Tech Ltd plan to launch payment bank in Uttar Pradesh, Bihar, and Maharashtra but for the final nod from RBI.

RESEARCH GAP

After the literature review, it is observed that almost all the articles positively talk about the altogether different approach of payment banks to foster growth towards financial inclusion but how and why payment banks can be a successful step for financial inclusion is not discussed in detail. In this article, we want to specifically emphasize on the reasons why payment banks are expected to contribute to and improve financial inclusion. Also by presenting the current status of financial inclusion the question that if there is really a need for payment banks will be answered. The discussion on the different schemes launched for financial inclusion in India will throw light on the factors which could not be covered under these schemes. Also the reasons due to which the schemes for financial inclusion could not be effectively implemented and how payment banks can resolve these issues shall be covered.

RESEARCH OBJECTIVE

- To analyze the features of the Payment Banks that will foster the financial inclusion in India.
- To have a deeper insight into the differences between Payment Banks and Commercial Banks.
- To understand the status of financial inclusion in India (2010-2015).

RESEARCH METHODOLOGY

Secondary research was conducted to review the present status of financial inclusion in India. The information and data for the research collected through secondary sources i.e. published articles, journals, news papers, reports, books and websites. Data has been collected from the websites of the Reserve Bank of India and also taken from various committee reports submitted to Government of India on Financial Inclusion.

RESULTS AND DISCUSSION

FEATURES OF PAYMENT BANKS

The features of Payment Banks that can foster the growth of Financial Inclusion are as follows:

- Payment Bank is a type of niche bank with non-full service in India which can only receive deposits and provide remittances.
- Payment Banks can play the role of business correspondent for commercial banks to offer services like marketing of bank's loan product.
- Payment Banks will provide the remittance and payment services in which total credit into an account limit will not exceed more than Rs1, 00,000, this will helpful for the people of lower economy
- In payment banks, it is compulsion that Payment Banks should invest the deposits which are limited to 100,000/- in government bills and securities
- Payment Banks can be the first digital bank in India, making the transactions online.
- Payment bank will provide reliable fast and convenient platform to transfer money domestically through home bank, NEFT and IMPS facility.
- Payment banks will simplify Know Your Customer (KYC), Anti-Money Laundering (AML)/ Countering Financing of Terrorism(CFT)
- The problem of infrastructure in the rural and remote area, payment banks will act as a solution to these infrastructure problems as it operates via mobile phones and will facilitate organized finances throughout the country.
- Payment Banks will encourage digital transactions as the sustainability and scalability of Payment banks will depend on the adoption of digital cash by the customers. Cash in or cash out will not work for payment banks. Only cash in or cash out would result in inactive digital accounts.
- Payment banks offer services like automatic payments of bills, & purchases in cashless, chequeless transactions through phone, can issue ATM card and debit card, no cost in transferring money directly to the bank account, can provide forex services in lower cost as compare to banks and can invest in government securities and treasury bill.

How payment banks are different from commercial bank

The features of the Payment Banks that differentiates it from commercial banks and can bring momentum towards Financial Inclusion are as follows:

Basis	Payment Banks	Commercial Banks
Target market	The target market of payment banks includes migrant labor workforce, low-income households, small businesses, other unorganized sector entities and other users.	Target market of commercial bank cant be defined as it covers majority of population
Source of earnings	Payment banks will earn through transaction charges, in this customers do not need to maintain minimum balance	The source of earnings for commercial banks is interest between loan and deposits
Operations	Payment banks will operate in fully digital form.	Commercial banks operate in physical form with some online facilities
Investment	It is compulsory for payment banks to invest in 75% in risk-free instrument	In commercial banks there is no such compulsion of investing 75% in risk-free instrument
Norms for customers	Payment banks will simplify Know Your Customer (KYC), Anti-Money Laundering (AML)/ Countering Financing of Terrorism(CFT)	Commercial banks dont simplify Know Your Customer (KYC), Anti- Money Laundering (AML)/ Countering Financing of Terrorism
Withdrawal facilities	Payment banks will not restrict the withdrawal below certain limit	Commercial Bank restrict withdrawal below certain limits
Daily Basis Transaction	In payment banks cash collection on daily basis is	In commercial banks, cash collection on daily basis is not possible
Cost Effectiveness	Payment banks will be cheaper as no legacy system is there.	A commercial bank is costly because of the legacy system and because of other formalities.

THE EXTENT OF FINANCIAL INCLUSION IN INDIA

In the following tables, the current status of financial inclusion has been presented with the help of certain indicators.

These indicators of financial inclusion are taken from RBI annual reports, 2015.

