

December 13, 2005

All State and District Central Co-operative Banks

Dear Sir,

Financial Inclusion

Please refer to Paragraph 96 (copy enclosed) of the Mid-term Review of Annual Policy Statement for the year 2005-06.

2. The Annual Policy Statement of April 2005, while recognising the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, urged banks to review their existing practices to align them with the objective of financial inclusion. In many banks, the requirement of minimum balance and charges levied, although accompanied by a number of free facilities, deter a sizeable section of population from opening / maintaining bank accounts.

3. In this context, with a view to achieving the objective of greater financial inclusion, all banks are advised to make available a **basic banking 'no-frills' account** either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted, but made known to the customer in advance in a transparent manner. **All banks are advised to give wide publicity to the facility of such 'no-frills' account including in the local media indicating the facilities and charges in a transparent manner.**

4. The number of such deposit accounts opened by the bank may be reported to our Regional Office (RPCD) concerned on a quarterly basis.

5. Immediate action may be initiated and compliance reported to our Regional Office (RPCD) concerned within one month.

6. The contents of this circular may be placed before the Board of your bank.

7. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(C.S.Murthy)
Chief General Manager In-Charge

(Enclosure to circular RPCD.RF.BC.54/07.38.01/2005-06 December 13, 2005)

(j) Financial Inclusion

96. The annual policy Statement of April 2005, while recognising the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, urged banks to review their existing practices to align them with the objective of financial inclusion. In many banks, the requirement of minimum balance and charges levied, although accompanied by a number of free facilities, deter a sizeable section of population from opening/maintaining bank accounts. With a view to achieving greater financial inclusion, all banks need to make available a basic banking 'no frills' account either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to vast sections of population. The nature and number of transactions in such accounts could be restricted, but made known to the customer in advance in a transparent manner. All banks are urged to give wide publicity to the facility of such a 'no-frills' account so as to ensure greater financial inclusion.