

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 01st August, 2012

To,

CMDs of all Public Sector Banks
Chairman of all RRBs (through Sponsor Bank)

**Subject: Strategy and Guidelines on Financial Inclusion – Ultra Small
Branches in under banked and other districts**

Sir,

I am directed to refer to para 5.3 of the “Strategy and Guidelines on Financial Inclusion” issued by the Department on 21st October, 2011, as per which banks shall within their service area in the underbanked districts, open a regular brick and mortar branch in habitations with population of 5000 and above by September, 2012 and 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.

2. As per “Strategy and Guidelines on Financial Inclusion – Opening of branches/Ultra small branches in rural areas” issued by the Department on 28th December, 2012, banks were inter-alia advised that at places where opening a conventional brick and mortar branch is, presently, not viable, the bank may set up Ultra Small branch (USBs).

These guidelines provide that one of the officers of the bank will visit the USB on a predetermined day, at least once a week, along with a laptop which should have VPN connectivity to the CBS. The frequency of visit by the bank officer can be progressively enhanced depending upon the business growth in the service area of the bank. When the bank reaches the desired level of business, the Ultra Small branch can be upgraded into a regular bank branch.

3. It was further clarified vide Department's letter dated 20th March, 2012 that in underbanked districts, all villages with population of 5000 or more need to have a bank branch. However, banks can start with an Ultra Small Branch (USB) in these villages and then convert it into a full-fledged branch. Banks may keep higher frequency of visit of staff in these USBs.

4. On review of the matter of visit of bank officer to a USB, it is noted that the weekly visit of the designated officer to a USB established in villages having population of 5000 or more in underbanked districts and 10,000 or more in other districts is insufficient and cannot provide required services to the customers. In order to provide services to all the customers of Ultra Small Branches established in villages with population of 5000 or more in underbanked districts and 10,000 or more in other districts, it is advised that :

- (i) The USB shall be managed full time by at least one bank officer with laptop having VPN connectivity supported by BCA.
- (ii) Manpower may increase with the increase in business volume.
- (iii) The branch shall have normal business hours as the base branch.
- (iv) The 'maker' and 'checker' system shall be followed at these branches. The designated officer at USB shall act as 'maker' and other officer at base branch will act as 'checker'.
- (v) BCA shall be present on all working days and shall deal with all cash transaction and other services assigned to BCA.
- (vi) Such Ultra Small Branches should have a pass book printer and a safe for cash retention.

Other instructions contained in RBI Master Circular on branch authorisation dated 02.07.2012 shall apply.

5. However, the visit of designated officer to USBs established in villages with population less than 5000 and 10,000 respectively , will continue to be governed by the existing guidelines on establishment of USBs issued vide Department's letter dated 28.12.2012 and 09.02.2012.
6. All banks are requested to ensure compliance of the above guidelines.

This issues with the approval of Secretary (FS).

Yours faithfully,

(Sandeep Kumar)
Director (FI)

Copy to:

1. Deputy Governor, RBI
2. Chairman, NABARD
3. SLBC Conveners of all States/ UTs
4. PS to FM/MOS
5. All Government Nominees Directors on the Board of PSBs/Nodal Officers of SLBCs in DFS
6. IBA for sharing it with all SCBs.
7. PPS to S(FS), PS to AS(FS), PS to all JSs in DFS
8. NIC -for uploading on website of DFS.