

## Difference Between Small Finance Bank and Payments Bank

The Small Finance Banks and the Payments Banks in India are both licensed under the Reserve Bank of India, and all its guidelines and functioning is monitored by the central bank of the country. Discussed further below are the differences between the two banks for the reference and understanding of all competitive exam aspirants.

Small finance banks are financial institutions that provide financial services to the country's unserved, underserved and unbanked areas of the country.

A payments bank operates on a smaller scale without involving any credit risk. It is a new model of banking in India, conceptualised by the central bank of India.

### Small Finance Bank vs Payments Bank

Given below is a tabulated difference, comparing the aspects, guidelines and functions of the given two types of banks in India:

Small Finance Banks	Payments Bank
<p><b>Definition</b> - Small Finance Banks are financial institutions that intend to fund the financial needs of the underprivileged sections through basic banking activities</p>	<p><b>Definition</b> - A Payments Bank is like any other bank, but operating on a smaller scale without involving any credit risk. It can carry out most banking operations but can't advance loans or issue credit cards.</p>
<p><b>Objectives:</b> These have been set up to further financial inclusion by:</p> <ul style="list-style-type: none"> <li>supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities</li> </ul>	<p><b>Objectives:</b> The primary objective of setting up payments banks will be to further financial inclusion by providing:</p> <ul style="list-style-type: none"> <li>small savings accounts</li> <li>payments/remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities</li> </ul>
<p><b>How many Small Finance Banks are in India?</b> As of December 2021, there are 11 Small Finance Banks in the country:</p> <ol style="list-style-type: none"> <li>Au Small Finance Bank Ltd.</li> <li>Capital Small Finance Bank Ltd</li> <li>Fincare Small Finance Bank Ltd.</li> <li>Equitas Small Finance Bank Ltd</li> <li>ESAF Small Finance Bank Ltd.</li> <li>Suryoday Small Finance Bank Ltd.</li> </ol>	<p><b>How many Payments banks are in India?</b> As of December 2021, there are 6 Payments Bank in India:</p> <ol style="list-style-type: none"> <li>Airtel Payments Bank Ltd</li> <li>India Post Payments Bank Ltd</li> <li>FINO Payments Bank Ltd</li> <li>Paytm Payments Bank Ltd</li> <li>Jio Payments Bank Ltd</li> <li>NSDL Payments Bank Limited</li> </ol>

<p>7. Ujjivan Small Finance Bank Ltd.              8. Utkarsh Small Finance Bank Ltd.              9. North East Small Finance Bank Ltd              10. Jana Small Finance Bank Ltd              11. Shivalik Small Finance Bank Ltd</p>	
<p><b>Capital Requirement:</b>              The minimum paid-up equity capital for small finance banks is Rs.100 crore</p>	<p><b>Capital Requirement:</b>              The minimum paid-up equity capital of the payments bank is Rs.100 crore</p>
<p><b>Scope of Activities:</b></p> <ul style="list-style-type: none"> <li>Take up all primary banking activities only in the underserved section</li> </ul>	<p><b>Scope of Activities:</b></p> <ul style="list-style-type: none"> <li>ATM/Debit cards can be issued</li> <li>Credit cards cannot be issued</li> <li>Mobile banking available</li> </ul>
<p><b>Time Deposit:</b>              Time Deposit such as Fixed Deposit (FD) and Recurring Deposit (RD) are both accepted</p>	<p><b>Time Deposit:</b>              These do not accept time deposits like FD and RD</p>
<p><b>They can offer small loans</b></p>	<p><b>They cannot offer loans</b></p>
<p>There is no restriction in the area of operations of small finance banks</p>	<p>The payments bank cannot set up subsidiaries to undertake non-banking financial services activities</p>
<p>Capital Small Finance Bank, launched in 2016 was India's first Small Finance Bank</p>	<p>Airtel Payments Bank, introduced in 2016, became India's first entity to receive a payments bank license from RBI</p>

There are a few similarities also between the two banks. One of which is that the foreign shareholding in these banks would be as per the Foreign Direct Investment (FDI) policy for private sector banks.