

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

STARRED QUESTION NO. *412

TO BE ANSWERED ON THE 23RD MARCH 2018/ CHAITRA 2, 1939 (SAKA)
Small Finance Banks

***412. SHRI ARVIND SAWANT:
SHRI KRUPAL BALAJI TUMANE:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has granted permission to small finance banks to start operations and if so, the details thereof;
- (b) the details of the norms/criteria fixed for grant of micro finance status to the said banks;
- (c) whether the small finance banks are adopting an aggressive strategy to attract more saving deposits by offering higher rate of interest than other banks and
- (d) if so, the details thereof and the reasons therefore?

ANSWER
THE FINANCE MINISTER
(SHRI ARUN JAITLEY)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. *412 FOR 23RD MARCH 2018 REGARDING "SMALL FINANCE BANKS" BY SHRI ARVIND SAWANT AND SHRI KRUPAL BALAJI TUMANE, MEMBERS OF PARLIAMENT.

(a) to (d): As per inputs of the Reserve Bank of India (RBI), banking licence, under section 22(1) of the Banking Regulation Act, 1949, has been issued to 10 Small Finance Banks (SFBs), out of which nine have started operations.

As per RBI inputs, the guidelines for SFBs provide, *inter alia*, that (i) eligible promoter could be resident individuals/professionals with 10 years of banking and finance experience, including companies controlled by them, etc.; (ii) SFBs shall primarily undertake basic banking activities of acceptance of deposits and lending to un-served and under-served sections; (iii) the minimum paid-up equity capital for SFBs shall be Rs. 100 crore; and (iv) SFBs shall be subject to all prudential norms and regulations of RBI, as applicable to existing commercial banks, including requirement of maintenance of Cash Reserve Ratio and Statutory Liquidity Ratio.

With regard to whether SFBs are adopting an aggressive strategy to attract more saving deposits by offering higher rate of interest than other banks and details and reasons therefor, RBI has stated that it has deregulated the interest rates on savings bank account and banks have been given the freedom to fix their interest rates on savings bank account subject to the conditions contained in RBI's Master Directions on Interest Rates on Deposits. As per these Master Directions, banks are required to pay interest on deposits of money as per a comprehensive Board-approved policy on interest rates on deposits.
