

F. No.21/13/2009-FI (Pt)
Government of India
Ministry of Finance
Department of Financial Services

Jeevan Deep Building, Sansad Marg,
New Delhi, dated the 21st October, 2011

To

1. Chairman/ CMDs of all PSBs
2. Chairman of all RRBs
3. CEOs of all Pvt. Sector Banks

Subject: Strategy and Guidelines on Financial Inclusion

Sir,

As you are aware, financial inclusion is an important priority of the Government. A number of policy measures have been taken towards achieving the objective of financial inclusion. Under the Financial Inclusion Plan under implementation, in the first instance, habitations with population of 2000 and above, as per 2001 census, are being taken up for provision of banking services by March 2012.

2. Only about 5% of the nearly 6 lakh villages in the country have bank branches. There are 296 under banked districts in the under banked states in the country. With the Financial Inclusion Plan under implementation, around 73,000 villages, having population of 2000 and above, would be provided facilities for banking services by March 2012. The Banking Correspondents and the new bank branches being opened in these villages would also provide services in the adjoining areas.

3. The Task Force set up by the Government for the direct transfer of subsidies on LPG, Fertilizers & Kerosene has already presented its interim report. Pilot for direct transfer of subsidies on kerosene and LPG are being taken up this year. Besides, there are at least 32 other schemes where the benefits are to be transferred to the beneficiaries and adoption of electronic benefit transfer would greatly enhance the efficiency of such transfers, besides reducing the scope of malpractices. Disbursement of MNREGA wages to the beneficiaries is required to be made in a fixed time period. Extension of banking and other financial services to the rural areas will also facilitate and, in fact, accelerate the economic development of such areas.

4. In view of the above, there is an urgent need of a strategy and approach for the extension of financial services to the entire country, so as to extend the benefits of electronic benefit transfer. These guidelines would be applicable for the time bound coverage of the entire country with banking services under financial inclusion.

5.1 Banking Responsibility:

- (i) Service area approach would be adopted for the coverage of the entire country for financial inclusion. So far the SLBCs have allocated specific villages among the banks. As Gram Panchyats are at the centre of the various developmental and welfare schemes and would play an important role in the electronic benefit transfer, service area of the banks needs to be defined in terms of the Gram Panchayats.

- (ii) Each DCC shall prepare a plan in a format as given at Annexure -I. Changes in existing allocation, wherever required, could be finalised at the level of the SLBCs at their next meetings to be held before 31st October 2011. Banks to whom the areas under Gram Panchayats are allocated would be responsible for all the financial inclusion activities in such areas. However residents would be free to approach any bank within or outside the service area for any banking service.
- (iii) Area to be served by the existing and to be opened branches should also be specified in term of the Gram Panchayats and the other areas may be covered through the BC model, as stated above.

5.2 Coverage Plan :

- (i) Under the present scheme of financial inclusion, all villages having a population of 2000 or more, as per 2001 census, (72721 villages) have been identified and allocated among banks by the SLBCs to be covered under the Financial Inclusion by March, 2012. In addition, considering the population distribution, in Arunachal Pradesh, Himachal Pradesh, Meghalaya, Mizoram, Uttarakhand, Chhattisgarh, Andaman & Nicobar, Daman & Diu, Pudducherry, Lakshadweep, all villages of 1000 and above must be covered by September 2012.
- (ii) Banks must, with their service areas, assign the existing BCs the area of the entire Gram Panchayat or, if required, also the adjoining Gram Panchayat in accordance with para 5.4 below. Banks must also assign the BCs, to be appointed as per sub para (i) above , the area of entire Gram Panchayat in which village having population of 1000 or 2000, as the case may be, falls.
- (iii) (a) At present the District and State Level Plans are being prepared for the banks, NABARD etc. Similarly, the Public Sector Insurance Companies are also preparing their field level plans.

