

Payment Banks vs Small Finance Banks



Payment banks can receive deposits and remittances, but cannot lend, focusing on migrant labour and low income households.

Small banks will lend to “unserved and under-served sections”, including small business units, small and marginal farmers, and micro and small industries.

| Payment Banks | Small Finance Banks |
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| Objective | |
| Provide small savings accounts and payments /remittance services to migrant labour workforce and low-income households | Financial inclusion and supply of credit to small business units and farmers through high-technology and low-cost operations |
| Eligible Promoters | |
| Individuals or professionals with necessary experience and eligibility, existing NBFCs, corporate banking correspondents, mobile companies, | Resident individuals or professionals with 10 years of experience in banking and finance, companies and societies owned and controlled by residents, existing NBFCs, microfinance institutions and |

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| supermarket chains, real estate co-ops and corporate entities | local area banks owned and controlled by residents |
| Scope of Activities | |
| Accept deposits but customer balance should not exceed Rs.1 Lakh | Basic services of accepting deposits and lending |
| Cannot give loans, can issue ATM/Debit card but no credit cards | No restriction on the area of operations |
| Can distribute non-risk simple financial products such as mutual funds and insurance products | At least 50% of its loan portfolio should constitute loans and advances of upto Rs.25 Lakh |
| NRIs will not be allowed to open accounts | |
| Capital Requirement and Promoter's contribution | |
| Minimum paid-up equity capital of Rs.100 Crore/initially 40%, to be gradually brought down to 26% within 12 years from date of commencement | |

Update

On 19 August 2015, RBI approved "in-principle" licenses to 11 entities to start payment banks, these are 11 entities are :-

- Aditya Birla Nuvo
- Airtel M Commerce Services
- Cholamandalam Distribution Services
- Department of Posts
- FINO PayTech
- National Securities Depository
- Reliance Industries
- Dilip Shanghvi, founder of Sun Pharmaceuticals
- Vijay Shekhar Sharma, CEO of Paytm
- Tech Mahindra
- Vodafone M-Pesa