Table 1- Indicators of Financial Inclusion

Particulars	2010	2011	2012	2013	2014	2015	Growth Rate(2010-2015)
Total population (In Billion)	1.231	1.247	1.264	1.279	1.295	1.311	6.49
Rural Population (In Millions)	850.25	858.43	864.20	869.85	875.81	881.65	3.69

Urban Population .2(In Millions)	380.75	388.56	399.80	409.15	419.19	429.35	12.76
Banking outlet in villages- branches	33378	34811	37471	40837	46126	49571	48.51
Banking outlet in village-total	67694	1,16,208	1,81,753	268454	383,804	553713	717.96
Banking outlet in village-(total)/100000 population	7.96	13.54	21.03	30.86	43.82	62.80	688.9
Urban locations covered through BCs	447	3,771	5891	27143	60730	96,847	21566
Urban locations covered through BCs/100000 population	0.12	0.97	1.47	6.63	14.48	22.56	187
Basic savings bank deposit a/c through branches (no. in ₹ millions)	60.2	73.13	81.20	100.80	126.0	210.3	249.33
Basic savings bank deposit a/c through branches(amount in ₹ billion)	44.3	57.89	109.87	164.69	273.3	365.0	723.92
Basic savings bank deposit a/c through branches (In billion)/1 billion	35.98	46.42	86.92	132.67	211.04	278.41	673.8
Basic savings bank deposit a/c through BCs (no. in millions)	13.3	31.63	57.30	81.27	116.9	187.8	1312
Basic savings bank deposit through BCs (amount in ₹ billion)	10.7	18.23	10.54	18.22	39.0	74.6	597.19
Basic savings bank deposit through BCs (in billion)/1 billion	8.69	14.62	8.34	14.24	30.11	66.9	669.8
BSBDAs total (no. in millions)	73.5	104.76	138.50	182.06	243.0	398.1	441.6
BSBDAs total (amount in ₹ billion)	55	76.12	120.14	182.92	312.3	439.5	699
BSBDAs total (in billion)/1 billion	44.67	61.04	95.04	143.01	241.15	335.24	650.5
ICT A/Cs BC transaction (no. in millions)	26.5	84.16	155.87	250.46	328.6	477.0	1700

ICT A/Cs BC transaction (amount in ₹ billion)	6.9	58.00	97.09	233.88	524.4	859.8	12361
ICT A/Cs BC transaction (in billion)/1 billion	5.6	46.5	76.8	182.8	404.9	655.8	11611

Source: RBI Reports and World Bank Reports

- BCBDAs – Basic Saving Bank Deposit Accounts
- ICT- Information and Communication Technology accounts

The above data represents banks performance towards financial inclusion in India with the help of certain parameters that are banking outlet in villages, basic saving bank deposit accounts, coverage by business correspondents and information and communication technology accounts and we can see that the growth rate in each parameter with continuous increment each year. But India is the developing economy with rapid population growth still India's unbanked population as of November 2016 was 1,308 million (Scroll.in,2017), Thus increment percentage is not enough, There is a need for the Payment Banks to cover remaining unbanked population.

Table 2: Progress of Deposit and Accounts in Rural and Urban Area

	Deposit		**Deposit**	
	Population Growth		**Population Growth**	
	Rural		**Urban**	
Year	**No. of Accounts**	**Amount (Rupees in Lakh)**	**No. of Accounts**	**Amount (Rupees in Lakh)**
March 2010	224154850	42033772	152322831	94499224
March 2011	250253643	49326552	168036910	111051331
March 2012	283071790	57318585	180626261	127259211
March 2013	335347106	66988868	203090638	149701293
March 2014	406624148	78715110	231521152	171401003
March 2015	493969524	91567646	266228270	196490092

Source: EPWRF Database

Table 2 represents the consolidated data of deposits and numbers of accounts in the rural and urban area represents that still, the increment in a deposit amount and in number of accounts are not satisfactory, the Payment Banks would play the significant role among the unbanked population.

Table 3: Progress of Commercial banks

Particulars	2009	2010	2011	2012	2013	2014	2015
Number of commercial banks	170	169	169	173	155	151	152
Offices of scheduled commercial banks	80547	85393	90263	98330	105437	117280	125672
Deposits of scheduled commercial banks (amount in billions)	38341.10	44928.26	52079.69	59090.82	69342.80	79134.43	88989.01
Deposits of scheduled commercial banks per offices	476.0	526.1	577.0	600.9	657.7	674.7	708.1

Source: RBI Reports

Table 3 represents the progress of commercial banks and deposits of commercial banks in India from 2011-2015 and, despite various steps taken by government and RBI still progress of commercial banks and increment in deposits of commercial banks are not satisfactory looking at the huge population of India. This clearly shows that there are much more should do with the financial inclusion policy. It is very crucial to think of the less number of commercial banks as commercial banks can play the significant role in financial inclusion.