(b) In order to develop a comprehensive frame work for delivery of financial services and, hence, promote Financial Inclusion, it is necessary that comprehensive Financial Services Plan for the entire District and State is also prepared.

(c) It has therefore been decided that:
 - ❖ The District Lead Bank Officer, Officer In charge of NABARD and Nodal Officers of Public Sector Insurance Companies, both life and non life, would prepare a comprehensive District Financial Services Plan covering banking, rural development, insurance, etc. These officers would also meet once every month to review the progress and resolve inter agency issues.
 - ❖ At the State Level, SLBC Convener, NABARD in-charge for the State and State In-charge of Public Sector Insurance Companies, both life and non life, would prepare similar State Financial Services Plan. At the State level also, these officers would meet once every month to review the progress and resolve inter-agency issues.

(d) The objective of the exercise is to ensure Financial Inclusion by ensuring bank account for every household, Kisan Credit Card to every farmer's family, General Credit Card to other households and extensive coverage under micro-insurance and micro-pension scheme besides looking at the critical gap in infrastructure in terms of rural warehousing etc.

(e) The District Lead Officer and the State SLBC Convener would be responsible for the aforementioned committees at the District and the State Level respectively.

5.3 Branches:

- (i) In the under banked districts as listed by the RBI, the Banks shall within their service area, open a regular brick and mortar branch in larger habitations with population of 5000 and above by September 2012. Such branches could initially have lesser staff, say 2 persons, with ATM facilities. The staff strength could be increased as the business grows. Under the extant Policy of RBI on branch authorisation, prior approval of the RBI is NOT required to open branches in tier 3 to tier 6 areas. In fact, opening bank branches in the under banked districts of the under banked states would entitle the banks to seek branches in tier 1 towns under their Annual Branch Authorisation Plan. Such a branch would be assigned a service area by the DCC/SLBC covering one or more Gram Panchayats .
- (ii) In other districts, the banks must try to open as many brick and mortar branches, in their service areas, in habitations having population of 10,000 and above by September 2012.
- (iii) While planning for branch expansion, it may be seen that in the unbanked areas the branches are available within a radial distance of 5 km.

5.4 Business Correspondents (BC):

- (i) In habitations without a bank branch, the Business Correspondent would be the main instrument of delivery of financial services. It is necessary to ensure that the business model of BCs is commercially sound and that they become financially viable in a reasonable time, say 2 years. This would require that each BC handles a reasonable number of household accounts, keeping the geographical coverage in consideration.
- (ii) Based on the feedback from the various Institutions, it is felt that the BC/Agent should be dealing with 1000-1500 households, or cater to a population of about 5000-8000. In the hilly, tribal and desert areas or where distance is large, the banks could have lesser number of accounts keeping the geographical and other conditions under consideration. DLCC will take a decision in such cases and get it ratified from SLBC. However, it must be ensured that the each BC Agent is assigned a sub-service area within the service area of the branch. Gram Panchayat shall be retained as a unit and BCA could be assigned more than one Gram Panchayats.
- (iii) Requirement of BC/BCA may be worked out in such a manner that the BCA is available within a radial distance of 2 km.

6 While appointing BCAs, Banks will keep following features in mind:

- (i) It is better to appoint an existing entrepreneur as BCA so that it is an additional income to him/her. This will improve the viability of BCA. While

approving location of BCA, the place should be such that easily accessible and be preferable by the place of weekly local 'Haats'.

