



Regulating Basic Savings Bank Deposit Accounts

Do we need to care for these marginalized depositors?

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Protecting the deprived – The PMJDY

‘Basic Savings Bank Deposit Account’ was introduced to financially include our marginalized fellow-countrymen. This report highlights RBI’s laxity in ensuring consumer protection to such depositors even after passage of nearly a decade. Do we need to care for these marginalized depositors? Article 51A (Part-IV.A) of the Indian Constitution emphasises that it is our Fundamental Duty to **“Develop scientific temper, humanism and the spirit of inquiry and reform”**.



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Executive Summary

1. Two major milestones under the financial inclusion drive of the country, were the institution of the Basic Savings Bank Deposit Account (BSBDA) by RBI in 2012-13 and introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) by the government in August 2014. The PMJDY facilitated opening of BSBDA's by unbanked households based on the guiding principles of banking the unbanked and securing the unsecured. Today we have over 60 crore BSBDA's, which constitutes 35% of savings bank accounts in India.

2. As originally defined by RBI, a BSBDA is a Full-KYC savings deposit account¹, which will offer the following minimum common facilities:

- The account shall not have the requirement of any minimum balance;
- While there will be no limit on the number of deposits that can be made in a month, account holders will be '*allowed a maximum of four withdrawals*' in a month, including ATM withdrawals; and
- The account shall provide the facility of ATM card or ATM-cum-Debit Card.

These facilities were required to be provided in a BSBDA without any charges. Furthermore, banks would be free to evolve other requirements including pricing structure for additional value-added services beyond the stipulated basic minimum services on reasonable and transparent basis and applied in a non-discriminatory manner.

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The views expressed in the report are those of the author and not necessarily of the institution to which he belongs.

¹ A Full-KYC BSBDA is distinct from a Small Account. 'Small Accounts' were brought in 2010 by the government under the Prevention of Money-Laundering (PML) Act 2002 as a relaxed KYC savings account. An individual desirous to have a bank account can simply walk into any bank branch with only a self-attested photograph and open such a Small Account. Three significant restrictions on Small Accounts include: (i) the aggregate of all credits in a financial year shall not exceed Rs 1,00,000; (ii) the aggregate of all withdrawals and transfers in a month shall not exceed Rs 10,000; and (iii) the balance at any point of time shall not exceed Rs 50,000. However, these restrictions do not apply to a Full-KYC BSBDA.



3. After a year of the introduction of BSBDA, in September 2013, RBI clarified (and to a greater extent redefined) the features of BSBDA. The minimum common facilities in a BSBDA that were to be provided by banks, without the requirement of any minimum balance and charges, was explained by RBI through a list of FAQs on the subject. A salient refinement in the definition of BSBDA '*allowed more than four withdrawals*' in a month, at the bank's discretion, provided the bank does not charge for the same.

4. While defining the features of a BSBDA, the regulatory requirements made it amply clear that in addition to mandatory free banking services (that included four withdrawals per month), as long as the savings deposit account is a BSBDA, banks cannot impose any charge even for value-added banking services that a bank may like to offer at their discretion; and RBI considers a withdrawal, beyond four a month, a value-added service.

5. There had been systematic breach in the RBI regulations on BSBDA by few banks, most notably by State Bank of India (SBI) that hosts the maximum number of BSBDA, when it charged @ Rs 17.70 for every debit transaction (even via digital means) beyond four a month.

6. This imposition of service charges resulted in undue collections to the tune of over Rs 300 crore from among nearly 12 crore BSBDA holders of SBI during the period 2015-20, of which the period 2018-19 alone saw collection of Rs 72 crore and the period 2019-20, Rs 158 crore.

7. We assess the dereliction in SBI's duty towards the PMJDY when the BSBDA users were unduly (and against the extant regulations) forced to part with such high charges for their day-to-day (non-cash) digital debit transactions that the bank allowed in a BSBDA.