FINANCIAL INCLUSION INDEX OF INDIA

BARUA, KATHURIA AND MALIK (2016)

The Researcher analyzed the status of financial inclusion by analyzing the household debt ratio, financial accessibility, World Bank global index, banking penetration etc in which researcher mentioned the lowest household debt-GDP ratio of India that is 8.9%. The researcher in the report mentioned there is the absence of inclusion in rural India that is around 60%of the population and Researcher also specified that in 2013-2014 Rs 9,244 were only deposits per head, credit about Rs 6, 0000 per head. The researcher clarified that there are migrant laborers that can't access to the formal financial sector. In context of the financial accessibility the researcher specified that in India there are 13.3 ATMs per 100,000 adults, 12.2 commercial branches per 100,000 adults and by analyzing the data of World Bank's Global Index that measures financial inclusion on parameters like Payment mode, loan, Insurance, Savings in the past year, Saved any money in the past year the researcher mentioned that only 2.0% of people use electronic mode of payment, 22.4% of people saved their money and out of which 11.6% did savings with financial institution and researcher took one more parameter for analyzing the financial inclusion status that is Banking penetration progress from 2010-2014 in which researcher highlighted that Rs 312.3bilion were only outstanding deposits in BSBDAs (Basic Savings Bank Deposit Accounts) while only Rs 16.0 billion overdraft used in these accounts. In MNREGA beneficiaries use their account only for receiving their wages, they withdraw their salary and left the very minimal amount in their account. Moreover, in the PMJDY many accounts remain inactive that results in costs for banks and leads to limited benefits to the account holders.

CRISIL (2015):

CRISIL calculated the financial inclusion index on the basis of 3 parameters- Branch Penetration, Deposit Penetration and Credit Penetration. CRISIL measured financial inclusion through CRISIL Inclusix; it is a relative index that has a scale of 0 to 100. According to this scale:

CRISIL Inclusix Score	Level of Financial Inclusion
>55	High
40.1-55.0	Above Average
25.0-40.0	Below Average
<25	Low

CRISIL calculated Financial Inclusion Index on the basis of Inclusix Scale and found:

Table 4: Inclusix Score calculated by CRISIL

Region	Inclusix Score 2009	Inclusix Score 2010	Inclusix Score 2011	Inclusix Score 2012	Inclusix Score 2013
India	35.4	37.6	40.1	42.8	50.1
Southern Region	54.9	58.8	62.2	66.1	76.0
Western Region	33.9	35.8	38.2	40.9	48.2
Northern Region	33.3	34.8	37.1	39.5	44.0
Eastern Region	24.3	26.3	28.6	30.8	40.2
North-Eastern Region	23.8	26.5	28.5	30.9	39.7

Source: CRISIL Report

Table 4 represents the CRISIL Inclusix score, According to this Financial Inclusion of India in the year of 2009 and 2010 were below average and in the year of 2011, 2012, and 2013 Financial Inclusion were above average. The above data also proves that more initiative can be taken towards financial inclusion.

PAYMENT BANK AS A REVOLUTIONARY STEP TOWARDS FINANCIAL INCLUSION

The above tables draw a clearly the slow growth of financial inclusion in India. We can clearly see the slow growth of banking outlet in villages, basic saving bank deposit accounts, coverage by business correspondents and information and communication technology accounts. The low number of commercial banks, huge unbanked population shows that a lot more needs to be done in this regard. Apart from the low branch penetration, deposit penetration, credit penetration in remote areas, a lot more problems prevent financial inclusion like lack of documents required for opening a bank account, minimum balance maintenance, lack of infrastructure, limitations to cash withdrawals, KYC forms (difficult to be filled by illiterate customers) are some of the major ones.

These all kept the low-income groups outside the purview of financial inclusion. Thus the committee appointed by the RBI and Govt. of India recommended new category of the bank called payment bank with the objective to reach the people such as migrant laborers, low-income households, small businesses and unorganized sector entities.

The model of payment banks is derived from M-pesa system. M-Pesa system is connected with the mobile phones in which people have to pay cash and then he fills up M-Pesa electronic account with money, this facilitates money transfer between one person to another. International remittances, utility bill payment, and customers can even borrow money from Microfinance Institutions (MFI) with the help of mobile phones

CONCLUSION

Payments banks can prove to be a milestone which will help a lot to achieve the financial inclusion objective. Payment Banks will bridge the gap between bank branches and rural area, the model suggests that mobile phones will be used to bank with people in remote areas and transactions will be digital.

By this route Payment Banks will able to touch a large number of populations in the rural area. The zero balance low-income groups will allow these people to open a bank account and help them participate in the financial transactions.

Payment Banks will also play the significant role in the government's direct benefit transfer scheme in which the subsidies and other benefits can be transferred directly to the People on Bottom of the pyramid.

In Payment Banks, there is a compulsory feature that the investment of deposits should be in Government bonds and securities which are very positive for the developing economy of India. Thus, we can say that payment banks will prove to be a milestone for covering the unbanked population and improve financial inclusion.

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