- (ii) Nearly 1 lakh Common Service Centres (CSCs) have been established by the Department of Information Technology. The CSC network will also expand. In order to ensure convergence and to assist viability of BC, it would be necessary that in the villages to be covered, wherever a CSC exists, the CSC is made a BCA. Banks can engage additional BCAs, if required in such cases.
- (iii) The selection of BCA must be done by the BC with the consent of the concerned Branch Manager in whose service area the BC is located. Preference should be given to such persons who are already doing some activity in the village.
- (iv) The device to be given to BCA should be interoperable through the gateway of NPCIL so that the customer can access to any bank by using the device. The device must have biometric facility plus card or password plus card. The BCA must have on-line connectivity.
- (v) The BCA must be responsible to receive and pay money, to transfer money from one to another. Each BCA must necessarily be appointed as Business Facilitator (BF) for all activities permitted by the RBI. BCAs must also be used as deposit mobilisation and recovery agents as permitted by RBI.
- (vi) The BCA will also be acting as an extension staff for micro insurance, animal insurance, crop insurance and micro pension. The banks will ensure coordination with the agencies, viz., LIC and other agencies dealing with these products.
- (vii) An officer of the concerned branch of the bank must be visiting the BCA once in a week on a fixed time and day and will use this visit to collect application for opening account, loans of all types, recovery follow-up and any other banking issues. This will install greater confidence among the customers and facilitate increased banking transactions through BCAs.
- (viii) The BCA must be responsible for routing all transactions of all villages in the assigned villages so that effective marketing and follow up, can take place.
- (ix) BCA could be remunerated using different models or a combination based on transactions, number of accounts opened, value of transactions, etc., with safeguards against recycling of funds, the guiding principle being the BCA has motivation to facilitate transactions of the customers and to provide good quality services.
- (x) For cash management, a proper arrangement needs to be worked out keeping in view the guidelines of RBI by the banks and with the BCA.
- (xi) Transfer of the funds by the account holders of the bank represented by the BC to the account holders of other banks should be possible.
- (xii) It is necessary for banks to ensure that there is a continuous improvement in the quality of services through the BCAs. Banks must have regular training programmes of the BCAs along with BCs. This must lead to reduction in footfall of the villages from the villages attached to the BCA in the service area of the branch of the bank.

7. Electronic Benefit Transfer:

- (i) Presently 32 schemes are in operation, (Annex-II), funded by the Government of India, under which benefits are to be given directly to the beneficiaries. Transfer of such subsidies into the accounts of the beneficiary under Electronic Benefit Transfer would enhance the efficiency of delivery of such services. Benefits in the areas covered under Financial Inclusion must be transferred electronically into the accounts of the beneficiaries. The Convenor Banks of SLBC must take up this matter in the next SLBC and the roadmap for Electronic Benefit Transfer in respect of each scheme must be finalized.
- (ii) RBI issued the operational guidelines on implementation of Electronic Benefit Transfer and its convergence with the Financial Inclusion Plan on 12.8.2011. Under this, one district - many bank- one leader bank model is to be adopted. While all Departments of the Government of India (GoI) and State Governments may, for administrative convenience, deal with only one leader bank, such leader bank will obtain the funds from the GoI/State Government and, in turn, arrange to transfer funds through inter-bank transfer to other banks for credit to the accounts of ultimate beneficiaries. Under the service area approach, while the banks would be responsible for the Electronic Benefit Transfer to the residents in their service area, the residents would be free to choose the bank through whom they would like such transfer of benefits.
- (iii) In some states, parallel structures for Electronic Benefit Transfer for some schemes have been created which are inconsistent with the aforesaid guidelines issued by the RBI. Such system should be discontinued henceforth or converted into one district- many banks-one leader bank model as per para-(ii) above.
- (iv) It has also been observed that KCC beneficiaries as well as others who are already having bank accounts are asked to open separate account for availing Electronic Benefit Transfer. Any beneficiary having any bank account must not be required to open new accounts and the benefits should be credited to the existing account.

All banks are requested to ensure compliance of the above guidelines.