The contentions

8. SBI, in breach of RBI regulations set forth as early as 2013, had been charging the BSBDA holders for every debit transaction beyond four a month. The charges were as high as Rs 17.70 even for digital transactions done using NEFT, IMPS, UPI, BHIM-UPI and the debit card for merchant payments.

9. Subsequently, effective July 1, 2019, when RBI allowed the banks to charge a BSBDA for debit transactions beyond four a month, the charges were required to be reasonable. Such reasonableness of charges was to be ensured by the banks' boards based on the regulatory principles laid down by RBI. It is perfectly in order to charge, and even discourage excessive cash withdrawals. SBI's well appreciated Business Correspondent (BC) based assisted-transactions continue to be reasonably and differently charged, as judiciously envisaged under the BC model. However, SBI charged @ Rs 17.70 and considered it reasonable to charge at this exorbitant rate even for every unassisted non-cash (digital) debit transactions



using asset-lite means like NEFT, IMPS, UPI, BHIM-UPI and debit cards (merchant payments). It is not clear as to how the reasonableness in fixing such charges (@ Rs 17.70) got ensured by the Board of Directors of SBI?

10. On the one hand the country strongly promoted digital means of payments, while on the other hand SBI discouraged these very people, to transact digitally for their day-to-day expenditures, by charging an exploitative Rs 17.70 per digital transaction. This dwarfed the spirit of financial inclusion.

11. SBI adopted a step motherly biased treatment towards the Prime Minister's financial inclusion initiatives when it came to BSBDA's vis-à-vis a normal savings bank account. SBI continued to find it appropriate to charge Rs 17.70 for the non-cash digital transactions in a BSBDA despite the fact that even for the normal savings bank accounts the minimum balance requirement had been zero since March 11, 2020. In fact, even prior to March 11, 2020, SBI had fixed a charge of Rs 10 only (for Rural since April 1, 2018), if a normal savings bank account maintained less than Rs 250 as the average monthly balance. Such accounts enjoyed free facilities that included 10 to 12 ATM cash withdrawals and almost all digital transactions. Thus, on the one hand the bank found it reasonable to provide several free services to a normal savings bank account by just charging Rs 10 (one time a month) for maintaining even zero balance, while on the other hand the bank adopted a discriminatory approach for BSBDA's by charging an exorbitant Rs 17.70 as 'FI Service Charge' for every debit transaction beyond four a month.

12. RBI's action (rather inaction) to supervise its own regulations has adversely impacted over 12 crore of SBI's BSBDA customers in the country who, on the call of the government and RBI, embraced digital means of financial transactions. RBI's nonchalant attitude encouraged other banks to become unreasonable towards charges beyond four debits a month. For example, effective January 1, 2021 IDBI Bank's Board of Directors considered it reasonable to impose a service charge of Rs 20 for every non-cash digital debit transaction (that includes UPI/BHIM-UPI/IMPS/NEFT and debit card use for merchant payments). Even ATM cash withdrawal come at an exorbitant fee of Rs 40. Needless to mention that the bank also imposes a debit freeze beyond 10 debits a month.

13. Although not by intent, but in practice RBI has allowed victimisation of these BSBDA customers despite being duty-bound to protect them. Two of its specialised departments – the 'Consumer Education and Protection Department' and the 'Financial Inclusion and Development Department' – allowed this to continue over years despite RBI regulations for "ensuring reasonableness of service charges" being already in place. Of the 12 crore BSBDA's of SBI, many account holders must have been dissuaded to effectively use the account (even digitally) due to this intimidating and exorbitant charge of Rs 17.70 for a digital transaction, dwarfing government's financial inclusion initiative and promotion of digital payments.



The way forward

14. To sum up, this report highlights that the BSBDA holders had been exploited and suppressed for more reasons than one.

