

## **REVISED FINANCIAL INCLUSION PLAN**

(Approved by Board in its meeting held on September 9, 2010)

### **1. Background :**

The Reserve Bank of India has taken a number of initiatives for bringing the financially excluded population within the ambit of the formal financial system. With this avowed objective, RBI had directed lead banks through respective State Level Banker's Committee (SLBCs) to draw a road map by end-March 2010 to provide banking services through a banking outlet, either in the form of a branch or correspondent arrangements, in every village having population of over 2000 by end-March 2012. All the banks were in turn directed to draw up their Financial Inclusion Plan for three years ending FY 2013, to deliver financial services in unbanked villages.

**1.2** As per RBI's guidelines, it is envisaged that banks would need to leverage Information Communication Technology (ICT) & smart card solution through the low cost Business Correspondent (BC) / Business Facilitator (BF) model to deliver banking services in unbanked/under-banked villages.

**1.3** Based on Qualitative Features and Quantitative Indicators as prescribed by RBI, our Board at its meeting held on April 30, 2010, approved Financial Inclusion Plan (FIP). The broad contours of the Board approved Plan submitted to RBI are as under :

- As per RBI guidelines, ICT based solution through Business Correspondents (BCs) would drive IDBI banks financial inclusion initiative.
- The Pilot Plan to be rolled-out in some villages in Maharashtra and 4 villages in West Bengal.

- IDBI to initially appoint Petrol Pump owners, Post Offices, MFIs, SHGs, Section 25 companies and other permitted entities as BCs. Individual BCs will be kept to the minimum in the initial stages of roll out of the Plan.
- Similar facilities to be made available for un-banked people in both rural and urban areas.
- IDBI Bank to initially provide services of deposit acceptance, balance enquiry and remittance services.
- IDBI Bank to also distribute micro-credit, micro-insurance, micro-pension and other micro financial services product as may be permitted under the scheme, in subsequent phases.

**1.4** The Board approved FIP was discussed with RBI on July 16, 2010, whereat RBI suggested that the following aspects ought to be incorporated in the Revised FIP:

- Plan for implementation of ICT & smart card based solution through Business Correspondents (BCs) / Customer Service Points (CSPs) in all the villages allotted to IDBI Bank by end-March 2012.
- Plans for including other villages with population less than 2000.
- Compatibility, connectivity and data integrity of ICT Based solution and plan for seamless integration of ICT based banking with CBS solution.
- Plans for Urban Financial Inclusion.
- Products to be offered under the FIP namely,
  - A pure savings product
  - Overdraft facility
  - A Recurring deposit product
  - A Remittance product
  - Entrepreneurship credit in the form of KCC / GCC.
- Plan on financial literacy and awareness.
- Plans for training and capacity building.
- Performance evaluation of Staff on areas of financial inclusion.

- Plan for linkage with UIDAI for financial inclusion.
- Instituting a monitoring and Grievance Redressal Mechanism.

## 2. Revised Financial Inclusion Plan :

2.1 The Revised FIP has been dovetailed by incorporating plans on various aspects as suggested by RBI. IDBI Bank has been allotted 118 villages with more than 2000 population, in different states as under:

Sr.Nos.	State	No. of Villages
1	Maharashtra	82
2	West Bengal	4
3	Chattisgarh	25
4	Madhya Pradesh	6
46	Dadra & Nagar Haveli	1
	<b>Total</b>	<b>118</b>

*Some more villages may be allotted to our Bank from some SLBCs.*

2.2 Financial projections for the first three years (ending FY 2013) of Revised FIP are at **Annexure I**.

2.3 Considering the banking infrastructure currently available and the branch expansion plan already drawn up, following broad parameters have been proposed as actionables by IDBI Bank for the Revised Financial Inclusion Plan:

- Non-individual /individual entities who are expected to hold cash normally, viz. Post Offices, Petrol Pump Owners, Post Office Agents, Kirana Stores, PCO operator as also Section 25 companies are being tapped to act as BCs.
- The Pilot Projects in various locations envisage technology solution provider to roll-out the Plan through BCs/Customer Service Points (CSPs). They would also facilitate/provide identification of BCs/CSPs and ensure their efficacy. ICT solution would be the enabler for taking the BC model forward. IDBI Bank would enlist Sec.25 companies as also individuals as BCs in 75:25 ratio. The individual BCs would be directly managed by the Bank.
- The number of villages (including villages with population less than 2000) to be provided with banking services would be 275, 758 and 4167 during FY'11, FY'12 and FY'13, respectively. By end-March 2013, 5200 unbanked / under-banked villages would be covered under financial inclusion.