Yours sincerely,

(Dr.Alok Pande)
Director (AC/FI)
Tel: 23368509

Copy to:

- 1. Deputy Governor, RBI
- 2. Chairman, NABARD
- 3. Chairman, LIC
- 4. PS to FM/ MoS
- 5. PPS to S (FS), PS to AS (FS), PS to all JSs in DFS
- 6. NIC, for uploading on website

Annexure-I**Service Area Plan of District _____ (State: _____)****Name of Block**

Place of Village of 2000 (2001 Census) population	BR/BC/ATM	Name of Bank	Name of Gram Panchayat	Name of Revenue Village	Population of Revenue Village (2001 census)	Post Office/ Sub post office Yes/No
1	2	3	4	5	6	7

Col.1 : Name of each town and village in the block having population of 2000 or more (2001 Census) be given.

Col. 2: Please indicate if there is a bank branch there or a bank branch is to be opened and give the date and year of the proposed opening. If there is an existing BC, then write BC and if it is proposed, then month and year of appointment be given.

ATM : If there is an existing off site ATM, the same may be indicated and if it is proposed to open one, month and year of installation be indicated.

Col. 3: Name of the bank which has a branch or intend to set up a branch, who has appointed a BC or who intend to appoint a BC, who has an ATM or intend to set up an ATM be given.

Col. 4 : Each commercial bank will have one or more gram panchayat as a part of service area.

Each BC will also have one or more gram panchayat assigned to him so that the BC is aware of the area of operation and works for financial inclusion. The area of BC should be compact with adjoining gram panchayat should only be given.

Schemes of various Deptts. of GOI under which subsidies/govt. contributions/payments disbursed directly to the beneficiaries/groups

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
Ministry of Rural Development, Department of Rural Development							
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	Livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a year	Any person seeking employment	Daily earning of around Rs.80-90	40000.00		
2	Indira Awaas Yojana (IAY)	To provide houses to the BPL families in the rural areas	SC/ST, non-SC/ST rural BPL minority	Rs. 45,000 in plain areas and Rs. 48,500 in hills to built houses; benefit under DAI	8996.00		Target: 2726702 Houses
3	Swarnjayanti Gram Swarozgar Yojana (SGSY)/ National Rural Livelihood Mission (NRLM)	To bring the assisted poor families (swarozgaris) above poverty line by providing them income generating-assets through a mix of bank credit and subsidy: SGSY is being restructured as NRLM to implement it in a mission mode.	Rural BPL	Back end subsidy General-30% of the project cost – max. Rs.7500/- SC/ST – 50% of the project cost max – Rs.10000/-	2621.00	Banks and FIs	Target: 1981182 beneficiaries
4	Indira Gandhi National Old Age Pension Scheme (IGNOAPS)	Old Age Pension of Rs. 200 pm per persons of 65 years or higher	BPL	Rs.200 pm per beneficiary			Coverage: 17 million
5	Indira Gandhi National Widow Pension Scheme (IGNWPS)	Widow pension to the BPL widows of age group of 40-64 years	BPL	Central assistance of 200/- per month per beneficiary			Coverage: 3.7 million; State contribution as additionality
6	Indira Gandhi National Disability Pension Scheme (IGNDPS)	Pension is provided to the multiple or severely disabled persons of age group of 18-64 years	BPL	Central assistance of 200/- per month per beneficiary			Coverage: 1.5 million; State contribution as additionality
7	National Family Benefit Scheme (NFBS)	grant of 10,000 in case of natural or accidental death of the “primary breadwinner” in the age group of 18-64 years	BPL HH	Rs 10,000/ death			
Ministry of Social Justice and Empowerment							

