Difference Between Payments Bank and Small Finance Bank

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The Difference between Small Finance Bank and Payment Banks lies in their role and functioning. Both banks are registered under the Reserve Bank of India and their functioning is monitored by the central bank of India. While Small Finance banks provide financial services to the country's unserved, underserved and unbanked areas of the country, Payment banks are small operation based banks that don't involve any credit risk. In this article, we are going to learn about the differences between Small Finance Banks and Payment Banks.

Difference Between Payment Banks and Small Finance Banks

The difference between Payment Banks and Small Finance Banks include:

Basis	Payment Banks	Small Finance Banks
Objective	Financial inclusion through low-cost banking for the unbanked	Provide credit access to underserved sections like small businesses, farmers, etc.

Lending Facility	Cannot lend money	Can lend money and offer full credit services
Deposit Limit	Can accept deposits up to ₹2 lakh per customer	No such limit; can accept all types of deposits
Target Audience	Migrant laborers, low-income households, small businesses	Small and marginal farmers, MSMEs, unorganized sector
Issue of Credit Cards	Not allowed	Allowed
Examples	Paytm Payments Bank, Airtel Payments Bank	AU Small Finance Bank, Equitas Small Finance Bank

Payment Banks in India

Payment Banks are the new type of banks in India that allow customers to deposit only upto 2 lakh rupees. The banks don't provide any credit card and loan facility. Customers can open either a savings or a current account and apply for a debit card or internet banking service. Payment Banks in India include:

Fino Payment Bank

- Fino Payments Bank
- NSDL Payments Bank;
- India Post Payments Bank
- Paytm Payments Bank;
- Airtel Payments Bank;
- Jio Payments Bank.

Small Finance banks in India

Small Finance Banks offer financial assistance to unbanked and unwarranted sectors of India. As per the Companies Act, 2013, Small Finance Banks are enlisted as Public Sector Corporation. These banks can accept deposits, offer loans and conduct all the important banking activities. However, these banks cannot offer any large loan commitments, subsidiaries or deal in high-tech goods. Small Finance Banks in India include:

- Ujjivan Small Finance Bank;
- Suryoday Small Finance Bank;
- Equitas Small Finance Bank;
- ESAF Small Finance Bank;
- Fincare Small Finance Bank;

- Janalakshmi Small Finance Bank;
- Utkarsh Small Finance Bank and,
- AU Small Finance Bank.

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