

Indian payment banks see second straight year of losses

Payments banks, launched to make the country more financially inclusive, seems to be giving the regulators and investors a cause for concern as they continue with their second straight year of losses with little signs of turning the corner.

The consolidated balance sheets for the operational payments banks showed net losses of Rs 516.5 crore for the fiscal year 2018, almost double that of the fiscal year 2017 when they lost Rs 242.2 crore, according to RBI's trends and progr ..

"The losses of payments banks are attributed to high operating expenses as large capital expenditure had to be incurred in setting up initial infrastructure. It may take some time for payment banks to break even as they expand their customer base by offering their unique banking products," RBI said in the report.

The operating profits of these banks also remained negative with a loss of Rs 522.1 crore for fiscal 2018, up



from Rs 240.7 crore a year before.

High operational costs due to infrastructure setup required by these banks to tap the underpenetrated markets in the country is the prime reason for their financial weakness, it said.

Online payment fraud losses to reach \$48b by 2023

The Juniper Research in its recent report revealed that annual online payment fraud losses from e-Commerce, airline ticketing, money transfer, and banking services, will reach US\$48 billion by 2023; up from the US\$22 billion in losses projected for 2018.

Juniper claimed that a critical driver behind these losses will be the continued high level of data breaches resulting in the theft of sensitive personal information.

Peaks of losses

The Juniper whitepaper, Future Fraud ~ 3 Dynamics Changing Fraud in 2019, noted that fraudulent activities are directly linked to e-commerce and other activities that involved online payment. Juniper says fraudsters are actually the first to exploit new systems for their own benefits.

Drawing from ACI Worldwide data that maps e-commerce growth against fraud attempt growth, the data shows that fraudulent activity is actually outpacing the growth of overall e-commerce transactions. This suggests that fraudsters are attempting to leverage peak shopping periods as a means to obscure their activity.

Rise of synthetic identity

Juniper claimed that fraudsters are using information gleaned from these breaches to move away from pure identity theft, instead using fragments of real data to create new, synthetic identities. With the global rise in instant payment schemes and a focus on transactional rather than behavioral risk, Juniper forecasts that money transfer would be particularly vulnerable, with fraud losses increasing by over 20% per annum to US\$10 billion in 2023.

Stopping the losses

Juniper predicted that techniques practiced by the Magecart and Fin7 groups would become more common as fraudsters seek to create products from their knowledge. The groups used a combination of malware and cross-channel approaches for criminal gain. The research noted, as a result, more complex fraud would only become more common as, in effect, a 'fraud-as-a-service' economy emerges.