

## Tech Mahindra becomes the 3rd player to nix payments bank plans

Our Bureau

1

Small Business Ideas

2

Life Insurance for Seniors

3

Best Investments for Retirement

Mumbai, May 24:

The Reserve Bank of India's (RBI) move to bring in a new breed of financial service providers in the form of payments banks seems to be coming a cropper. On Tuesday, information technology services firm Tech Mahindra became the third company to withdraw plans to start a payments bank.

"With reference to the earlier communication dated August 20, 2015, about the in-principle approval granted by RBI for setting up a payments bank, Board of Directors of the company have decided that the company will not pursue this opportunity," Tech Mahindra said in a filing to the stock exchange.

The company along with Mahindra Finance had earlier said that the payments bank venture was a natural progression to existing offerings. Tech Mahindra is already in the mobile payment segment and was looking at launching the new payments bank venture in September. It had also handpicked 15-20 people from the banking and financial sector to drive the venture.

Tech M said in a statement said the move comes after, "a well thought through analysis, including business viability, ecosystem leverage and market crowding – all of which makes the project unfeasible for the company at this stage".

Last week, Telenor Financial Services, IDFC Bank and Dilip Shanghvi jointly announced the withdrawal of their efforts to form a payments bank venture. In March, Cholamandalam Distribution Services Ltd had withdrawn its subsidiary, Cholamandalam Distribution Services, from the payments bank race.

While neither of the companies specified reasons, industry experts say the applicants may have overestimated the market potential and under-estimated the scope of the rollout.

For example, on the one hand a payments bank has to further financial inclusion by providing small savings accounts and payments services to low-margin entities such as migrant labourers and low-income households; on the other hand, it cannot undertake lending activities.

After a year-long scrutiny, the RBI had granted 'in-principle' approval to 11 entities, including Aditya Birla Nuvo, Airtel M Commerce Services, Reliance Industries and Vodafone m-pesa to float payment banks.

### Penalty for withdrawing?

RBI Deputy Governor SS Mundra, on Monday, hinted at bringing in a system of penalising companies that withdrew after approval. "We would certainly feel a little aggrieved because a lot of effort from the part of the RBI goes into processing these applications. So, having done that, if they don't materialise, that's disappointing," Mundra had said.

"Currently, we don't have a scope of charging a serious processing fee, which can be forfeited if a company withdraws," Mundra added. He, however, said the question of giving out new permits to replace the surrendered ones did not arise as there was no pre-determined number of payments banks which the regulator had in mind while allocating the permits.

### Dropping out

***Last week, Telenor Financial, IDFC Bank and Dilip Shanghvi had scrapped their plans***

***In March, Cholamandalam Distribution Services withdrew from the payments bank race***

***Industry experts say applicants may have overestimated the market size***

(This article was published in the Business Line print edition dated May 25, 2016)