- First, BSBDA customers were marginalized – the government and SBI on the one hand enticed the poor to open BSBDA under the PMJDY for their well-being, while on the other hand the very same BSBDA holders were charged high service fees even for digital transactions.
- Second, until July 1, 2019, imposition of service charges was in breach of RBI regulations, which prohibited such charges to be imposed on running BSBDA. Despite this they were charged.
- Third, even when imposition of charges was allowed in a BSBDA (effective July 1, 2019), reasonableness was not ensured – e.g., charges @ Rs 17.70 for every asset-lite digital debit transaction could not have been considered reasonable by the Board of Directors of SBI.
- Fourth, even post June 2019, some banks froze BSBDA after 4 or 10 debits in a month – this vitiates the core objective of financial inclusion as the depositor is unable to use his own money for day-to-day expenditures (that too digitally).
- Fifth, Full-KYC BSBDA are discriminated for the number of withdrawals permitted during any specified period – despite banks given the freedom to reasonably charge in both a normal savings bank account and a BSBDA (effective July 2019).
- Sixth, BSBDA customers are being unreasonably charged as high as Rs 25 plus GST for failed transactions due to insufficient funds in the account. There is no rationale for such exorbitant charges for a failed merchant payment at POS and cash withdrawals at ATM. Such fees are recipe for financial exclusion and must be discouraged.
- Seventh, limiting free digital payments is against the country’s digital payment mission – if (the entry level) normal savings bank accounts get to transact digitally at no cost to them, the BSBDA should also be allowed digital payment transactions at no cost to the depositors. This would encourage the BSBDA customers to maintain balances in the account.

The grievance that remains

15. The issue of excessive charges for BSBDA was brought to the notice of RBI in April 2020. However, RBI is not prompt enough to protect these vulnerable and marginalized depositors. It made no efforts to ensure that the undue money taken since 2017 from our gullible depositors is returned by SBI. It may be mentioned that Shri S. S. Mundra, the then Deputy Governor of RBI, in 2017 said² – “*While banks have been **granted autonomy** in*

² Keynote address “*Customer Service in Banks: Time to Raise the Bar!*” delivered by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India at the Annual Conference of Principal Code Compliance Officers organized by the Banking Codes and Standards Board of India in Mumbai on May 30, 2017.
https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1040



fixing minimum average balance or for charging for premium services, it should not be used as an excuse to deny service or to drive away common man.” He further added that “... **RBI would be extensively focused on ..., imposition of usurious service charges during the current year’s supervisory cycle**” and that “... **RBI has specifically established a department for examining the instances of regulatory violations with a view to taking enforcement actions on the errant banks**³.” Although reputational risk is at play, but what good is a reputation, which hinges on hollow assurances.

16. When SBI charged for every UPI/BHIM-UPI and RuPay digital payments @ Rs 17.70 per transaction, though RBI was approached first to address the same under extant laws (for which RBI itself is the administrator), RBI remained silent. It was the government, which when subsequently approached, that came forward to instruct the banks (on August 30, 2020), to retrospectively (since January 1, 2020) return the money to the depositors or face penal consequences. Despite this respite, RBI still needs to ensure compliance of its own regulations when SBI still considers itself compliant while charging as high as Rs 17.70 for every digital debit transaction, through means other than UPI/BHIM-UPI and RuPay-digital, carried out since January 2020.

17. Though RBI was apprised of the grievance, the Consumer Education and Protection Department of RBI did not feel duty-bound to boldly come forward for protecting those whom they are required to protect. The department could not provide a convincing response as to why SBI should not return the exorbitant and undue charges (@ Rs 17.70 per digital debit transaction) imposed prior to January 2020. Citizens look up to RBI to be more proactive, than what Consumer Education and Protection Department of RBI has shaped up as, and is routinely delivering.

