



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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October 15, 2015

The Chief Executive Officers
All Primary (Urban) Co-operative Banks/
State and Central Co-operative Banks

Madam/ Dear Sir,

Financial Inclusion Fund (FIF)- Revised Guidelines.

As you may be aware, the Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) was constituted in the year 2007-08 for a period of five years with a corpus of Rs. 500 crore each to be contributed by Government of India (GOI), RBI and NABARD in the ratio of 40:40:20. The guidelines for these two funds were framed by GOI. In April 2012, RBI decided to fund FIF by transferring the interest differential in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending.

2. Keeping in view the various developments over the years, GOI has merged the FIF and FITF to form a single Financial Inclusion Fund. The Reserve Bank of India has finalised the new scope of activities and guidelines for utilisation of the new FIF in consultation with GOI. The new FIF will be administered by the reconstituted Advisory Board constituted by GOI and will be maintained by NABARD.

3. A copy of the revised guidelines of the new Financial Inclusion Fund is enclosed for your information.

Yours faithfully,

(Suma Varma)
Principal Chief General Manager

Encl: As above

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हिंदी आसान है, इसका प्रयोग बढ़ाइए।

"चेतावनी : रिज़र्व बैंक द्वारा मेल-डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।"

Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

FINANCIAL INCLUSION FUND – GUIDELINES

1. Constitution of the Fund

- 1.1 After the completion of the initial five years, it has now been decided to merge both the Financial Inclusion Fund & Financial Inclusion Technology Fund into a single Fund viz. Financial Inclusion Fund (FIF).
- 1.2 The overall corpus of the new FIF will be Rs. 2000 crore. Contribution to FIF would be from the “interest differential” in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending (as notified by RBI from time to time) kept with NABARD by banks.
- 1.3 All the assets and liabilities of the erstwhile FITF as well as prior commitments from FITF for projects already sanctioned, which falls within the scope of the erstwhile funds, will be transferred to/reimbursed from FIF.
- 1.4 The Fund shall be in operation for another three years or till such period as may be decided by RBI and Government of India in consultation with other stake holders.

2. Objective of FIF

The objectives of the FIF shall be to support “developmental and promotional activities” including creating of FI infrastructure across the country, capacity building of stakeholders, creation of awareness to address demand side issues, enhanced investment in Green Information and Communication Technology (ICT) solution, research and transfer of technology, increased technological absorption capacity of financial service providers/users with a view to securing greater financial inclusion. The fund shall not be utilized for normal business/banking activities.

- 2.1 RBI has always advocated the policy of considering financial inclusion as a business proposition. It has, therefore, encouraged banks to see cost involved in the FI effort as a long term investment which would help banks in broadening its base for future business expansion. At the same time RBI has also realized the need for intervention from the regulatory and government side which would help creating an eco-system that would support banks investment in this area. It is with this objective in mind that the creation and continuation of the Financial Inclusion Fund is justified.
- 2.2 Based on the policy announcements of RBI, banks have in a big way adopted the ICT-BC model as a mode for expanding banking operations in the unbanked areas. While the ICT-BC model is a low cost business model in comparison with the traditional model i.e. the brick & mortar model for providing banking services, there is still a significant investment required to be done for further facilitating investments from banks and other financial institutions.
- 2.3 During the past five years banks have invested heavily in creating an infrastructure, which has resulted in a large number of business correspondents being appointed for expanding banking in the unbanked areas and a large number of basic bank accounts being opened for first time customers of banks. However, these accounts are yet to see any significant transactions happening and banks have also not started making any significant profits from the investments. This has lead to many instances of attritions of BCs citing lack of business opportunities and sufficient income. Some of the issues that are hampering scaling up of the

BC model include infrastructure issues like lack of proper connectivity, lack of training facilities for BCs, evolution of an appropriate business model, etc. The objective of the new FIF should be towards addressing these key concerns which would help scaling of our FI efforts.

2.4 All these have led to the reasons for a fresh thinking on the nature of activities that needs to be funded out of the Financial Inclusion Fund.

3. Eligible Activities/Purposes

3.1 Support for funding the setting up and operational cost for running Financial Inclusion & Literacy Centers. The setting up of such Centers are in sync with the objective of GoI for setting up Financial Literacy Centers upto the block level under the PMJDY. The cost of technical manpower employed by banks for running the Financial Inclusion & Literacy Centres (as banks have manpower shortages) will be funded from the fund. The scope of activities to be carried out by these centers would be as follows:-

- (a) Providing financial literacy training to all individuals/households of the area.
- (b) Providing counseling services for opening of bank accounts and for operating banking and other financial products and services.
- (c) Providing training to BCs about various banking & other financial products and services and also for training them in use of technological devices so as to ensure smooth servicing of customers.
- (d) Redressal of customer grievances by attending to customer complaints, if necessary, by taking up with banks and other institutions.

3.2 Setting up of Standard Interactive Financial Literacy Kiosks in Gram Panchayats and any other financial literacy efforts under taken by banks in excluded areas.

3.3 Support to NABARD & Banks for running of Business & Skill Development Centers including R-SETIs (to the extent not provided by State Governments) which will help in imparting skill sets necessary for undertaking income generating activities and for providing forward linkages for marketing activities. Grant will be in the form of one time capital cost and working capital for undertaking skill development activities for a maximum period of 3 years. NABARD and Banks will have the discretion to enter into partnerships with other entities like Corporates, NGOs, etc. involved in the running of such Centers, however, proposal for seeking funding support from the FIF will be entertained only from Banks or NABARD.

3.4 Support to pilot projects for development of innovative products, processes and prototypes for financial inclusion. Proposals for such products and prototypes will have to be submitted through any of the implementing banks.

3.5 Financial assistance to authorised agencies for conduct of surveys for evaluating the progress under financial inclusion;

3.6 Sharing the cost of Government projects in connection with laying of last mile fibre optic network, funding of other technological or infrastructure related projects involved in improving or creating network connectivity, etc; in excluded areas.

4 Eligible Institutions

4.1 Financial Institutions, viz., Commercial Banks, Regional Rural Banks, Cooperative Banks and NABARD.

4.2 Eligible institutions with whom banks can work for seeking support from the FIF:-

- NGOs
- SHGs
- Farmer's Clubs -
- Functional Cooperatives
- I.T. enabled rural outlets of corporate entities.
- Well-functioning Panchayats
- Rural Multipurpose kiosks / Village Knowledge Centers
- Common Services Centres (CSCs) established by Service Centre Agencies (SCAs) under the National e-Governance Plan (NeGP).
- Primary Agricultural Societies (PACs).

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