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
8	Rajiv Gandhi National Fellowship	To increase opportunities to Scheduled Castes for pursuing higher education leading to degrees such as M. Phil. and Ph.D.	SC		123.00	UGC through Bank smart card	
9	Pre-Matric scholarships to the other backward classes for studies in India	To award scholarship to school going children of poorer OBC parents whose annual income is below double the poverty line	OBC		1.00	State Government	
10	Post-Matric Scholarships to the Other Backward Classes for studies in India	To provide financial assistance to the OBCs students studying at post matriculation or post secondary stage to enable them to complete their education	OBC		1.00		
11	Pre-Matric Scholarships to the Children of those Engaged in 'Unclean' Occupations i.e. Scavenging, Tanning and Flaying	To provide financial assistance to children whose parents/guardian belongs to one of the following categories, to pursue Pre-Matric education	Children of persons engaged in 'Unclean' occupations		0.10		
12	Post-Matric Scholarships for SC/STs students	To provide financial assistance to the SC students studying at post matriculation or post-secondary state to enable them to complete their education	SC/ST		1.00		
13	Pre-Matric Scholarship for SC Students	To provide adequate financial support to SC students at Pre-Matric state	SC		196.00		
14	Self Employment Scheme for Rehabilitation of Manual Scavengers	To rehabilitate remaining Manual Scavengers and their dependents in a time-bound money. The identified scavengers will be provided training, loan, and subsidy.	Manual Scavengers		98.00		

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
1	2	3	4	5	6	7	
Department of Financial Services, Ministry of Finance							
15	Swavalamban Scheme	To aim at encouraging the people from unorganized sector to voluntarily save for their retirement by enrolling themselves under the New Pension Scheme (NPS).	Persons from unorganized sectors	Rs.1000 per annum to each subscriber	220.00	Banks	
Ministry of Drinking Water and Sanitation							
16	Total Sanitation Campaign (TSC)	To convert dry latrines to pour flush latrines, eliminate manual scavenging practice and accelerate sanitation coverage in rural areas	All households	Rs 2200/ beneficiary			
Ministry of Housing and Urban Poverty Alleviation							
17	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	To provide gainful employment to the urban unemployed or underemployed through the setting up of self-employment ventures or provision of wage employment.	Any person seeking employment	For individual	250.00		
Ministry of Women and Child Development							
18	Rashtriya Mahila Kosh	To meet the credit needs of poor and assetless women in the informal sector (both urban and rural poor) through intermediary organizations (IMDs) NGOs	Poor and assetless women		90.00	Intermediary Organizations (IMOs) working as grass root level such as NGOs, Women Federations, Co-operatives, voluntary organizations etc.	
19	Conditional Cash transfer scheme for the girl child with insurance cover(Dhanlakshmi)	Scheme is aimed at eliminating discrimination against girl child	Cash transfer will be provided to the family of girl child(preferably the mother)		10.00		
20	Financial assistance and support services to victims of rape	a. Financial assistance to victims of rapen (sub-scheme)	Women/ minor girls who are victims of	financial assistance and restorative support/ services, adding upto a	7.50	(a) District Criminal Injuries Relief and Rehabilitation Board	

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
			rape, ("affected woman")	maximum amount of Rs.2 lakhs		(b) State Criminal Injuries Relief and Rehabilitation Board (c) 'National Board'	
21	Indira Gandhi Matritva Sahyog Yojana (IGMSY) – a Conditional Maternity Benefit (CMB) Scheme	Providing cash directly to P&L 'Women during pregnancy and lactation in response to individual fulfilling specific conditions	Pregnant and Lactating Women	Rs.4000/ in three instalments per P&L women	5.80		
Ministry of Agriculture, Department of Agriculture & Cooperation							
22	Small Farmers' Agriculture-Business Consortium-Agriculture-Business Development	Venture Capital Assistance in the form of equity will be provided by Small Farmers' Agriculture-Business Consortium (SFAC) in the nature of equity to be converted into a term loan till the bank term loan is fully repaid;	<u>Individuals</u> , farmers, producer groups, partnership, propriety firms, Self Help Groups, companies, agripreneurs, units in agriculture export zones and agriculture graduates individually or in groups	Financial assistance upto a ceiling of Rs.5 lakh	27.00	Banks	
23	Gramin Bhandaran Yojana: A Capital Investment Subsidy Scheme for Construction/ Renovation of Rural Godowns	Subsidy @ 25% will be given to all categories of farmers, agriculture graduates, cooperatives & CWC/SWCs, for construction of godown at any place, outside the limits of Municipal Corporation area.	Farmers	Subsidy @ 25% will be given to all categories of farmers, agriculture graduates, cooperatives & CWC/SWCs	13.99		
Ministry of Minority Affairs							
24	Maulana Azad National Fellowship	To provide integrated five year fellowships in the form of	Minority communities	Rs.12,000 p.m. for first two years (JRF) and Rs.14,000	46.98	UGC	

