

'Payments bank is a long-term play'

NS Vageesh



RISHI GUPTA, MD & CEO, Fino PayTech

Technology, getting the right team in all locations and distribution are key for a payments bank, says Fino PayTech chief

Rishi Gupta, MD & CEO of Fino PayTech, knows his decade-old company inside out — having been a founder member and having served earlier as CFO and COO. Rishi shows no sign of stress but he concedes that last year has been a tough one — particularly after his company received in-principle approval for launching a payments bank. Dozens of meetings daily, deadline pressures, policy changes, handling new hires, maintaining communication with the board, tackling new investors, handling the media, getting regulatory approvals — it has been a very consuming experience. Yet, he says, it was very rewarding as he has learned more in the last one year than in the last five. He has had to understand technology and its integration, marketing and branding and setting up a treasury as well as focus on training of all staff — all offshoots of the decision to start a payments bank. The planning and strategising bit is over and the bank is gearing up for launch in the last quarter of the current fiscal. “We’ll know when the tyre hits the road,” says a modest Rishi.

His investors must draw great comfort from a man who calls himself ‘old school’ as he believes that businesses have to be run with sustainability in mind. He believes money or capital is a finite commodity and one can’t think of growing business only with new capital. “One has to think about returning the capital too, as much as running on new capital.” Excerpts from an interview:

When are you launching your payments bank?

There is no specific date that we have in mind right now. We have made good preparations. On the technology part, we have started the beta launch — the first payments bank to do so — at the field level. We are 95 per cent ready as far as tech is concerned. We will fill the gaps, if any, now.

As far as investments are concerned, they are closed. We are in the process of getting regulatory approvals for new investors. Once they are in place, we will apply for a formal banking licence. Post that, it will take us two to three months to launch.

As far as hiring people is concerned, we are well staffed at the corporate and regional office levels.

We will start having more people at the branch level closer to the launch date. Tentatively, we expect to launch in quarter four of FY17 — perhaps around March.

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Is the funding arrangements for your bank complete?

We raised ₹300 crore in 2011. We have been profitable for the last six to seven years. Our existing businesses are doing well.

We raised another ₹400 crore recently through BPCL and other investors. That should be good enough to see us through.

If the business grows faster, and if there is potential, we may look at another round after a few years.

Why did you choose BPCL?

There are three things that are very important for payments bank. One is technology. The second is getting the right team in all locations — because payment banks are national players.

The third is the distribution piece. This is very critical for payments banks because you have to go across the country. You have to digitise the cash and create an ecosystem around it.

We knew that a lot of cash transactions happened in oil marketing companies. BPCL's topline is about ₹2.50-lakh crore and roughly ₹2-lakh crore is in cash.

That is big. So, if we are able to bring a fraction of that into the digital system, that can be a big game changer. There was a meeting of minds.

Was it difficult to raise money last year — given the tough conditions and competition too?

When we were doing this round, we had to raise money only from domestic investors because we had to bring down our foreign holding. Second, we wanted to bring partners who were strategic and not financial investors at this stage.

Payments bank is a long-term play and you cannot see returns in just one or two years. It will take four years to see the potential. We wanted a partner who brings capital but is also with us on the business side.

In Fino, we have had ICICI Bank and more recently BPCL as investors and partners. We also have the largest private equity firms globally — Blackstone and IFC — as investors.

So, Fino is very unique from that point of view — lots of like-minded investors — with deep pockets and similar vision. If required at later stage, we can go back to them for more capital.

What about your hiring plans for the new bank?

Our main hiring at the corporate and regional levels is complete. At the field level, we will be hiring around 1,000 people every year. That process has started.

Fino will work both in rural and urban areas; we will be both in partnership and direct ownership of customers. It will be both physical and digital.

We are trying to bring all that together in our offering and trying to provide simplicity and convenience to customers. The objective is to increase the pie so that everybody gets better services. People will migrate to the higher levels gradually. See how the MFI business started 15 years ago and how it has become mainstream for banks and NBFCs now.

Or the business correspondent (BC) business which started 10 years ago, with Fino as pioneer — even that business has become a regular channel for banks. Banks play a critical role in economic growth as they bring savings into the system, which go into productive purposes. There is big demand for the services they offer.

You start with a huge advantage. You are already doing everything that a payments bank would probably do. Except a change in the name board. What is the change that is required now?

There is a big change in the DNA of the company. Culture and values are something we have to work on. We were a business correspondent and always at a level lower than a bank. We were working for the bank. It was seen as a B2B business. Now we are engaging directly with the customer and that has to go up.

The B2C business has its own challenges and risks, which was limited earlier as a BC. Now compliance with regulations and handling customer grievances become an integral part.

Technology becomes integral. We can't work in an offline environment. We have to be online. We have to ensure connectivity, and that systems are always running.

People's mindsets have to change at the ground level. There is a big shift for us, but it is also a natural progression for us.

It also means we have to upskill ourselves. A lot of work is happening on training. We have to convert 3,000 people in the company to thinking that they are working for a bank. It is a matter of pride for all of us. It is a dream getting fulfilled.

When you were a BC, you were already connecting with the customer. So, what changes now?

When we were a BC, the product, process and place of operation were not decided by me. These were decided by the bank. Those three things which were with the bank, is now with me — and so the buck now stops with me. That is where the challenge becomes bigger. That is where our interests lie. The value of the business comes to you when you own the customer.

How will you make money as a payments bank?

In a payments bank, the margins will be very thin. The only way you can make money is by building a good partnership model.

We have that in our DNA. The entire BC model is based on partnership with banks and local agents on the field.

That is something that will help us in our own bank.

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