- As per the Revised FIP, number of small format branches to be opened under the liberalized branch authorization policy (without licensing requirement) would be 7, 15 and 30 during FY'11, FY'12 and FY'13, respectively.
- It is projected that the number of rural branches and semi-urban branches would touch 210 and 594, respectively by end-March 2013 vis-à-vis 103 and 243 projected by end-March 2011.
- In all, the Plan envisages to cover 14 lakh households with no-frills account (incl. 1 lakh urban households) by end March 2013. 1400 BCs/CSPs would cater to these households.
- The bank will explore and expand to the newer areas to take up the assignment of making payment of social benefits on behalf of various State Governments.
- The Revised FIP envisages products to be offered to customers. These are :
  1. No-frill zero balance savings account;
  2. Recurring deposits,
  3. Overdraft facility;
  4. Remittance facility;
  5. Entrepreneurship credit in the form of Kisan Credit Card (KCC) / General purpose Credit Card (GCC);
  6. Advances towards SHG linkage.

2.4 It is envisaged that Financial Literacy /Awareness programme would precede the enrollment process. The actionables proposed under the FIP / initiated are as under:

- With a view to creating awareness, a dedicated portal on Financial Inclusion has been linked with our Bank's website.
- Theme based collaterals for Financial Inclusion Programme titled "*Kholo Vikas Ka khata*" have been designed.
- Marketing collaterals viz., Posters/banners in Marathi/English/Hindi /Bengali have been prepared.
- Prior to launch of FIP in villages, visits to those villages are organised. The visit includes among others, meeting with 'Block level' officials, Gram Panchayat officials, prominent villagers and youth, and making them aware of

the Financial Inclusion initiatives of the Bank. Demonstration of hand held device is also made to the villagers.

- With a view to associating our Bank in financial literacy for financial inclusion, IDBI Bank has initiated steps for setting up R-SETI in Satara with active co-operation from the State Government as per the guidelines of MoRD.
- Financial literacy-cum-training campaigns have been organized using street play as a technique for imparting knowledge on banking services for rural population. It is proposed to extend the same in other locations.
- IDBI Bank in consultation with the convenor-bank of respective State Level Bankers' Committee will associate in financial literacy-cum-counselling centre in any district. The centre is expected to provide free financial education to people in rural and urban areas on the various financial products and services.
- Efforts would be made towards educating our customers through various means – print, electronic etc., - the role of the BC and their obligation towards the customers, in the vernacular language.

## **2.5. Training and Capacity Building :**

Training /capacity building programme on Financial Inclusion has been drawn up. This include among others, developing training modules/user manual, sponsoring BCs/BFs for IBA designed Certificate Course, Financial Inclusion module at JN IDBI Staff College and Regional Training Centers and training of nodal officers stationed at District Level Consultative Committee (DLCC) & SLBC centers.

## **2.6 Monitoring Mechanism / Inspection :**

- The implementation of FIP would be monitored on the parameters set out in the FIP, viz., number of villages / urban centres covered (incl. incremental growth), number of households, number of Business Correspondents (BCs)/Customer Service Points (CSPs), number of accounts opened, transactions including deposits and advances, etc.
- Monitoring would be undertaken by a three-tier structure involving the BCs and base branches, FIP Group at Head Office and the Bank's Board of Directors.

