

## Annex I

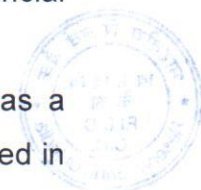
## FINANCIAL INCLUSION FUND – GUIDELINES (revised as on July 12, 2023)

**1. Constitution of the Fund**

- 1.1. Financial Inclusion Fund (FIF) was created in 2015 with an overall corpus of ₹2000 Crore by merging erstwhile Financial Inclusion Fund (FIF) with Financial Inclusion Technology Fund (FITF) into a single Fund. All the assets and liabilities of the erstwhile FITF as well as prior commitments from FITF for projects already sanctioned, which were within the scope of the erstwhile Funds, were transferred to/reimbursed from FIF.
- 1.2. Contribution to FIF is from the "interest differential" in excess of 0.5% on Rural Infrastructure Development Fund (RIDF) and other direct lending funds on account of shortfall in priority sector lending (as notified by Reserve Bank of India (RBI) from time to time) kept with NABARD by banks.
- 1.3. Contribution for Government of India (GoI) schemes/ initiatives, which will be monitored by the Sub-Committee, will be provided by GoI.
- 1.4. The Financial Inclusion Fund, had been in operation for six years (2015-21) and the period of operation for the same has been extended for another period of three years i.e. 2021-24, as decided by GoI, RBI and NABARD.

**2. Objective of FIF**

- 2.1. The objectives of the FIF shall be to support "developmental and promotional activities" including creation of Financial Inclusion infrastructure across the country, capacity building of stakeholders, bringing awareness to address demand side issues, enhanced investment in Information and Communication Technology (ICT) solutions, research and transfer of technology, creation of infrastructure to facilitate the adoption of technology for achieving Financial Inclusion.
- 2.2. 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 Financial Inclusion effort as a long-term investment which would help banks in broadening its base for future business expansion. At the same time, a need is felt for intervention from the regulatory and government side which would help in 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.

2.3. During the past few years, banks have invested heavily in creating infrastructure which has resulted in a large number of business correspondents being appointed for expanding banking in the underbanked and unbanked areas, which has led to opening of a large number of basic bank accounts for first time customers. Further, with the introduction of the concept of 'Banking Outlet', the Business Correspondent (BC) model has received a significant impetus.

Some of the issues that hamper the scaling up of BC model include:

- (a) Infrastructure issues - Lack of proper connectivity, lack of adequate technical support, unavailability and upgradation issues of ICT devices etc. and
- (b) Operational issues - Lack of proper training facilities for BCs, lack of skilled and certified personnel, etc.

The objective of the FIF should be towards addressing these key concerns which would help maintaining and scaling up of Financial Inclusion efforts.

### 3. Institutional Mechanism

3.1. Advisory Board which is constituted by Gol in consultation with RBI shall guide and render policy advice on various aspects relating to FIF. Advisory Board would be the final authority for sanctioning all projects that fall within the scope of FIF guidelines.

3.2. A Sub-Committee of Advisory Board will be set up to review/monitor Govt schemes/ initiatives on FI such as AEPS, BHIM UPI, BHIM QR Code, Rupay Card, etc. and submit its recommendations to Advisory Board for appropriate decision. Sub-Committee will deliberate only on the activities to be funded by Gol. The Sub-Committee shall be formed with representatives from concerned Ministry/





Department, RBI, NABARD and any other subject expert as decided by the Advisory Board/ Sub-Committee.

- 3.3. The fund will be administered by NABARD and shall provide secretarial service to the Advisory Board

#### 4. Eligible Activities/Purposes

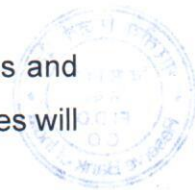
4.1. Support for funding Financial Literacy related activities including a helpdesk for counselling and grievance redressal at different levels

- a) At the district level: Funding Support for Financial Literacy Camps conducted by Financial Literacy Centres (FLCs) and Rural Branches
- b) At the block level: Funding Support for Centre for Financial Literacy (CFL) project
- c) Funding support for handheld projectors to banks to facilitate financial literacy camps.
- d) Other innovative Financial Literacy activities as approved by Advisory Board

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

4.3. Support to NABARD & banks for running of Business & Skill Development Centres 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 credit counselling and 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 running such Centres. However, proposal for seeking Funding support from the FIF will be entertained only from banks or NABARD.

4.4. 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.



- 4.5. Financial assistance to agencies of repute with relevant experience for conduct of surveys, research and studies for evaluating the progress under financial inclusion.
- 4.6. Support to banks for capacity building by training and certification to BCs.
- 4.7. Funding of proposals on Digital Financial Inclusion will be restricted to subsidizing new technologies and broadly in conformity with FIF mandate
- 4.8. Funding of proposals exclusively aimed at women-centric Financial Inclusion
- 4.9. The Fund shall not be utilized for normal business/banking activities.

## 5. Eligible Institutions

- 5.1. Financial Institutions viz., Commercial Banks, Regional Rural Banks, Cooperative Banks and NABARD.
- 5.2. Eligible institutions with whom banks can work for seeking support from the FIF:-
- NGOs
  - SHGs and SHG Federations
  - Farmer's Clubs
  - Functional Cooperatives
  - I.T. enabled rural outlets of corporate entities
  - Well-functioning Panchayats
  - Rural Multipurpose kiosks / Village Knowledge Centres
  - Common Services Centres (CSCs) established by Service Centre Agencies (SCAs) under the National e-Governance Plan (NeGP)
  - Primary Agricultural Societies.
  - State Rural Livelihood Mission (SRLMs)
  - National Centre for Financial Education (NCFE)

## 6. Standard Operating Procedures (SOP) in the event of closure of Financial Inclusion Fund

In the event of closure of FIF, the matter may be taken up in Advisory Board for FIF:

The Advisory Board for FIF may take a decision of closure of fund, as per the following

Standard Operating Procedures (SOP):

- i. Opening Balance of the fund as on 01 April of the year of closure.



- ii. **Add:** Contributions to the fund during the Financial Year including the component of '*Interest Accrued on the fund balance*' in the calculation part of the balance amount (up to the date of closure).
- iii. **Less:** Amount disbursed from the fund during the Financial Year (up to the date of closure).
- iv. **Less:** Commitments in respect of the ongoing scheme including phase-wise sanction from the fund as at the end of the closure date
- v. Amount available as at the end of the closure date. **(i+ii-iii-iv)**
- vi. Transfer of balance amount to any such other fund as may be existing or be constituted by NABARD or any other treatment as deemed fit by the Advisory Board for FIF, while aligning with the objectives of FIF.
- vii. Till such time that a decision is taken on the treatment of balance amount, the same would continue to be managed by NABARD as being done currently.



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