18. Finally, we focus at the persistent design flaws in RBI’s BSBDA, which is ultimately inhibiting its promotion by banks and usage by customers. Towards a solution, it is paramount that RBI puts in place appropriate regulations that include:

- digital transaction facilities under a BSBDA should be made at par with the entry level normal savings bank account;
- excessive cash transactions (withdrawals as well as deposits) should be discouraged through appropriate service charges, making it at par (or at par plus) with the entry level normal savings bank account;
- RBI’s mandate of *unlimited* cash deposits, free of charge, should be done away with;
- all value-added services, offered at bank’s discretion, should follow RBI’s principle of reasonableness in fixing the service charges.

³ RBI formalized a framework for taking enforcement action against banks for non-compliance with guidelines and instructions issued by it. Accordingly, a separate Enforcement Department has been created within the RBI in April 2017. RBI states that “The core function of the Department is to undertake enforcement action against the entities regulated by RBI on the basis of supervisory reports and regulatory references in an objective and consistent manner, **to ensure compliance with regulations within the overarching principle of financial system stability, greater public interest and consumer protection.**”



Acknowledgements

The author is thankful to few banks, RBI and the finance ministry for some very interesting and informative interaction. The contribution of the BSBDA holders, with whom we had the privilege to interact, is duly acknowledged. They taught us the practical side of BSBDA. Among many such depositors, we thank Sh. Thakur Shivashankar Singh, Sh. Sumit Gangaram Kamble and Sh. Mariba Gunaji Parkhe, in particular. In the report all-possible care has been taken to project the correct picture using the data gathered. Deviations, if any, are inadvertent.

A draft version of the report was shared with RBI on April 5, 2021 for possible comments/dissent. Till the time of release of the report, no comments were received.



I. Introduction

1. The Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced by the government in August 2014. It thrived to provide universal access to banking facilities with at least one basic banking account for every household. The PMJDY hinged upon the Basic Savings Bank Deposit Account (BSBDA) introduced by RBI in August 2012. Though accounts opened under the PMJDY are meant primarily for financial inclusion (with a greater view to check the menace of banking untouchability), BSBDA has a much broader perspective and can be opened by anyone – not only by certain types of individuals like poor and weaker sections of the population but also other sections of the population without any restrictions imposed on income. BSBDA does not require maintenance of any minimum balance and is a Full-KYC basic banking account available to all.⁴

2. Upon introduction of the PMJDY, there had been a significant growth of BSBDA in the country. As on date, over 60 crore BSBDA have been opened through branch and Business Correspondent (BC) points, of which, nearly two-thirds have been opened under the PMJDY. It is seen that since the inception of the PMJDY, the thrust has been to open only BSBDA under the *yojana*. Table 1 provides the annual data on BSBDA. Also, see Chart 1 for a graphical representation of the same.

Table 1: Annual addition of BSBDA

(No. of Accounts in crore)

Period	Number of PMJDY BSBDA	Number of non-PMJDY BSBDA	Total BSBDA	Cumulative Sum of Total BSBDA
2005-10	0.00	7.35	7.35	7.35
2010-11	0.00	3.13	3.13	10.48
2011-12	0.00	3.37	3.37	13.85
2012-13	0.00	4.36	4.36	18.21
2013-14	0.00	6.09	6.09	24.30
2014-15	14.72	0.79	15.51	39.81
2015-16	6.71	0.38	7.09	46.90
2016-17	6.74	-0.34	6.40	53.30
2017-18	3.25	-2.95	0.30	53.60
2018-19	3.97	-0.15	3.82	57.42
2019-20	2.68	-0.06	2.62	60.04
Total	38.07	21.97	60.04	

Source: RBI's Annual Reports and DFS's weekly PMJDY data

⁴ One should not confuse a BSBDA with a Small Account. A Full-KYC BSBDA is distinct from a Small Account. 'Small Accounts' were brought in 2010 by the government under the Prevention of Money-Laundering (PML) Act 2002 as a relaxed KYC savings account. An individual desirous to have a bank account can simply walk into any bank branch with only a self-attested photograph and open such a Small Account. Three significant restrictions on Small Accounts include: (i) the aggregate of all credits in a financial year shall not exceed Rs 1,00,000; (ii) the aggregate of all withdrawals and transfers in a month shall not exceed Rs 10,000; and (iii) the balance at any point of time shall not exceed Rs 50,000. However, these restrictions do not apply to a Full-KYC BSBDA.