- MIS on the basis of stated parameters would be submitted on a weekly basis by the Branch Head (BH) of the base branch to the respective Cluster Head/Regional Head.
- The Weekly MIS on implementation of FIP along with the observations/actionables would be forwarded by Regional Heads to FIP Group in Head Office.
- A consolidated monthly statement on implementation of FIP along with the observations/actionables of the FIP Group will be submitted to the Bank's Executive Director in charge of this activity, on a monthly basis.
- The information /observations would also form part of the monthly Performance Review of the Branches.
- A consolidated quarterly statement on implementation of FIP along with the observations/actionables will be submitted to the Board of Directors.
- The progress in implementation of FIP would also be monitored by periodic visits/inspection at the villages allotted to IDBI Bank.

### **2.7 UIDAI based Micro ATM :**

The Unique Identity Authority of India is developing a Micro ATM based channel, where the interface would be the UID number and the authentication would be biometric based from the UIDAI database. The UID number would also help us to complete customer's KYC formalities. The entire technology operations including back-end / servers will be managed by NPCI. The micro ATMs would enable interoperability making inter-bank transactions possible. NPCI is finalizing the technical aspects and implementation of the micro ATM including the common server. IBA has constituted a Technical Working Group comprising officials of UIDAI and select banks as members, to finalise standards for micro ATMs. Individual banks will have an option to be members of the envisaged micro ATM network once the standards are finalised.

### **2.8 Compatibility /Connectivity :**

This is discussed in **Annexure II**.

### **2.9 Data Integrity:**

A large number of Service and Technology providers are approaching us for providing Financial Inclusion Solutions. However, given the lack of proven models and precedents in this area, these models would develop / evolve as per RBI / IBA /

NPCI guidelines. The Chief General Manager, overseeing Financial Inclusion would be the Delegated Authority for selection of pilots and assigning the same to such Technology Service Providers. The modalities on data storage & its integrity, day end and day begin and talking of solution provider's system to our CBS either live or periodical hitting of data, inter phase, middleware if any, encryption, Key Management System, MIS requirement, periodicity and customization and follow-up to streamline the data would also be finalized before assigning the task to any technology solution provider.

#### **2.9 Performance Evaluation of field staff :**

It is proposed that officers of the Bank at all levels will be sensitized and their contribution in implementation of Financial Inclusion will be evaluated in a suitable manner in consultation with HRD.

#### **2.10 Grievance Redressal Mechanism :**

An appropriate Grievance Redressal Mechanism would be constituted and the same widely publicized and also placed in public domain. The details of the Grievance Redressal Officer would be displayed at the premises of the BC as also at the base branch and made available by the bank/BC at the request of the customer. The Grievance Redressal Officer would take up such grievances with the concerned operating group at the respective centres for expeditious resolution.

Annexure - I

<b>Financial Inclusion Plan for 3 Years</b>						
<b>Name of Bank - IDBI Bank Ltd.</b>						
<b>Sr. Nos.</b>	<b>Contents</b>	<b>Position as on March 2010</b>	<b>Plan Projections for the year</b>			<b>Cumulative Position as on March 2013</b>
			<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	
1	Total no. of branches to be opened	708	291	523	530	<b>2052</b>
2	No. of branches to be opened in <b>Rural</b>	73	37*	69*	83*	<b>262</b>
3	No. of branches to be opened in <b>Semi-Urban</b>	144	99	177	174	<b>594</b>
4	No. of branches to be opened in <b>Urban</b>	281	104	186	183	<b>754</b>
5	No. of branches to be opened in <b>Metro</b>	210	51	91	90	<b>442</b>
6	No. of Business Correspondents (BCs)/Customer Service Points (CSPs) to be appointed	-	90	239	1071	<b>1400</b>
7	No. of villages to be provided with banking services.	73	275	758	4085	<b>5191</b>
8	No. of villages to be provided with banking services through <b>Branches</b>	73	37*	69*	83*	<b>262</b>
9	No. of villages to be provided with banking services through <b>(BCs) / CSPs</b>	-	238	689	4002	<b>4929</b>
10	No. of villages to be covered with population <b>&gt;2000</b>	73	55	63	-	<b>191</b>
11	No. of villages to be covered with population <b>&lt;2000</b>	-	220	695	4085	<b>5000</b>
12	No. of households to be covered					
	Rural Households (in lakh)	1.73	0.803	1.983	10.214	<b>14.73</b>
	Urban Households (in lakh)		0.100	0.400	0.500	<b>1.000</b>
	<b>Total No. of households to be covered (in lakh)</b>	1.73	0.903	2.383	10.714	<b>15.73</b>
13	No. of no frill accounts to be opened (in lakh)	0.93 ^	0.903	2.383	10.714	<b>14.93</b>
14	No. of accounts in which Over Drafts (ODs) to be issued (in lakh)	-	0.4515	1.1915	5.357	<b>7.000</b>
15	<b>No. of Kisan Credit Cards (KCCs) to be issued (in lakh)</b>	0.10192 ^	0.04015	0.15487	0.97498	<b>1.27192</b>

