Coastal Local Area Bank - Scheduled Bank Status

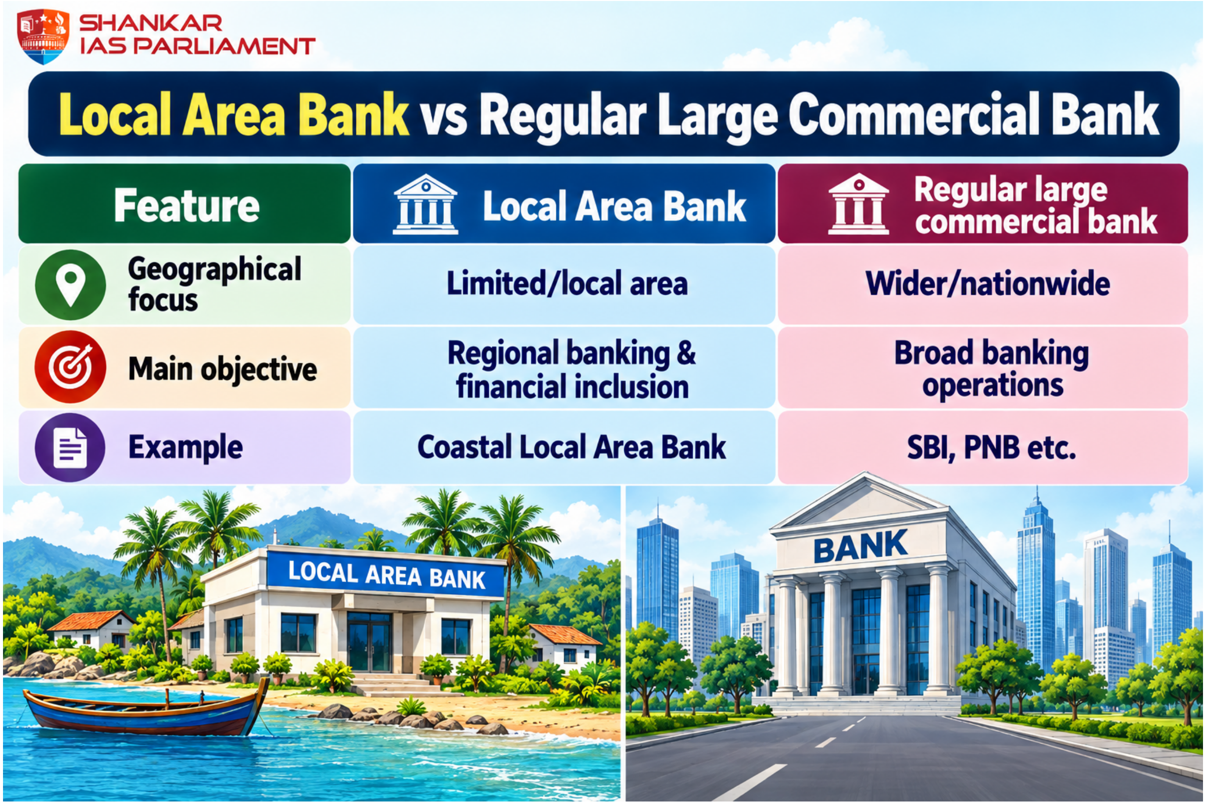
Prelims: *Current events of national and international importance | Economy*

Why in News?

Recently, Coastal Local Area Bank Limited, headquartered in Vijayawada, Andhra Pradesh, has been accorded Scheduled Bank status.

Qualification Criteria

- To obtain scheduled status under *Section 42(6) of the Reserve Bank of India Act*, a local area bank must meet the following criteria:
- **Second Schedule Inclusion –** The bank must be officially included in the ***Second Schedule of the Reserve Bank of India Act, 1934.***
- **Capital Requirement –** The bank must maintain a minimum paid-up capital and collected funds of at least Rs.5 lakh.
- However, the initial establishment of a local area bank requires a significantly higher minimum paid-up capital of Rs.5 crore.
- **Statutory Compliance** – The institution must adhere to regulatory guidelines, operational standards, and inspection requirements established by the Reserve Bank of India and the Banking Regulation Act, 1949.



- The new status is anticipated to provide the bank with several strategic advantages:
    - Expand its customer base by reaching new market segments
    - Attract additional institutional depositors.
    - Increase current account and savings account (CASA) deposits.
    - Reduce the overall cost of deposits.
    - Potentially transfer the resulting benefits to lending customers.
- **Benefits**
- **Borrowing Access –** Eligibility to obtain low-interest loans, financial assistance, and refinancing facilities from the Reserve Bank of India.
- **Clearing House Access –** Automatic membership in clearing house networks, facilitating efficient settlement of transactions.
- **Credibility –** Increased trust and confidence among depositors as a result of rigorous central bank oversight.

Reference

[The Hindu | Coastal Local Area Bank]