



Acceptance of demand deposits-Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.

Issuance of ATM/debit cards-Payments banks, however, cannot issue credit cards.

Payments and remittance services through various channels.

Business Correspondents (BC) of another bank, subject to the Reserve Bank guidelines on BCs.

Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.n

The payments bank cannot undertake lending activities.

Activities of Payment Banks

Payment Banks

Challenges for payment banks

Low revenue-can't undertake any lending businesses and the income stream is initially restricted to charges on remittances and efficiency of operations.

Required to invest minimum 75 per cent of its "demand deposit balances" into government securities. This limits their ability to earn from the deposit base as well.

Banks are already offering most services that payments banks can and hence, for payments banks to offer a new and differentiated proposition will not be easy.

Other saving instruments like Kisan Vikas Patra, gold bonds etc have better returns than payment banks.

Experience from Jan Dhan Yojna has shown that many such no-frill accounts have remained dormant, thus affecting the viability of the banks.