

Annex 2

Illustration: ABC Bank opens branches in various centres during the financial year. Eligibility for branches in various Tiers is illustrated under some indicative scenarios.

Computation for Eligibility of branches including incentive in Tier 1 centres

| Sr. No. | Particulars | No. of branches | Remarks |
|---------|--|--|---|
| (i) (a) | Number of branches proposed to be opened in Tier 1 to Tier 6 centres (excluding branches given as incentive) | 200 | |
| (b) | Minimum number of branches that must be opened in unbanked rural centres | 50 | At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive at (iii) below] i.e. 25% of 200 = 50 must be opened in unbanked rural centres. |
| (c) | Out of 200 branches, the minimum number of branches that the bank must open in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim | 100 | At least 50 percent of branches opened during the year has to be in Tier 2 to 6 centres and in N.E. States and Sikkim |
| (d) | Out of 200 branches, the maximum number of branches that can be opened in Tier 1 centres (excluding branches given as incentive) | 100 | Branches in Tier 1 centres cannot exceed branches in Tier 2 to Tier 6 centres and all centres in N.E. States and Sikkim. |
| (ii) | Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres. | 10 | Subset of (i) (c). Opening branches in these centres is not mandatory but will entitle the bank to open additional branches in Tier 1 centres by way of incentive. |
| (iii) | Number of branches in Tier 1 centres that can be opened as incentive for opening branches at (ii) above | 10 | Equal to (ii) |
| (iv) | Maximum number of Tier 1 branches that can be opened during the year. | 110 {100 [As at (i)(d) above] + 10 [incentive as at (iii) above]} | The bank has a choice to open all these branches during the year. In case it is unable to open all these Tier 1 branches during the current year, the remaining branches can be opened during the subsequent 2 years. |

Scenario I: ABC Bank opens more branches than the minimum required in Tier 2 to Tier 6 centres

| Sr. No. | Particulars | No. of branches | Remarks |
|----------------|---|------------------------|--|
| (i) (a) | Number of branches opened in Tier 1 to Tier 6 centres | 200 | |
| (b) | Total number of branches opened in unbanked rural centres | 50 | At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive given for branches opened at (ii) below] i.e. 25% of 200 = 50 must be opened in unbanked rural centres. Hence there is no deficit. |
| (c) | Out of 200 branches, the number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim | 120 | |
| (d) | Out of 200 branches, the number of branches opened in Tier 1 centres [(a) – (c)] | 80 | The total number of branches opened in Tier 1 centres during the financial year (excluding entitlement for branches in Tier 1 centres by way of incentive) cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim. |
| (ii) | Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres. | 10 | The bank can open 10 branches in Tier 1 centres as an incentive for opening these branches. |
| (iii) | Total Tier 1 branches that can be opened during the year, including incentive for (ii) above | 90 (80+10) | Of this number, 80 branches have already been opened [item (i) (d)]. The remaining 10 branches can be opened during subsequent two years. |

Scenario II: ABC Bank opens less number of branches in Tier 2 to Tier 6 centres than the minimum required and opens more number of branches in Tier 1 centres than the maximum permitted

