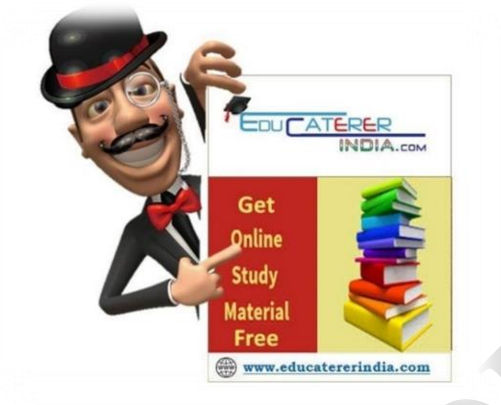
Financial Inclusion Fund (FIF) by RBI- Key Points Explained



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Introduction

Financial Inclusion Fund (FIF) was formed by merging FIF and Financial Inclusion Technology Fund (FITF) and established by RBI

Background

- FIF and FITF were established in the year 2007 – 2008 over a period of five years
- Initial corpus was 500 crore
- Contribution of GOI, RBI and NABARD was in the ration 40:40:20
- RBI framed guidelines for both these funds

- RBI merged both funds into a single entity named FIF and came into effect in 2016

Nodal Agencies

- RBI established FIF with a corpus of 2000 crore
- NABARD maintains the funds of FIF
- GOI administers the FIF

Need for FIF

- To create awareness among people about financial inclusion
- To set up financial literary centres at every block level
- To cater to the services of Jan Dhan Yojana account holders
- To set up standard kiosks to create financial literacy in gram panchayats
- The Kiosks will be highly interactive to educate the masses
- NABARD support to establish skill development centres (SETI)
- SETI aimed at imparting skills necessary for generating income
- To provide linkages in a forward manner and establish marketing activities
- To improve network connectivity by sharing government projects pertaining infrastructure and telecommunication development

Objectives of FIF

- To enhance financial inclusion on a large scale
- To support promotional and development activities
- Increased technological absorption capacity
- To provide ICT solutions
- To increase stakeholder capacity building
- FIF funding is done through ICT – BC model (Information and Communication Technology – Business Correspondent Model)
- To support banks investment in purview of business expansion in future
- To address the various issues pertaining to financial inclusion including training, skill development, creating awareness and lack of infrastructure and ICT etc

Eligible Institutions to get FIF

- Self Help Groups (SHG)
- NGO
- Cooperatives
- Farmer clubs
- Panchayats
- Village knowledge centres
- Agricultural societies
- IT enabled rural entities
- Rural multipurpose Kiosks etc

Other Guidelines

- Contribution to FIF in excess of 0.5 percent from STCRC and RIDF deposits
- NABARD to maintain all the fund sources and FIF
- FITF funds transferred to FIF
- RBI decides operation of FIF for a fixed period of years
- Union government in consultation with other stakeholders decides important amendments on FIF
- FIF will be included as a part of National E-Governance plan

Exceptions

- FIF not to be used for normal banking transactions
- FIF not to be used for normal business transactions

Conclusion

- FIF seems to a positive step forward to enhance financial inclusion
- This is yet another measure of GOI to move towards a digital lifestyle and a cashless economy
- Financial inclusion and its benefits will be known to the common people through training programs conducted through FIF
- This will help majority of the Indians to come into the formal banking sector

- Subsidies will reach the beneficiaries directly in the bank accounts
- FIF is a positive step of RBI, GOI and NABARD to educate the rural masses and bring them under financial inclusion