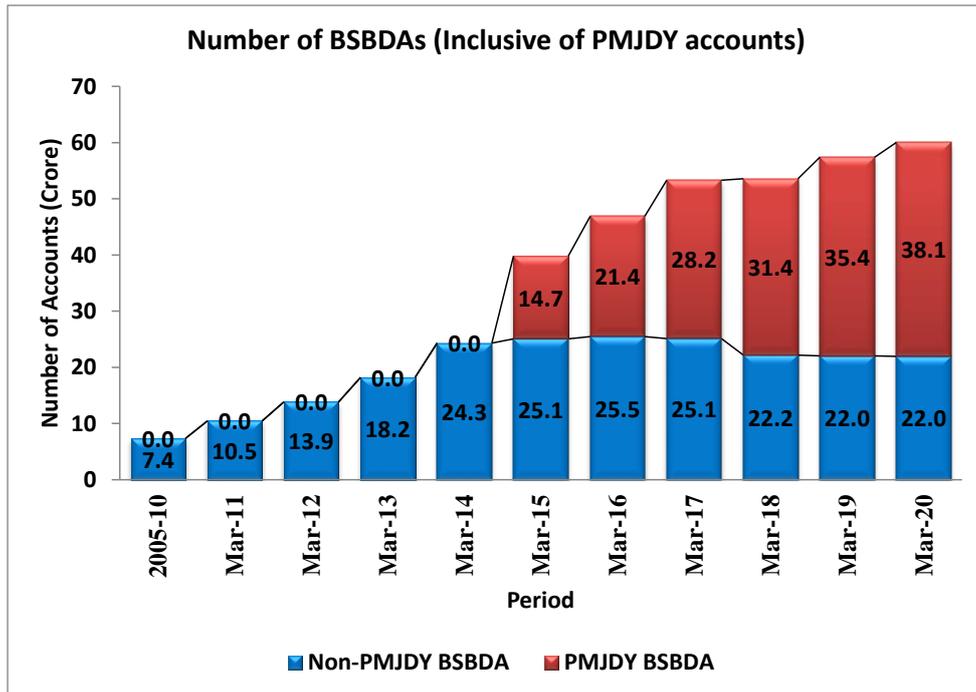


Chart 1: BSBDA's over the period 2005-2020

3. Table 1 (and Chart 1) demonstrates beyond doubt that, but for the PMJDY we would not have seen the BSBDA volumes that exists today. During the period 2019-20, the number of PMJDY accounts added was 2.68 crore, taking the total PMJDY accounts to 38.07 crore.

4. Though general public may be less familiar with the nomenclature of BSBDA's, as of March 2020, of the 173 crore savings bank accounts opened, 60 crore were BSBDA's. Thus, more than a third of the savings bank accounts are BSBDA's. Table 2 provides the time series data.

Table 2: BSBDA's and Savings Bank Accounts (SBAs)

Year	No. of Accounts in Crore			Percentage	
	BSBDA's	SB Accounts	non-BSBDA SBAs	BSBDA's	non-BSBDA SBAs
Mar-10	7.3	56.0	48.6	13.1	86.9
Mar-11	10.5	62.4	51.9	16.8	83.2
Mar-12	13.9	70.3	56.4	19.7	80.3
Mar-13	18.2	82.3	64.1	22.1	77.9
Mar-14	24.3	97.8	73.5	24.9	75.1
Mar-15	39.8	117.0	77.2	34.0	66.0
Mar-16	46.9	135.1	88.2	34.7	65.3
Mar-17	53.3	150.2	96.9	35.5	64.5
Mar-18	53.6	159.6	106.0	33.6	66.4
Mar-19	57.4	164.3	106.9	34.9	65.1
Mar-20	60.0	173.0	112.9	34.7	65.3

