

**भारतीय रिज़र्व बैंक****RESERVE BANK OF INDIA**वेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inइ-मेल email: helpdoc@rbi.org.in

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January 7, 2014

RBI releases Report of the Committee on Comprehensive Financial Services for Small Business and Low Income Households**Photograph**

The Reserve Bank of India has today released on its website for public comments, the [Report of the Committee on Comprehensive Financial Services for Small Business and Low Income Households](#) and [additional comments](#) from two members in this regard. The Comments may be [emailed](#) or sent by post to the Principal Chief General Manager, Rural Planning and Credit Department, Reserve Bank of India, Central Office, 10th floor, Shahid Bhagat Singh Marg, Mumbai 400 001 on or before January 24, 2014.

The Committee, while laying down its vision statement for financial inclusion and deepening, has suggested providing a universal bank account to all Indians above the age of eighteen years and has recommended a Vertically Differentiated Banking System with Payments Banks for Deposits & Payments and Wholesale Banks for credit outreach with relaxed entry point norms of ₹ 50 crore.

On priority sector, the Committee has recommended Adjusted Priority Sector Lending Target of 50 per cent against the current requirement of 40 per cent with sectoral and regional weightages based on the level of difficulty in lending. The Committee has also recommended risks and liquidity transfers through markets. In view of the fact that banks may choose to focus their priority sector strategies on different customer segments and asset classes, the Committee has recommended that the regulator provide specific guidance on differential provisioning norms at the level of each asset class. A bank's overall Non Performing Assets Coverage Ratio would therefore be a function of its overall portfolio asset mix.

On definition of Non-Banking Finance Companies (NBFCs), the Committee has recommended only two categories - one for core investment companies and another category for all other NBFCs. The Committee has advocated regulatory convergence between banks and NBFCs based on the principle of neutrality with regard to classification of non-performing assets and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 eligibility.

The Committee has suggested that a State Finance Regulatory Commission (SFRC) be created into which all the existing State Government-level regulators could be merged and functions like the regulation of Non-Government Organisations-Micro Finance Institutions and local Money Services Business could be added on. The Committee has desired that the Reserve Bank should issue regulations on suitability, applicable specifically for individuals and small businesses, to all regulated entities within its purview so that the violation of such regulations would result in penal action for the institution as contemplated under the relevant statutes through a variety of

measures, including fines, cease-and-desist orders, and modification and cancellation of licences.

Background

It may be recalled that the Reserve Bank of India had, in September 2013, set up a [Committee on Comprehensive Financial Services for Small Business and Low Income Households](#), under the Chairmanship of Dr. Nachiket Mor, Member on the Reserve Bank's Central Board of Directors. The Committee had very senior and experienced financial and legal experts as members. Shri S. Karuppasamy and Dr. Deepali Pant Joshi, both Executive Directors, Reserve Bank of India were Expert Observers on the Committee. Shri A. Udgata, Principal Chief General Manager, Reserve Bank of India, Rural Planning and Credit Department was the Member Secretary. Research and Technical Support to the Committee was provided by the IFMR Finance Foundation.

Press Release : 2013-2014/1367

Alpana Killawala
Principal Chief General Manager