



75 New Digital Banking Units in India

For Prelims: Digital Banks, Financial Inclusion

For Mains: Digital Banking Units, Benefits & Services of Digital Banking Units

Why in News?

Recently, the Prime Minister of India has dedicated **75 Digital Banking Units (DBU) across 75 districts to the nation.**

- As part of the **Union budget speech for 2022-23**, the Finance Minister announced setting up the **75 DBUs in 75 districts** to commemorate our country's **75 years of independence.**

What are Digital Banking Units?

▪ About:

- A Digital Banking Unit is a **specialised fixed point business unit or hub, set up by scheduled commercial banks**, 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.
- The DBUs are being set up with the objective to **ensure the benefits of digital banking reach every nook and corner** of the country and will cover all the States and Union territories.

▪ Benefits:

- The DBUs will enable those who **do not have Information and Communications Technology (ICT) infrastructure** to **access banking services digitally.**
- They will also assist those **who are not tech savvy** to adopt **digital banking.**

▪ DBU Services:

- **Services being offered through DBU include banking facilities like** opening of savings account, balance-check, print passbook, transfer of funds, investment in fixed deposits, loan applications, stop-payment instructions for cheques issued, application for credit / debit cards, view statement of account, pay taxes, pay bills, make nominations, etc.
- The DBUs will also facilitate onboarding to **Government credit link schemes** through the **Jan Samarth portal** and end-to-end digital processing of small ticket MSME/retail loans.

▪ Difference between DBU & Traditional Banks:

- DBU will provide banking services including **cash deposit & withdrawal 24 x 7.**
- Services of DBU shall be **provided digitally.**
- People **not having connectivity or computing devices** can do banking transactions from DBU in a paperless mode.
- Bank staff will be available to **help and guide users for banking transactions** in assisted mode.
- DBU will help in **providing digital financial literacy and create awareness** for adopting digital banking.

▪ Difference between the Digital Banks and DBUs:

- **Balance Sheet/Legal Personality:**
 - DBUs do not have legal personality and are **not licensed under Banking Regulation Act, 1949.**
 - Legally, they are equivalent to “banking outlets” i.e., branches.
 - Digital Banks will **have a balance sheet and legal personality** & are proposed to be duly licensed banks under **Banking Regulation Act, 1949.**
- **Level of Innovation/Competition:**
 - DBUs **improve existing channel architecture** by offering regulatory recognition to digital channels. However, they are **silent on competition.**
 - The DBU guidelines expressly state that **only existing commercial banks may establish DBUs.**
 - In contrast, a licensing and regulatory framework for Digital banks as proposed here, is **more enabling along competition/innovation dimensions.**

What are other Initiatives for Financial Inclusion?

- [Pradhan Mantri Jan Dhan Accounts](#)
- [Unified Payments Interface \(UPI\)](#)
- [Direct Bank Transfer](#)
- [Fintech](#)
- [India Stack](#)

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion. **(2013)**

Source: [PIB](#)

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