RBI moots new rules for small bank licence

Wants More Payment Cos, NBFCs As SFBs

TIMES NEWS NETWORK

Bengaluru:

In a bid to get more participants in the small finance banking space, the Reserve Bank of India (RBI) on Friday said it is thinking of permitting small private entities, payment banks, NBFCs, MFIs and cooperative banks to apply and convert into a small finance bank (SFB).

The RBI clarified only small private entities will be allowed to set up SFBs, and the government would not entertain proposals from public sector entities and large industrial house or business groups, and autonomous bodies. Joint ventures between two or more promoter groups will also not be allowed to apply. In case of a holding company, the holding company could have another financing firm, but it must not do the same businesses as the SFB.

The minimum capital requirement was Rs 100 crore in 2014. The RBI proposes to keep it the same — with the SFB having to increase minimum net worth to Rs 200 crore within five years of operations.

While promoters of universal banks will be not be allowed to start an SFB, promoters of payment banks will be allowed, the RBI said. With this proposal, the extent of operations of payment banks would increase as, under current regulations, payment banks are not allowed to lend. They are also not allowed to collect deposits above Rs 1 lakh from customers. As an SFB, they would be allowed to take deposits of any amount.

They would also be allowed to lend to anyone, provided the focus is on small lending to individuals, SMEs, farmers and small scale industries. SFBs can also provide remittances, have ATMs and sell pensions in addition (payment banks can sell only MFs, insurance and third-party loans).

The RBI has, however, maintained that SFBs should get listed within three years of operations after reaching a net worth of Rs 500 crore — a proposal that does not bring any relief for Equitas Holdings, which has currently been told to list by the regulator. In 2014, the RBI instructed that promoter's holding in an SFB should be at least 40% and gradually brought down to 26% within 12 years of operations. Now, the RBI proposes the promoter should hold a minimum 40% for a lock-in period of the first five years, and reduce stake to a maximum of 30% within 10 years, and a maximum of 15% in 15 years.

Another change could be the capital ratios.

EXPANDING PARTICIPATION