16	No. of General Purpose Credit Cards <b>(GCCs)</b> to be issued (in lakh)	-	0.0953	0.5869	3.6178	<b>4.300</b>
17	No. of other products to be issued (PI specify here) Credit to Women SHGs - <b>No. of Self Help Groups (SHGs)</b>	1127 ^	119	125	137	<b>1508</b>
18	No. of smart cards to be issued (in lakh)	-	0.903	2.383	10.714	<b>14.000</b>
19	Business volume to be generated out of FI (Rs. crore)	478.65 ^	50.6655	300.242	1983.37	<b>2812.928</b>
20	Deposits- (Rs crore)	69.69 ^ \$	1.303	10.572	72.000	<b>153.565</b>
21	Advances (Rs crore)	408.96 ^ @	49.3625	289.67	1911.37	<b>2659.363</b>
22	Cost estimates out of FI- Profit /Loss (-) (in Rs crore)		-0.5119	-1.3732	2.2643	
<b>* This includes 7, 15 and 30 small format branches to be opened under the liberalized branch authorisation policy during FY'11, FY'12 &amp; FY'13, respectively.</b>						
^ Also includes data pertaining to 675 villages falling under the Service Area Approach (SAA) of 73 branches.						
\$ Deposits pertain to No Frills a/cs issued from rural branches as at end - March 2010.						
@ Advances as at end - March 2010 pertain to all rural branches.						

Annexure II

**IDBI Bank Ltd.**

1	Status of CBS implementation with specific reference to rural branches, deadline for its completion	All our branches including rural branches are on CBS platform.
2	Status of CBS implementation in sponsored RRBs, deadline for its completion	IDBI Bank Ltd. have yet to sponsor RRBs.
3	Plan for implementation of ICT Based solution	IDBI Bank Ltd. has adopted biometric smart card based technology, wherein the entire banking operations are outsourced to the Technology Service Provider who along with their business correspondents/CSPs are providing end-to-end solutions which includes:(a) Sourcing of customer, (b) Card Management, (c) Account Management & (d) Transaction Management.
4	Compatibility, connectivity and data integrity of ICT Based solution	The Financial Inclusion Customer data is presently maintained in an outsourced server. As the Financial Inclusion project is expected to attain a sizeable volume, a dedicated server will be considered to be setup at our Data centre at a later stage and the existing data including the master data and the transaction details would be migrated from the outsourced server from day one. Hereafter, daily incremental data would be integrated into our data base. This database would hold all the details for Record purposes and MIS purposes.
5	Plan for seamless integration of ICT based banking with CBS solution	<p>The transactions are carried out by the BCs/CSPs on Point of Transaction (POT) terminals with biometric authentication of the cardholder. The entire data is maintained in outsourced server which is bank specific CBS platform supported by a DR Center. The beneficiaries are given a biometric smart card as per IDBRDT specifications which also works as a storage device holding customer data as well as transaction data for around 10 products. The card will be helpful in transacting and holding both financial and non-financial data of the customer. The data is synchronized with central data base at the end of the day (EOD)/ batch process by connecting the POT via PSTN / GSM /CDMA line.</p> <p>Bank will give the thrust on Financial Inclusion through ICT enabled model that is compatible and interoperable as and when the ecosystem is ready for such a model and the connectivity shall be either on an online platform or an off-line platform with data being synchronized at the end of the day, depending upon the terrain and the infrastructure available in the area of operation.</p>
6	Plan for integration with UID project	<ul style="list-style-type: none"><li>• The Unique Identification Authority of India (UIDAI) is developing a micro ATM based channel, where the</li></ul>

