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# Payments banks do not have a viable business model: SBI chief Arundhati Bhattacharya

By PTI | Updated: Apr 18, 2016, 10.22 PM IST

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MUMBAI: Small and [payments banks](#) have not yet devised a [business](#) model which can be termed viable, [SBI Chairperson Arundhati Bhattacharya](#) said today.

"Neither the payments banks nor small finance banks seem to have as yet devised a business model that can be said as viable," said Bhattacharya, whose bank has tied up with Reliance Industries for a payments bank venture.

Addressing a banking seminar organised by industry lobby [IMC](#) here, she added, "...a mobile banking customer, who is also a customer for payment services, will be less free to migrate to a competition for mobile services. Hence, it is hard to see payment banks taking away customers or income from commercial banks in a big way. Similar arguments hold for small finance banks."

Admitting that the entry of other non-banking companies, through their investments in small finance and payments banks, has changed the dynamics of competition in the sector, she said, "There are some legitimate concerns whether banks, particularly public sector banks, will survive this onslaught."

This is the third time the SBI chief has cast doubts over the payments banks model. At one public event, she went to the extent of saying that with deep-pocket corporates entering payments banking, it would be a "dog eat dog" scenario in the sector.

Bhattacharya's comments come within a fortnight of [RBI](#) saying it will allow differentiated lenders like custodian and wholesale banks. The RBI has already issued in-principle licences to 10 payments banks and 11 small finance banks.

Soon after Reliance Industries secured a licence to operate a payments bank, SBI tied up with the company and picked up 30 per cent stake worth Rs 30 crore in the venture, which is yet to begin operations.

Noting that [technology](#) will play a bigger role in banking, she said the potential of technology, mainly mobile phones, to deliver banking services was recognised way back in 2010.

She said mobiles offer the cheapest mode of banking.

"A mobile banking transaction costs about 2 per cent of the bank branching cost, 10 per cent of ATM-based transaction and 50 per cent of the Internet banking cost," she said.

Banks that succeed in digital or mobile banking can expect to see an increase in low-cost float funds.

"They can also better access and analyse data on customers, especially retail customers, and thus reduce non-performing assets. Digital banking can also increase productivity of back office operations and generate income on a wide range of payments."

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