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# KYC rider gets banks back in remittance game

BY PRATIK BHAKTA, ET BUREAU | UPDATED: SEP 11, 2019, 12.12 PM IST

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BENGALURU: A loss of business for mobile wallets has brought in windfall gains for the banking system, as the entire domestic remittance business, which had moved to the prepaid segment, has returned to the business correspondents space.

The shift back is caused by a Reserve Bank of India order, requiring full KYC compliance for creating and transferring money through wallets. Bankers and industry insiders ET spoke to said almost 95% of the money remittance business that was happening through players like Oxigen, PayPoint and Eko had moved into the banking channels, where the same players are now doing the business as business correspondents (BCs), or agents, of the banks.

These agents were earlier offering money services, like remittance to migrant workers to send money back home, through digital wallets. They still provide the services, but through deposits into bank accounts. The customer is not inconvenienced much by this, except for the slightly higher fee they need to pay.

“Customers with minimum KYC wallets were allowed to transfer only Rs 10,000 per month to bank accounts with the retail agent loading cash into wallets; now the same agent is doing the transaction, but (through) direct cash loading into the bank account,” Oxigen Services joint managing director Sunil Kulkarni said.



As per latest numbers from the Reserve Bank of India, in June this year, around 367 million transactions were reported through mobile wallets, 18% more from a year earlier.

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Oxigen Services works as a business correspondent to State Bank of India and RBL Bank. “Now the Rs 10,000 limit has gone up to Rs 25,000 per month, without any KYC formalities,” Kulkarni said. Banks like Fino Payments Bank have benefitted from this shift in a major way.

Ashish Ahuja, the chief business officer at Fino Payments Bank, said in the domestic money transfer business it was processing around Rs 4,500 crore per month. The newly formed bank is offering this service on its own and through around 60 partner organisations, as it seeks to quickly expand coverage to more areas and customers.

“We are working with agents like Eko, Spice Money, Payworld and many others who are consuming our rails for settling transactions

between bank accounts,” said Ahuja.

“New wallet creation has stopped completely and the average amount that these customers used to keep parked in these wallets is also falling; the entire remittance business is back in the fold of the banks because of the KYC issue,” said Ketan Doshi, managing director at Pay Point India Network.

As per latest numbers from the Reserve Bank of India, in June this year, around 367 million transactions were reported through mobile wallets, 18% more from a year earlier.

But industry executives pointed out that wallet growth had slowed down over the last few years and they attribute it to the loss of the remittance business. The transactions happening now are mostly for buying goods and services through players like [Paytm](#), [Freecharge](#) and others, they said.

Industry executives said the extension granted by the [RBI](#) to meet KYC requirements would not mean much, unless there was a simplified KYC process that these companies could undertake. Digital KYC guidelines have come but need significant simplification for customer adoption like Aadhaar e-KYC, which provides the best user experience and needs to be implemented with urgency, said Kulkarni of Oxigen Services.

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