		<p>interface would be the UID number and the authentication would be biometric from the UIDAI database. The UID number would also help us to complete customer's KYC formalities. The entire technology operations including back-end / servers will be managed by NPCI. The micro ATMs would enable inter-operability making inter-bank transactions possible. NPCI is finalizing the technical aspects and implementation of the micro ATM including the common server. IBA has constituted a Technical Working Group comprising officials of UIDAI and select banks as members, to finalise standards for micro ATMs. Individual banks will have an option to be members of the envisaged micro ATM network once the standards are finalised.</p> <ul style="list-style-type: none"> <li>• As part of due diligence with Technology Solution Providers (TSPs), it is ascertained that they are capable of integrating with the UID as per the finalized specifications without any additional costs.</li> </ul>
7	Strategy for appointment of BCs	<ul style="list-style-type: none"> <li>• IDBI Bank Ltd. is planning to appoint BCs at unbanked villages/urban poor inhabiting areas. In this connection Bank is in process of tying up with vendors who have a tie-up with Section 25 companies who have a field presence and are ready to work on the projects of financial inclusion by further appointing CSPs under them.</li> <li>• The Pilot Projects in various locations envisage technology solution provider to roll-out the Plan through BCs/Customer Service Points (CSPs). They would also facilitate/provide identification of BCs/CSPs and ensure their efficacy. ICT solution would be the enabler for taking the BC model forward. IDBI Bank would enlist Sec.25 companies as also individuals as BCs in 75:25 ratio. The individual BCs would be directly managed by the Bank. Management of BCs would be undertaken as under : <ul style="list-style-type: none"> <li>□ Selection criteria incl. due diligence for BCs.</li> <li>□ A proper Agreement in a prescribed form will be drawn covering all risk mitigating aspects indemnifying the acts of commission and omission of BCs/CSPs.</li> <li>□ Bank is also working on FI Specialised Branches for supervising activities/ guiding of vendors/ BCs/Customer Service Points (CSPs) so that best customer service is ensured.</li> <li>□ Monitoring mechanism has been drawn up to monitor the activities of BCs / CSPs regularly.</li> </ul> </li> </ul>
8	Strategy for Urban financial inclusion	<ul style="list-style-type: none"> <li>• For achieving set goals bank will adopt both branch and branchless models. Existing branches in coordination with the Financial Inclusion Group will</li> </ul>

		<p>chalk out Plan for greater Financial Inclusion.</p> <ul style="list-style-type: none"> <li>• Under branchless banking model, Bank will continue to adopt biometric smart card technology and explore possibilities of emerging technologies like Prepaid instruments, Mobile banking etc. for quickening the pace of inclusion.</li> <li>• Diluted KYC guidelines for reaching out the Urban unbanked mass will help the bank to reach the unbanked segment.</li> <li>• The Bank will associate with various national and international Organizations (incl. NGOs/VOs) for evolving models that would facilitate inclusive banking.</li> <li>• Specific products/ schemes for the benefit of the Urban poor / Migrants/ Hawkers such as 'No Frills Savings Bank account', OD facility, GCC, Micro-remittance, Micro-advances would be explored / launched.</li> <li>• The Bank has already initiated steps towards implementation of Urban Financial Inclusion Programme by launching a Pilot Project in unbanked slum location in Ambedkar Nagar, Cuffe Parade, Mumbai on July 17, 2010.</li> <li>• We are launching similar projects in other locations shortly.</li> </ul>
9	Integration of FIP with business plan of the bank	<p>As per guidelines issued by the Reserve Bank of India, IDBI Bank aims to reach 14 Lakh households under Financial Inclusion by end-March 2012-13.</p> <ul style="list-style-type: none"> <li>- The bank will cover 5191 unbanked villages including 118 villages having population more than 2000 allotted to the bank by SLBC's.</li> <li>- The Bank will use the liberalized branch authorization policy for opening of new branches on locations having population less than 50000. These branches will be opened as part of bank's branch expansion plan.</li> <li>- The bank will explore and expand in new areas to take up the assignment of making payment of social benefits on behalf of various State Governments.</li> <li>- Extension of banking services to the farthest of villages under service area of branches to ensure that more and more villages are covered.</li> <li>- The bank will offer door-step banking facilities to all low ticket-high volume customers to encourage them to come to the financial mainstream.</li> <li>- With a view to achieving financial viability, various products/facilities would be offered in unbanked areas viz., savings product, recurring deposits, overdraft facility, KCCs, GCCs, small value remittances, etc.</li> </ul>
10	Monitoring mechanism to evaluate the progress in implementation of plan	<p>The implementation of FIP would be monitored on the parameters set out in the FIP, viz., number of villages / urban centres covered (incl. incremental growth), number of households, number of Business Correspondents</p>

