

## SMALL FINANCE BANK AND PAYMENT BANK (WITH SPECIAL REFERENCE TO AU FINANCE BANK)

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### ABSTRACT

*The Main objectives of small finance banks to increase financial inclusion of savings to underserve or unserved areas of the population. They supply Credit to farmers, Micro and small industries and various unorganized sector. For First three years 25% Branches will be opened in Unbanked Rural Areas. These Small Finance Bank provide savings account facility, Loan facility, and Insurance facility and demat services. The NPA was less than 2 %.*

**KEYWORDS:** *Small Finance Banks, Financial Inclusion, Underserve or Unserved Areas, NPA.*

### Introduction

In India Reserve Bank received 72 applications for small finance bank out of which RBI grant Principle approval to 10 applicants to set up small finance bank. Small Finance Bank provides Basic Banking Products for deposits and supply of credit for a pre-defined area of operations. The Main objectives of small finance banks are to increase financial inclusion of savings to underserved or unserved areas of the population. They supply Credit to farmers, Micro and small industries and various unorganized sector. This small bank will be registered as a public Limited Company under the Revised company Act 2013.

### Some Important Facts about Small Finance Banks

- The Committee for Small Finance Bank was Usha Thorat Committee
- The Paid up Equity Capital for these Banks are 100 Crore.
- Resident individuals having 10 year of experience in the field of finance and banking, companies and societies will be eligible to set up small banks.
- These banks are offering two products like Deposit and Loan.
- For First three years 25% Branches will be opened in Unbanked Rural Areas.
- The Maximum Loan to a single/group will be restricted to 15% of Total Capital Funds.

### The List of Approved Small Finance Banks is as follows

| S. No. | Name of Small Finance Bank      | Head Quarter |
|--------|---------------------------------|--------------|
| 1.     | AU Small Finance Bank           | Jaipur       |
| 2.     | Equitas Small Finance Bank      | Chennai      |
| 3.     | ESAF Small Finance Bank         | Chennai      |
| 4.     | Fincare Small Finance Bank      | Thrissur     |
| 5.     | Jana Lakshmi Small Finance Bank | Bengaluru    |
| 6.     | Capital Small Finance Bank      | Jalandhar    |
| 7.     | Ujjivan Small Finance Bank      | Bengaluru    |
| 8.     | Utkarsh Small Finance Bank      | Varanasi     |
| 9.     | Suryoday Small Finance Bank     | Navi Mumbai  |
| 10.    | North East Small Finance Bank   | Guwahati     |

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**Products Offer by Small Finance Bank and Payment Banks**

- **Savings Account**
  - **Basic and Small Saving Account**
    - The requirement of Quarterly and Monthly Minimum Balance which commercialized Bank have to follow Small Bank are Excepted
    - RuPay Debit Card issued.
    - Account Holder use ATM and Visit Branches to Withdraw and Deposit.
    - Regular features like cheque clearing, RTGS/NEFT, Net Banking available.
  - **Standard Saving Account-**
    - Current Interest Rate on Saving account is 6% for daily closing balance upto 10 Lakhs.
    - Current Interest Rate on Saving account is 6.5% for daily closing balance is more than 10 lakh
    - Average Quarterly Balance is 5000.
    - Net Banking and Mobile Banking available without any Cost.
    - Free payable Cheque Book with 25 Leafs every Half year are allowed.
  - **Regular Savings Account**
    - Minimum average quarterly balance should be Rs. 10000.
    - Free payable Cheque Book with 25 Leafs every quarter are allowed.
    - Current Interest Rate on saving account is 6% for daily closing balance up to 10 Lakhs.
    - Current Interest Rate on Saving account is 6.5% for daily closing balance is more than 10 lakh
    - Auto FD sweeps Facility available if average quarterly Balance maintained at Rs. 30000.
  - **Value Plus Account**
    - Current Interest Rate on saving account is 6% for daily closing balance up to 10 Lakhs.
    - Current Interest Rate on saving account is 6.5% for daily closing balance is more than 10 lakhs.
    - Minimum average quarterly balance should be Rs. 25000.
    - Free payable Cheque Book with 25 Leafs every quarter are allowed.
    - Unlimited access to any ATM without any charges.
  - **My Savings Account**
    - Current Interest Rate on saving account is 6% for daily closing balance up to 10 Lakhs.
    - Current Interest Rate on saving account is 6.5% for daily closing balance is more than 10 lakhs.
    - Minimum average quarterly balance should be Rs. 1000.
    - RuPay Debit Card Available.
    - Multiple access points for transactions are available.
- **Loan Product**
  - **Commercial Vehicle Finance**
    - Pre closure and Part Closure loan is allowed without any charge.
    - Various repayment options available.
    - Early Repayment of Loan available to save interest.
    - Borrower has a facility to postpone their installment due to financial difficulties.
    - Rebate on Insurance Premium payment.
  - **Home Finance**
    - Loan available up to 90% of the market value of the said asset.
    - Speedy approvals available.
    - Tailor-made Features for each and every segment.
    - Multiple and flexible repayment options available.

- Loan value up to Rs. 3 Crores and up to a term of 20 years.
- Loan available for purchase, repairs, self-construction and takeovers.
- **Loan against Property**
  - This option available for Salaried, Self-employed persons, Professionals and non-professionals.
  - Loan against property can be taken for expansion, top-up or balance transfer.
  - Loan amount from 10 lakhs to Rs. 3 Crores and the term for repayment is 3 to maximum of 15 years.
  - Loan takeovers and top-up available.
  - Person can opt for balance transfer on his existing loans with additional amount.
- **Gold Loans**
  - Easy payment options for repayment available.
  - Simple and hassle – free documentation.
  - Three in One investment accounts Available with these banks.

- **Insurance Products**

These Small Finance Banks are also provide insurance solutions to the public at large. The product in which these Small Finance Banks deals are as follows-

- **Life Insurance**
- **General Insurance**
- **Health Insurance**

**Critical Evaluation of Small Finance Banks With special Reference to Au small Finance bank**

- When large banks face several challenges like NPA's Small Finance Banks gave investors to participate in the growth opportunities in the market.
- These Small Finance Bank give loan for vehicle Finance for tenure of 5 years average ticket size 3.4 Lakh.
- These Small Finance Bank give loan for MSME Finance for tenure of 12 years average ticket size 10.8 Lakh.
- These Small Finance Bank give loan for SME Finance for tenure of 15 years average ticket size 219 Lakh.
- Total Revenue was 4130.8 Crores in FY 13 v/s 14305.2 Crores in FY 17. It seems AU Finance Bank increased their revenue by 28.88% which is very positive figure.
- Total NPA is also increasing as it was .53% in FY 13 and in FY 17 it is 1.61 which is more than 3 times.
- Profit after Tax was 69.3 for FY 13 v/s 326 Crore in FY 17.
- The Return on Equity was 16.8% for FY 13 and in FY 17 it was 21.7%.
- The Return on Asset was 2.2% for FY 13 and in FY 17 it was 3.4%.

**Referances**

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