

## Unity Small Finance Bank

### Why in news?

The RBI has issued a Small Finance Bank (SFB) license to the consortium of Centrum Financial Services and Digital payments platform BharatPe.

### What are SFBs?

- Small Finance Banks is a specific segment of banking created by RBI with to undertake basic banking activities to un-served and underserved sections.
- The draft guidelines for licensing of small banks in the private sector were formulated and released by RBI in 2014.
- **Objectives** - The objectives of setting up of small finance banks will be to further financial inclusion by
  - Provision of savings vehicles
  - Supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganised sector entities, through high technology-low cost operations.
- Eligible promoters include
  - Resident individuals/professionals with 10 years of experience in banking and finance
  - Companies and societies owned and controlled by residents
  - Existing NBFCs, Micro Finance Institutions and Local Area Banks that are owned and controlled by residents can opt for conversion into small finance banks
- There will not be any restriction in the area of operations of small finance banks.
- The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.

### What is the significance of this SFB?

# PMC Gets New Life

RBI took control of the troubled PMC Bank in 2019



It then gave in-principle approval to Centrum Financial Services to set up a SFB

There were four contenders for the urban cooperative bank



Merger of PMC will take place after the new entity becomes operational

Unity SFB will focus mainly on retail and digital banking



- The RBI has issued a new bank license after a gap of nearly 6 years and the new SFB has been incorporated as 'Unity Small Finance Bank'.
- The assets and liabilities of Punjab and Maharashtra Co-operative Bank will be taken over by the new entity.
- This proposal sheds light on the need for traditional lenders to expand their digital infrastructure.

*In the buy-now-pay-later (BNPL) and micro-lending models, companies like Paytm, Google Pay, Amazon Pay, etc. have partnered with NBFCs to assess creditworthiness of an existing customer and present it to the lender as a potential borrower.*

- For BharatPe, an SFB licence means it could expand its lending portfolio.
- The lending rates offered by SFBs could be attractive for small merchants across the country looking to borrow to fulfil their working capital needs.

**Source: The Indian Express, RBI**

