

F.No. 21/13/2009-FI

Government of India

Ministry of Finance

Department of Financial Services

Jeevan Deep Building, Sansad Marg,

New Delhi the 25th June, 2012.

To

The Chairmen/Managing Director of All Public Sector Banks

Chairmen of all Regional Rural Banks (through Sponsor Banks)

Subject: (i) Financial Inclusion in hilly, tribal and sparsely populated states

(ii) Provision of Transport facility to officers visiting Ultra Small Branches

Sir(s),

I am directed to refer to this Department's Master Circular No. 21/13/2009-FI (Vol.II-Pt.) dated 4th April, 2012 on Strategy and Guidelines on Financial Inclusion which, inter alia, prescribes in Para 5.2 & 5.3 that considering the population distribution in certain States/UTs, hilly states and states in North Eastern region, all villages of 1000 and above must be provided banking facilities and the Ultra Small Branches be set up in these areas.

2. Your attention is also invited to Para 5.4(ii) which prescribes 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.

3. However, despite the above guidelines which provides special dispensation to hilly, tribal and sparsely populated areas, difficulties have been expressed by certain hilly, tribal and sparsely populated States (including those having large desert areas

such as Rajasthan & Gujarat) in making banking services available to villagers by use of banks branch and BC model as the villages in these areas are scattered due to geographical conditions.

4. In the light of the above, after looking at various aspects, the following procedure may be followed for identifying location of BCAs for setting up Ultra Small Branches in these areas:-

- (i) In hilly, tribal and sparsely populated pockets, a BCA may be provided for a group of villagers which together have a population of more than 1000. To the extent possible, such a facility may be made available at a distance of 2 km and in any case within 5 km of each habitation.
- (ii) The BCA may be provided at a common appropriate location where there is a convergence of village roads on a motorable road which is serviced by public transport or a common market place where people come for their normal shopping etc. An individual owner of Kirana/Medical/Fair Price Shops etc. (as permitted by RBI) may be appointed as BCA at this location.
- (iii) It should be seen that approximately a minimum population of 1000 is serviced by each such BCA.
- (iv) After identifying such point, 2G/3G network by BSNL at such place, if required, may be taken up with BSNL.

5. Attention of the banks is also invited to the instructions on Ultra Small Branches issued by the Department wherein it has been specified that an officer designated by the bank would visit the USB with a laptop on predetermined day and time atleast once in a week to undertake non-cash transactions. It has been reported by banks that an officer can generally cover a villages in about half a day and thus 2 villages can be covered in a day. To facilitate the visit of the officers to the USBs, it is considered imperative to provide them with transport facility. It is therefore advised that banks may consider authorizing their base branches to hire private vehicles/ taxis after following codal formalities for the specific days on which the officer is required to visit the USB.

6. All banks are requested to ensure compliance of the above guidelines.
7. This has the approval of Secretary (FS).

Yours faithfully,

(Jitender Kumar Mehan)

Under Secretary to the Govt. of India

Tel: 011-23748767

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1. Deputy Governor, RBI
2. Chairman, IRDA
3. Chairman, PFRDA
4. Chairman, NABARD
5. Chairman, LIC
6. Chairman & Managing Director, National Insurance Co. Ltd./New Delhi Assurance Co. Ltd. / Oriental Insurance Co. Ltd./United India Insurance Co. Ltd.
7. PS to FM/MOS
8. PPS to S(FS), PS to AS(FS), PS to all JSs in DFS
9. All Government Nominees Directors on the Board of PSBs/Nodal Officers of SLBCs in DFS
10. IBA – for sharing it with all other SCBs.
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