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
	for Minority Students Scheme	financial assistance to students from minority communities, as notified by the Central Government to pursue higher studies such as M. Phil and Ph.D.		p.m. for remaining three years (SRF)			
25	Merit- cum-means scholarship for professional and technical course of graduates and undergraduates level.	To provide scholarship for pursuing professional and technical course at graduates and undergraduates level.	Minority communities students		0.50		
26	Pre-metric scholarship for minorities	To provide scholarship to minority communities' students for studies upto class X.	Minority communities students		2.00		
27	Post-metric scholarship for minorities	To provide scholarship to minority communities students for studies in class XI and XII including technical and vocational courses.	Minority communities students		2.00		
Ministry of Human Resources & development							
28	Mahila samakhya programme	For the education and empowerment of women in rural areas	Women in rural areas particularly those from socially & economically marginalized groups.		50.00	DFID (UK) & GOI 90:10	
29	National means-cum-merit scholarship scheme	The objective of the scheme is to award scholarship to meritorious students of economically weaker sections to arrest their drop-out at class 8th and encourage them to continue in the secondary stage i.e. up to	For economically weaker section students	Rs 6000/- per annum to 1,00,000 students	54.00		

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
		class 12th.					
30	Scholarship-apprenticeship training	The scheme of apprenticeship training provide opportunities for practical training to graduates engineers, diploma holder(technicians) and 10 plus 2 vocational pass-out in industrial establishment/organizations.	Graduates engineers, diploma holder (technicians)		58.42		
Ministry of Textiles							
31	Textiles labour rehabilitation scheme	The scheme provides for interim relief for transitional adjustment to the worker who have lost their jobs as a result of closure of mills to enable them to settle in another development	Workers who have lost their jobs due to closure of mills		15.00		
Ministry of Tribal Affairs							
32	Pre-metric scholarship for ST students	Pre-metric scheme is for providing scholarship to scheduled tribes students for studying in 9th and 10th class.	scheduled tribes(ST) students		1.00		
	Total from Sr. No 1 to 32				52891.29		
Schemes under which subsidy is proposed to be transferred to the target group directly.							
Ministry of Chemical & Fertilizer							
33	Subsidy on decontrolled fertilizer	Provision is for payment to the manufacturer/importer of fertilizer/agencies under the nutrient based subsidy scheme (NBS) scheme of sale of decontrolled	Manufacturer/i mporter of fertilizer/agenc ies under the nutrient based subsidy		29706.87		

S. No.	Name of the Scheme	Objective/s	Target Group	Benefit/subsidy per target individual/family (i.e. Rate)	Outlay/ BE 2011-12 (Rs. crores)	Agency transmitting funds to Beneficiaries	Remarks
	1	2	3	4	5	6	7
		phosphates and potassic fertilizer at concession to the farmer. The concession would lead to balanced use of fertilizer (NPK) nutrients for better soil health and productivity.	scheme(NBS)				
34	Subsidy on indigenous fertilizers	The subsidy scheme is intended to make fertilizer available to the farmer at reasonable price and to give producer of fertilizer a reasonable return on their investment.	Farmers	The quantum of subsidy depends on the concession price, the consumer's price and the level of production.	13308.00		
Ministry of Petroleum & Natural Gas							
35	Subsidy on LPG & Kerosene for PDS	Provision is for payment to oil companies on account of subsidy on domestic LPG and PDS kerosene			3050.00		
	Total from Sr. No 33 to 35				46064.87		