

Payments bank: foreign firms keen on tie-up with India Post

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Over 60 entities, including Citibank, Barclays, IFC evince interest in the venture



New Delhi, January 10:

Several financial services biggies, including foreign ones such as Citibank, Barclays Bank, HSBC and Deutsche Bank, are knocking the doors of India Post for possible partnerships/tie-ups in the latter's proposed payments bank venture.

India Post is going to be clearly spoilt for choice, given that over 60 domestic and global organisations — ranging from domestic and foreign banks, life insurance companies, mutual fund houses to software, ATM manufacturer and money transfer companies — have shown interest for tie-ups, official sources said.

International Finance Corporation, part of the World Bank Group, has evinced interest for equity partnership, it is learnt. The current RBI regulations for payment banks allow foreign shareholding in line with the rules of foreign direct investment (FDI) in private banks in India. Also, the voting right of any shareholder in payments bank is capped at 10 per cent.

Company model

The bank is proposed to be run as a company. This could throw open opportunities for bringing in foreign/ multilateral bodies' shareholding.

Communications and IT Minister Ravi Shankar Prasad had recently said the Postal Department is aiming to get the bank operational by March 2017.

The nature of tie-ups sought range from equity partnerships, joint venture opportunities to collaboration on banking products, services and technology, distribution of insurance, pension, forex and financial literacy promotion, sources said.

Other foreign biggies who are keen on tie-ups or want to engage with India Post include NCR Corporation (for switch solution for payment banks), Diebold Systems (ATM Manufacturer and management system) and Hitachi Payments Services (ATM, POS, MPOS)

Domestic interest

The domestic banking giants that have sent tie-up proposals — basically collaboration and partnerships on banking products, services and technology — to the Postal Department are PNB, SBI, Bank of Baroda, Axis Bank and IDFC Bank.

Several insurance majors, including ICICI Prudential Life Insurance, ICICI Lombard General Insurance, Bajaj Allianz Life Insurance, HDFC Life Insurance, have evinced interest in the tie-ups for distribution of their insurance products.

UTI Asset Management is also keen for a tie-up for distribution of mutual funds, it is learnt. Financial services major Reliance Capital is also interested in a tie-up with the India Post for the distribution of financial products.

India Post was the only State-run player that formed part of the list of 11 entities that were given the go-ahead by the RBI last August to set up payments banks. The in-principle licence is valid for 18 months within which the entities must fulfil the requirements.

Network strength

India Post currently has huge network that banks and financial services players want to leverage for distribution of their products, once the payments bank gets operational. The postal department has 1.54 lakh post offices, of which 1.39 lakh are in rural areas.

Already, the Postal Department has taken a giant step towards bringing its entire network under core-banking solutions. This could become a reality this year.

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