

Digital Banking Units (DBUs)

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In news— The Reserve Bank of India (RBI) has issued guidelines for the establishment of Digital Banking Units (DBUs) recently. To commemorate the 75 years of independence of the country, Finance Minister Nirmala Sitharaman had made announcements for setting up 75 DBUs in 75 districts in Budget 2022.

About Digital Banking Units (DBUs)-

- A digital banking unit is a **specialised fixed point business unit or hub housing certain minimum digital infrastructure for delivering digital banking products and services** as well as servicing existing financial products and services **digitally in self-service mode at any time.**
- It will be a fixed business unit **operating under the retail banking division of the bank and will deliver new digital products and services** and service existing financial products digitally, in a cost-effective, efficient and secure manner **with 24X7 availability.**
- **Commercial banks (other than regional rural banks, payment banks and local area banks) with past digital banking experience are permitted to open DBUs in tier 1 to tier 6 centres,** unless otherwise specifically restricted, **without having the need to take permission from the RBI in each case.**
- As per the RBI, each DBU must offer certain minimum digital banking products and services. Such products should be on both liabilities and assets side of the balance sheet of the digital banking segment. Digitally value-added services to conventional products would also qualify as such.
- **The services include savings bank accounts under various schemes,** current accounts, fixed deposits and recurring

deposit accounts, digital kit for customers, mobile banking, Internet banking, debit cards, credit cards, and mass transit system cards, digital kit for merchants, UPI QR code, BHIM Aadhaar and point of sale (PoS).

- **Other services include making applications for and onboarding of customers for identified retail, MSME or schematic loans.**
- This may also include end-to-end digital processing of such loans, starting from online application to disbursement and identified government sponsored schemes that are covered under the national portal.
- The Digital Banking Licences would be issued over the next 12 to 24 months.
- As per the guidelines released by RBI, DBUs of the banks will be treated as banking outlets.

Operation of fintechs-

- Currently, fintechs operating as neobanks offer digital banking services but they do so in partnership with non-banking financial companies (NBFCs).
- Some of the neo-banks offering services in India are Jupiter, Fi Money, Niyo, Razorpay X.
- Compared to conventional banks with online and mobile banking facilities, neobanks or digital banks excel at product innovation and offer far better digital solutions.
- However, given the arrangement they have currently with NBFCs or scheduled banks to conduct the actual banking part, some in the industry have pegged these digital banks as “glorified digital distribution companies”.