| Sr. No. | Particulars | No. of branches | Remarks |
|----------------|--|------------------------|---|
| (i) (a) | Number of branches opened in Tier 1 to Tier 6 centres | 200 | |
| (b) | Total number of branches opened in unbanked rural centres | 50 | At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive given for branches opened at (ii) below] i.e. 25% of 200 = 50 must be opened in unbanked rural centres. Hence there is no deficit. |
| (c) | Out of 200 branches, the number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim | 80 | The bank is required to open at least 50 percent of the branches opened during a financial year in Tier 2 to 6 centres, North Eastern States and Sikkim. Hence there is a shortfall of 20 branches[(50 percent of 200) -80] |
| (d) | Out of 200 branches, the number of branches opened in Tier 1 centres [(a) – (c)] | 120 | As branches opened in Tier 1 centres during the year cannot exceed the number of branches opened in Tier 2 to Tier 6 centres, North Eastern States and Sikkim, the bank could have opened a maximum of 100 branches in Tier 1 centres. In addition, the bank can open an additional 15 branches which are available as incentive and carry over, i.e. [10 branches as incentive (item ii) + 5 branches as carry over (item iii)]. Hence the bank's total entitlement is 115. It has therefore opened 5 branches in excess of eligibility. These 5 branches will be deducted from eligibility for Tier 1 centres during the next financial year. |
| (ii) | Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres | 10 | |
| (iii) | Carryover of entitlement of branches in Tier 1 centres not opened in the previous years | 5 | |
| (iv) | Carry over (deficit) in branches in Tier 2 to Tier 6 centres, as well as in all centres in N.E. States and Sikkim, which must be opened in the next year | 20 | |
| (v) | Excess branches opened in Tier 1 centres which would be deducted from eligibility for Tier 1 centres during the next financial year. | 5 | |

Scenario III: ABC Bank opens more branches in the unbanked rural centres than the minimum required.

| Sr. No. | Particulars | No. of branches | Remarks |
|----------------|---|------------------------|--|
| (i) (a) | Number of branches opened in Tier 1 to Tier 6 centres | 180 | |
| (b) | Total number of branches opened in unbanked rural centres | 50 | At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres given by way of incentive given for branches opened at (ii) below] i.e. 45 (25% of 180) must be opened in unbanked rural centres. The bank has chosen to open more branches in unbanked rural centres. |
| (c) | Number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim | 80 | The bank is required to open at least 50 percent of the branches opened during a financial year in Tier 2 to 6 centres, North Eastern States and Sikkim. Hence there is a shortfall of 10 branches [90 (50 percent of 180) - 80] |
| (d) | Number of branches opened in Tier 1 centres | 100 | As the number of branches opened in Tier 1 centres cannot exceed the number of branches opened in Tier 2 to Tier 6 centres, North Eastern States and Sikkim, the bank cannot open more than 90 branches in Tier 1 centres. The bank has 5 branches carried forward from the previous year by way of incentive [item (iv)] and it has 10 branches by way of incentive [item (iii)]. Thus, the bank's entitlement is 90+5+10=105. Hence, it can carry forward 5 branches out of 10 incentive branches which can be opened in the next 2 years. |
| (ii) | Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres | 10 | |
| (iii) | Number of branches allowed as incentive for opening branches at (ii) above | 10 | |
| (iv) | Number of Tier 1 branches that the bank was entitled to as incentive in the previous year but were not opened, i.e., are carried over | 5 | |
| (v) | Carry over (deficit) in branches in Tier 2 to 6 centres which must be opened in the next year | 10 | |
| (vi) | Carryover of entitlement of branches in Tier 1 centres as incentives which were not opened during the year and can be opened in the subsequent 2 years. | 5 | |

Scenario IV: ABC Bank opens less number of branches in the unbanked rural centres than the minimum required.

| Sr. No. | Particulars | No. of branches | Remarks |
|----------------|---|---|---|
| (i) (a) | Number of branches opened in Tier1 to Tier 6 centres including branches given as incentive and carried forward from last year | 235 [220+10 (branches as incentive) + 5 (branches carried forward)] | |
| (b) | Total number of branches opened in unbanked rural centres | 50 | At least 25 percent of the total number of branches (excluding incentive/carry forward) opened during a financial year i.e. 55 [25% of 220] must be opened in unbanked rural centres. Since the bank has opened only 50 branches in unbanked rural centres, there is a deficit of 5 branches. |
| (c) | Out of 220 branches, the number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim | 110 | |
| (d) | Out of 220 branches, the number of branches opened in Tier 1 centres | 125 (110 branches + 10 incentive branches + 5 branches carry over) | No deficit, no carry forward of branches. |
| (ii) | Carry over (deficit) in branches in unbanked rural centres which must be opened in the next year | 5 | The bank has opened 220 branches, 25 percent of which is 55. Hence there is a deficit of 5 branches in unbanked rural centres |