Ministry of Finance

Small Finance and Payment Banks

Posted On: 17 MAR 2017 6:34PM by PIB Delhi

Reserve Bank of India (RBI) issued guidelines for licensing of small finance banks and payments banks on November 27, 2014 and granted in-principle approvals to 10 applicants to set up small finance banks and to 11 applicants to set up payments banks.

The guidelines for small finance banks provide inter-alia that (i) eligible promoters could be resident individuals/professionals with 10 years of banking and finance experience including companies controlled by them etc. (ii) shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections (iii) The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore and (iv) all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).

The guidelines for payment banks provide inter-alia that (i) eligible promoters can be non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities like mobile telephone companies etc. (ii) shall primarily accept demand deposits upto maximum balance of Rs. 1,00,000 per individual customer. (iii) Issue ATM/debit cards, payments and remittance services. (iv) maintain CRR with the Reserve Bank on its outside demand and time liabilities and invest at least 75 per cent of its “demand deposit balances” in SLR eligible Government securities/treasury bills.

Licensed under Section 22 (1) of the Banking Regulation Act, 1949, Small Finance and Payment banks have to comply with all regulatory and supervisory frameworks that are applicable to commercial banks with suitable calibrations in view of the differentiated scope of such banks.

This was stated by Shri Santosh Kumar Gangwar, Minister of State in the Ministry of Finance in written reply to a question in Lok Sabha today.

*****

DSM/KA