Source: RBI's Annual Reports and Basic Statistical Returns data



The theme of the report

5. While defining the features of a BSBDA, the regulatory requirements made it amply clear that in addition to mandatory free banking services (that included four withdrawals per month), as long as the savings bank account is a BSBDA (rather than a non-BSBDA savings bank account), the banks cannot impose any charge even for value-added banking services that a bank may like to offer at their discretion; and RBI considers a withdrawal, beyond four a month, a value-added service.
6. There had been systematic breach in the RBI regulations on BSBDA by few banks, most notably by State Bank of India (SBI) that hosts the maximum number of BSBDA, when it charged @ Rs 17.70 for every debit transaction beyond four a month. Such transactions comprised even the non-cash digital transactions done using NEFT, IMPS, UPI, BHIM-UPI and the debit card for merchant payments.
7. This imposition of service charges resulted in undue collections to the tune of over Rs 300 crore from among nearly 12 crore BSBDA holders of SBI during the period 2015-20, of which the period 2018-19 alone saw collection of Rs 72 crore and the period 2019-20, Rs 158 crore.
8. We assess the dereliction in SBI's duty towards the PMJDY when the BSBDA users were unduly (and against the extant regulations) forced to part with such high charges for their day-to-day (non-cash) digital debit transactions that the bank allowed in a BSBDA.
9. The core contention that is highlighted here has no intention of disrupting or creating any hindrance towards the stability of SBI but rather to support those affected due to non-adherence of a technicality by SBI. This involves over 12 crore savings account holders of SBI who under the PMJDY were brought into the reach of financial inclusion. These relatively vulnerable, gullible and marginalized fellow-countrymen being thrust with charges @ Rs 17.70, every time they transacted digitally (unassisted non-cash means), is shown to be grossly unreasonable, exploitative and unjust.



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II. RBI's making of Basic Savings Bank Deposit Account

10. RBI introduced the BSBDA in August 2012.⁵ Banks were advised to offer a 'Basic Savings Bank Deposit Account', which will offer the following minimum common facilities:

- The account shall not have the requirement of any minimum balance;
- While there will be no limit on the number of deposits that can be made in a month, **account holders will be 'allowed a maximum of four withdrawals' in a month**, including ATM withdrawals; and
- The account shall provide the facility of ATM card or ATM-cum-Debit Card.

These facilities were required to be provided in a BSBDA without any charges.

11. Furthermore, RBI in their 2012 definition of BSBDA indicated that banks would be free to evolve other requirements including pricing structure for additional value-added services beyond the stipulated basic minimum services on reasonable and transparent basis and applied in a non-discriminatory manner.

RBI's refinement of BSBDA after one year

12. After a year of the introduction of BSBDA, in view of several queries received from banks and public, in September 2013, RBI clarified (and to a greater extent redefined) the features of BSBDA.⁶ The minimum common facilities in a BSBDA that were to be provided by banks, without the requirement of any minimum balance and charges, was explained by RBI through a list of FAQs on the subject. A salient refinement in the definition of BSBDA 'allowed more than four withdrawals' in a month, at the bank's discretion, provided the bank does not charge for the same.

Select FAQs – Highlighting features of a BSBDA and Why Banks cannot charge in a BSBDA as long as the account is a BSBDA

Query-11: What kinds of services are available free in the 'Basic Savings Bank Deposit Account'?

Response: The services available free in the 'Basic Savings Bank Deposit Account' will include deposit and withdrawal of cash; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.

⁵ Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account RBI/2012-13/164 DBOD.No. Leg. BC.35/09.07.005/2012-13 dated August 10, 2012.

