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# Cholamandalam pulls out of payments banks race

By [Pratik Bhakta](#), ET Bureau | Updated: Mar 24, 2016, 02:16 PM IST

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MUMBAI: [Cholamandalam](#) Investment and [Finance](#) Company has informed the Bombay Stock Exchange that they are not pursuing the payments bank licence any further and would surrender the in-principle approval that their subsidiary company Cholamandalam Distribution Services (CDSL) had received from the Reserve Bank of India.

"We have also informed the exchange that the company will not proceed with the investment or capital infusion of Rs 75 crore in CDSL for this purpose," said the company in a note to the exchange. It cited competition and long gestation period as major reasons for the pullout.

The RBI had granted in-principle approval to 11 [payments banks](#) on Auguts 19 of last year. The mandate given to the new players was to accept maximum deposits of Rs 1 lakh and mainly concentrate on remittances and small ticket payments across rural India. They have been prohibited from providing any credit facilities to its customers.

Being the financing arm of the Chennai based Murugappa group, CDSL is into vehicle financing, SME lending, investor advisory services, [home loans](#) etc.

The company operates through 534 branches with net asset under management being around Rs 25,000 crore, as per their website.

When the RBI had announced formation of these banks as per the Nachiket Mor committee report on financial inclusion, there were 44 applicants of which RBI selected only 11. It included remittance companies like Fino PayTech, telecom companies like Vodafone, [Airtel](#) and even big pocket investors like [Reliance Industries](#) and Dilip Sanghvi.

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