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Licences for small finance banks next month: Rajan

OUR BUREAU

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After granting approval to 11 entities for payments banks on Wednesday, RBI Governor Raghuram Rajan said the central bank will announce small finance bank licences next month.

Rajan said such banks could be a path for migration to universal banks.

In February this year, 72 entities and individuals had applied for small finance bank licences. These include housing finance firm DHFL, IIFL Holdings, Lulu Forex, SKS Microfinance, UAE Exchange and Ujivan Financial.

Small finance banks will be similar to existing commercial lenders and will provide basic banking services of accepting deposits and lending to the un-banked sections, such as small farmers, micro business



RBI Governor Raghuram Rajan

enterprises, micro and small industries, and unorganised sector entities.

However, the maximum loan size and investment limit exposure to single and group obligors cannot be more than 10 per cent and 15 per cent of its capital funds, respectively. Apart from this, at least 50 per cent of their loan portfolio has to include loans and advances of up to ₹25 lakh, according to RBI regulations.