		<p>(BCs)/Customer Service Points (CSPs), number of accounts opened, transactions including deposits and advances, etc.</p> <ul style="list-style-type: none"> <li>a) Monitoring would be undertaken by a three-tier structure involving the BCs and base branches, FIP Group at Head Office and the Bank's Board of Directors.</li> <li>b) The emphasis would be on a regular monitoring of the performance of BCs/CSPs on the stated parameters by the respective base branch viz., number of accounts opened, number of transactions during the period incl. quantum of cash involved, uploading of transactions &amp; reconciliation thereof, sourcing of leads for advances, customer satisfaction, etc.. The base branch would be in regular touch with BCs/CSPs through visits/discussions and account reconciliation.</li> <li>c) MIS on the basis of stated parameters would be submitted on a weekly basis by the Branch Head (BH) of the base branch to the respective Cluster Head/Regional Head.</li> <li>d) The Weekly MIS on implementation of FIP along with the observations/actionables would be forwarded by Regional Heads to FIP Group in Head Office.</li> <li>e) A consolidated monthly statement on implementation of FIP along with the observations/actionables of the FIP Group will be submitted to the Bank's Executive Director in charge of this activity, on a monthly basis.</li> <li>f) The information /observations would also form part of the monthly Performance Review of the Branches.</li> </ul> <p>A consolidated quarterly statement on implementation of FIP along with the observations/actionables will be submitted to the Board of Directors.</p> <p><b>II. Inspection:</b></p> <ul style="list-style-type: none"> <li>1. The progress in implementation of FIP would also be monitored by periodic visits/inspection at the villages allotted to IDBI Bank by the respective SLBCs as well as villages /urban centers being taken up separately by IDBI Bank for implementation of FIP. The inspection/visit would be carried out as per the schedule given below: <ul style="list-style-type: none"> <li>a. Monthly visit/inspection by the CHs/RHs along with a local team of two officers to the villages under their jurisdiction. The visit will be carried out to monitor the implementation of the FIP on the stated parameters.</li> <li>b. Quarterly visit/inspection by the FIP Group at</li> </ul> </li> </ul>
--	--	--

		<p>Head Office to the villages on rotational basis.</p> <p><b><u>Grievance Redressal Mechanism:</u></b></p> <p>An appropriate Grievance Redressal Mechanism would be constituted and the same widely publicized and also placed in public domain. The details of the Grievance Redressal Officer would be displayed at the premises of the BC as also at the base branch and made available by the bank/BC at the request of the customer. The Grievance Redressal Officer would take up such grievances with the concerned operating group at the respective centres for expeditious resolution.</p>
11	Names of villages covered by Branches/BCs to be published on bank website	A dedicated portal on Financial Inclusion has already been linked with our Bank's website. IDBI BANK LTD. are in process of selection of CSPs/BCs. After finalisation of the same, all the details of the CSPs/BCs including their name, address and contact number as also villages allotted to them will be added on our bank's websites
12	FIP progress as parameter for evaluating performance of field staff	In view of the importance attached to the Financial Inclusion Programme, it is proposed that officers of the Bank at all levels be sensitized and their contribution in implementation of Financial Inclusion be evaluated in a suitable manner in consultation with HRD. The performance of the field functionaries would also be evaluated on various Financial Inclusion criteria laid down.

