

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

Jeevan Deep Building, Sansad Marg,
3rd Floor, Dated the 28th December, 2011

To

Chairmen/CMDs of All Nationalised/Public Sector Banks
Chairmen of all RRBs

Subject : Strategy and Guidelines on Financial Inclusion – Opening of branches/Ultra small branches in rural areas

Sir,

In continuation of the Circular dated 21st October, 2011 on Financial Inclusion, the issue of cost to banks in opening rural branches has been discussed with experts and the following action plan is suggested :-

(a) At places where opening a brick and mortar branch is considered viable

- (i) While opening a new branch in rural areas, as suggested in the Guidelines in Para 5.3, after selecting the location of the branch, the branch manager must be posted at least six months in advance so that he can do business development in the area.
- (ii) The business plan of the rural branch must envisage the branch to become profitable within a maximum period of two years.
- (iii) Initially, the bank should have minimum staff, say of 2 persons, and additional staff should be provided as the business grows and when the branch becomes profitable and can bear the cost of additional staff.
- (iv) The branch should be on total e- governance platform.

(b) At places where opening a brick and mortar branch is presently not viable

At places where the opening a conventional brick and mortar branch is, presently, not viable, the bank may set up Ultra Small branches, which will have the following characteristics:

- (i) The bank branch will have an area of 100-200 square feet.
- (ii) A BCA should be appointed for the service area to deal with all cash transaction and other routine work. The BCA shall operate from the Ultra Small branch.
- (iii) One of the officers of the bank will visit the branch on a predetermined day, at least once a week, along with a laptop which should have VPN connectivity to the CBS.

He would clear applications for new account opening, loans, recovery follow-up and business development. He can give information to the account holders about the account balance or a print out of the bank statement, etc.

- (iv) The officer would not be dealing with cash transactions, which would be handled by the BCA.
- (iv) The frequency of visit by the bank officer can be progressively enhanced depending upon the business growth in the service area of the bank.
- (v) When the bank reaches the desired level of business, the Ultra Small branch can be upgraded into a regular bank branch.
- (vi) These guidelines are in tune with the Master Circular of the RBI on Branch Authorisation dated 01/7/2011 (para 3 of the same) .
- (vii) The network security guidelines are given at Annexure.

2. The purpose of these guidelines is to minimize the cost of the financial inclusion initiative and to see that the cost has a relationship to the growth in business and, hence, the profitability of the bank.

3. All banks are requested to ensure compliance for the above guidelines. This issues with the approval of Secretary (FS).

Yours sincerely,

(Sandeep Kumar)
Director (FI/RRB)
Tel: 23362422

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. All Government Nominees Directors on the Board of PSBs
- 7. IBA- for sharing it with all other SCBs.
- 8. NIC for uploading on website.