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RBI Grants AU Small Finance Bank In-Principle Approval for Universal Banking License

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The Reserve Bank of India has granted in-principle approval to AU Small Finance Bank to transition into a universal bank, making it the first such approval issued by the central bank in nearly a decade. The development marks a significant milestone in the bank's journey from a small finance institution to a full-service commercial bank.

AU Small Finance Bank submitted its application on September 3, 2024, under the Reserve Bank's on-tap licensing guidelines and the framework introduced in April 2024 for the voluntary transition of small finance banks into universal banks. The bank fulfilled all eligibility criteria, including a minimum of five years of successful operations, a net worth of at least ₹1,000 crore, a capital-to-risk-weighted assets ratio above 15 percent for the last three years, and controlled levels of non-performing assets.

The bank's financial performance supported its application. For the quarter ending June 30, 2025, AU Small Finance Bank reported a net profit of ₹581 crore, reflecting a 16 percent increase compared to the previous year. Gross non-performing assets rose to 2.47 percent from 1.78 percent a year earlier, while net non-performing assets stood at 0.88 percent.

As of June 30, the bank had shareholders' funds of ₹17,800 crore, a deposit base of ₹1,27,696 crore, and a loan portfolio of ₹1,17,624 crore. The total balance sheet size stood at ₹1.60 lakh crore. AU Small Finance Bank operates across 21 states and four union territories with over 2,500 banking touchpoints, serving more than 1.15 crore customers and employing a workforce of over 53,000.

AU Small Finance Bank began its operations in 1996 as a vehicle finance company. It received its small finance bank license in 2015 and commenced banking operations in April 2017. The bank was listed on the Indian stock exchanges later that year.

Managing Director and Chief Executive Officer Sanjay Agarwal described the regulatory nod as a historic milestone for the bank. He said the approval was a reaffirmation of the institution's purpose, perseverance, and passion.

This is the first time in nearly ten years that a small finance bank has received in-principle approval to become a universal bank. The last such transition occurred in 2015 when Bandhan Bank moved from a microfinance institution to a universal bank.