

Payment banks ask RBI to relax deposit cap

Surabhi/K Ram Kumar Mumbai | Updated on July 28, 2019 Published on July 28, 2019

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Payments bank model is challenging but not impossible: Fino Payments Bank CEO

With a number of entities that were granted approval by the Reserve Bank of India (RBI) to set up payments banks having either given up their licence or closed operations, surviving players like Fino Payments Bank have asked the RBI to relax the ₹1-lakh cap on deposits.

“We have had two rounds of discussions with the RBI — in March and then April. The payments bank model is challenging but not impossible,” Rishi Gupta, Managing Director and CEO, Fino Payments Bank told *BusinessLine*.

Recently Aditya Birla Payments Bank decided to shut down services. Earlier, players such as Tech Mahindra, Cholamandalam Investment and Finance Co, a consortium of Sun Pharmaceutical Industries Ltd promoter Dilip Shanghvi, IDFC Bank Ltd and Telenor Financial Services had abandoned plans to set up a payments bank. A research report by State Bank of India had noted that payments banks currently face stringent regulations on both asset and liability side. “Though the business of payments banks is free from credit risk and faces

relatively lower market risk, it is subject to operational and liquidity risk. They are turning out to be working merely as an aggregator — a disintermediation vehicle for depositors to invest in G-secs,” it had noted.

Challenges faced

Gupta agreed that there are challenges in the payments space as some companies started offering products at zero price and a huge cashback. Fino Payments Bank on the other hand has been focussing on under banked, urban and rural populace. “Our customers have an income level between ₹3 lakh and ₹5 lakh annually and we follow a phygital (offline and online presence) approach,” he said.

Gupta expects the bank to become profitable at the operating level by the end of the year, making it the second such bank to make a profit. Paytm Payments Bank had reported a ₹19-crore profit for the fiscal 2018-19. India Post Payments Bank (IPPB) is also soldiering on. Since it launched two pilot branches in January 2017, IPPB has opened 55,67,594 accounts with a balance of ₹94.40 crore as at March-end 2019, according to the Department of Posts’ (DOP) latest annual report. Fino Payments plans to double its customer base of 10 lakh by end of the fiscal and reach 50 lakh customers in the next two to three years. Its deposit base as of June 30, 2019, is ₹134 crore. It has about 1 lakh distribution points and is adding about another 5,000 points every month.

Operational players

Only five out of the originally 11 licensed players are operational in the sector. They are Airtel Payments Bank, FINO Payments Bank, Paytm Payments Bank, Jio Payments Bank and NSDL Payments Bank.

The RBI, in its Statement on Developmental and Regulatory Policies, had said that more time is needed to review the performance of PBs before considering the licensing of this category of banks to be put ‘on tap’.

Published on July 28, 2019



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