News: Payments banks willing to convert themselves into small finance banks (SFBs) can apply for such a licence only after five years of operations, the Reserve Bank of India (RBI) said in the final guidelines on on-tap licensing for SFBs.

Prelims and Mains focus: About Payment banks, small finance banks and their significance in financial inclusion, about CRILC

Eligibility

Existing payments banks (PBs), which are controlled by residents and have completed five years of operations, are also eligible for conversion into small finance banks after complying with all legal and regulatory requirements of various authorities and if they conform to these guidelines.

The minimum capital for setting up an SFB has been mandated at ?200 crore, the RBI said, adding for primary (urban) cooperative banks (UCBs), which wish to become SFBs, the initial requirement of net worth will be ?100 crore, which will have to be increased to ?200 crore within five years from the date of commencement of business.

About the guidelines

To reduce the concentration risk in the exposures of primary (urban) cooperative banks and to further strengthen the role of UCBs in promoting financial inclusion, certain regulations will be amended.

The guidelines would primarily relate to exposure norms for single and group/interconnected borrowers, promotion of financial inclusion, priority sector lending, etc. A draft circular proposing the changes will be issued shortly.

The banking regulator also added that it decided to bring UCBs with assets of ?500 crore and above, under the reporting framework of the Central Repository of Information on Large Credits (CRILC).

Note: to know about Central Repository of Information on Large Credits (CRILC)
framework, click on the link below