Q40

What is the purpose of setting up of Small Finance Banks (SFBs) in India? 1. To supply credit to small business units 2. To supply credit to small and marginal farmers 3. To encourage young entrepreneurs to set up business particularly in rural areas. Select the correct answer using the code given below: (a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 Official key: A.

UPSC Civil Services Prelims 2017 · General Studies · 2 marks · Art and Culture

Indian art, architecture, culture - Prelims GS Paper I.

Explanation

(a) Official key

(a) 1 and 2 only. Small Finance Banks exist to supply credit to unserved and underserved units, including small businesses and small and marginal farmers. Encouraging young rural entrepreneurs as a separate, stated purpose is not part of the RBI design in the way statement 3 puts it. This is the official key.

(b)

(b) 2 and 3 only. Dropping small-business credit and keeping the entrepreneur-promotion line is wrong.

(c)

(c) 1 and 3 only. Farmers are a core SFB target; statement 3 is the extra. Not the key.

(d)

(d) 1, 2 and 3. Statement 3 is not an official SFB purpose as framed. All three is not the key.

Summary

Official key is (a) 1 and 2 only. RBI's Small Finance Bank guidelines aim to further financial inclusion by providing savings and credit to small business units, small and marginal farmers, micro and small industries, and other unorganised-sector entities. A general youth-entrepreneurship mission is not a distinct, listed SFB objective. Payments Banks are the neighbouring differentiated-bank type (they do not lend). Honour 1 and 2 only.

Related possible facts

These can be asked in a future Prelims paper.

SFB guidelines

RBI, 2014 Nachiket Mor follow-up

First SFBs
Licences from 2015-16

CRR/SLR
SFBs are scheduled banks; maintain CRR/SLR

Psl
High priority-sector lending target

Payments Banks
Deposits and payments; no credit

MUDRA
Neighbour: small-enterprise credit brand