

# CAIIB

## Banking Regulations & Business Laws (BRBL)

### Small Finance Banks





## Small Finance Banks

- **Eligible Promoters:** Resident individuals/professionals with 10 years of banking experience and companies/societies owned and controlled by residents can establish small finance banks.
- Existing NBFCs, MFIs, and LABs owned and controlled by residents can convert into SFBs
- Primarily focus on basic banking activities, including accepting deposits and lending to underserved sectors such as small business units, small and marginal farmers, micro and small industries, and unorganized sector entities.
- No restrictions on their operational areas
- Minimum paid-up equity capital Rs. 200 crore

Unorganized sector



Financial Inclusion



Farmers



Small Industries





# Differentiated Banks

- Promoters contribution a minimum of **40% of the paid-up equity capital** initially, gradually **decreasing to 26% within 12 years**
- **CRR and SLR** requirements similar to SCBs.
- They must allocate **75% of ANBC** to PSL
- At least 50% of their loan portfolio should consist of loans & advances up to Rs. 25 lakh.
- RBI has allowed **Category-II SFBs** to function as Authorized Dealer Category-I, under certain conditions:
  - Bank operating for at least **2 years as an Authorized Dealer Category-II**, being listed in the **2<sup>nd</sup> Schedule to the RBI Act 1934**
  - Maintaining a minimum net worth of **Rs. 500 crore**
  - Capital to Risk (Weighted) Assets Ratio (CRAR) of at least 15%
  - **Net NPAs not exceeding 6%** over the previous four quarters, making a profit in the last two years, and no defaults in maintaining CRR or SLR over the previous 2 years.





# Differentiated Banks

## "On-Tap Licensing Policy" for SFBs

- Opening the licensing window continuously
- Allowing Primary (Urban) Co-operative Banks (UCBs) transitioning into SFBs to start with a net worth of **Rs. 100 crore and increase to Rs. 200 crore within 5 years,**
- Granting scheduled bank status to SFBs immediately upon operations
- Allowing SFBs to open banking outlets right from the start
- Enabling Payments Banks to apply for conversion into SFBs after 5 years of operation



[www.edutap.co.in](http://www.edutap.co.in)



[hello@edutap.co.in](mailto:hello@edutap.co.in)



+91 8146207241

# BRBL – CAIIB 2024

Q. 1

How much should Small Finance Banks (SFBs) allocate to Priority Sector Lending (PSL) out of their Adjusted Net Bank Credit (ANBC)?

- A. 50%
- B. 60%
- C. 70%
- D. 75%

**Answer: D**



# BRBL – CAIIB 2024

## Q. 2

What percentage of the loan portfolio should consist of loans & advances up to Rs. 25 lakh for Small Finance Banks (SFBs)?

- A. 25%
- B. 40%
- C. 50%
- D. 75%

**Answer: C**



# BRBL – CAIIB 2024

## Q. 3

Which of the following is a condition for Category-II Small Finance Banks (SFBs) to function as Authorized Dealer Category-I?

- A. Maintaining a minimum net worth of Rs. 200 crore
- B. Being listed in the 3rd Schedule to the RBI Act 1934
- C. Maintaining a minimum Capital to Risk (Weighted) Assets Ratio (CRAR) of 10%
- D. Operating for at least 2 years as an Authorized Dealer Category-II

**Answer: D**



# BRBL – CAIIB 2024

Q. 4

What is the minimum initial promoter contribution required for paid-up equity capital when establishing a Small Finance Bank (SFB)?

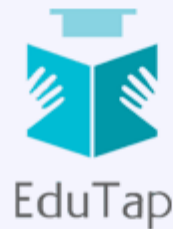
- a) 20%
- b) 30%
- c) 40%
- d) 50%

**Answer: C**



*Thank  
You!*

**SUBSCRIBE TO OUR YOUTUBE CHANNEL**



**CONTACT US**

 +91-8146207241 |  hello@edutap.co.in

 [www.edutap.co.in](http://www.edutap.co.in)