⁶ Circular DBOD.No.Leg.BC.52 /09.07.005/2013-14 dated September 11, 2013 on 'Financial Inclusion-Access to Banking Services- Basic Savings Bank Deposit Account' (BSBDA)-FAQs. These FAQs are now available in Annex VII of the Master Circular on Customer Service in Banks. RBI/2015-16/59 DBR No. Leg. BC. 21/09.07.006/2015-16 dated July 1, 2015. https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9862



Query-13: Whether banks are free to offer more facilities than those prescribed for ‘Basic Savings Bank Deposit Account’?

Response: Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis to be applied in a non-discriminatory manner with prior intimation to the customers. Banks are required to put in place a reasonable pricing structure for value added services or prescribe minimum balance requirements which should be displayed prominently and also informed to the customers at the time of account opening. Offering such additional facilities should be non - discretionary, non-discriminatory and transparent to all ‘Basic Savings Bank Deposit Account’ customers. **However such accounts enjoying additional facilities will not be treated as BSBDA.**

Query-14: If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, will it cease to be a BSBDA?

Response: Yes. Please refer to response to the above query (Query No.13). **However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BSBDA a/cs without minimum balance then such a/cs can be classified as BSBDA.**

Query-15: Whether the existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?

Response: No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc. It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.

Query-24: In terms of RBI circular DPSS. CO.CHD. No. 274/03.01.02/2012-13 dated August 10, 2012, if “payable at par” / “multi-city” cheques are issued to BSBDA customers based on their request, can banks prescribe minimum balance requirements?

Response: BSBDA does not envisage cheque book facility in the minimum facilities that it should provide to BSBDA customers. **They are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA) or charge for the additional facilities (in which case the account is not BSBDA).**

Query-25: What is the definition of “Basic Savings Bank Deposit Account” (BSBDA)?

Response: All the existing ‘No-frills’ accounts opened pursuant to guidelines issued vide circular DBOD. No. Leg. BC. 44/09.07.005/2005-06 dated November 11, 2005 and converted into BSBDA in compliance with the guidelines issued in circular DBOD.No.Leg.BC.35/09.07.005/20012-13 dated August 10, 2012 as well as fresh accounts opened under the said circular should be treated as BSBDA. **Accounts enjoying additional facilities under the reasonable pricing structure for value added services, exclusively for BSBDA customers should not be treated as BSBDA.**



Clarification from RBI on service charges in a BSBDA

13. Towards a clarification on charges, for debit transactions beyond four a month, explicit written questions were put forth to RBI in mid-December 2015 (see reference [6]). These questions were:

a.) *With reference to the circulars/FAQs on BSBDA, is it not that if a bank charges a fee beyond four debits, the account is no longer a BSBDA?*

b.) *Thus, so long as the account is a BSBDA, is it not that the bank cannot charge a fee for whatever additional facilities it may desire to provide?*

c.) *In short, for a BSBDA holder, the regulation is clear that the bank cannot charge in case the bank unilaterally provides additional facilities beyond the mandated four free debits.*

14. RBI, provided their explicit written response in end-March 2017 (see reference [6]). The response, confirmed the answers to the above questions in the affirmative. RBI wrote:

“Please refer to your email dated December 17, 2015. In this connection, it may be mentioned that we have issued Circular DBOD.No.Leg.BC.52 /09.07.005/2013-14 dated September 11, 2013 on ‘Financial Inclusion-Access to Banking Services- Basic Savings Bank Deposit Account’ (BSBDA)-FAQs. (Referring to Query Nos. 13, 14 & 15 of the Circular...)

In view of our above instructions our reply to your questions is “Yes”. However, the discretion to charge for the same lies with the bank and in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks. However, such accounts on which charges are levied for additional facilities will not be treated as BSBDA.”

To be compliant, ICICI Bank corrects itself on service charge in BSBDA

15. Even ICICI Bank had sought written clarification from RBI regarding imposition of charges on BSBDA. ICICI Bank had been initially charging on ATM cash withdrawals beyond four a month, but later corrected their stance basis the RBI’s response. They even refunded the charges that they had inadvertently imposed on ATM cash withdrawals. Below, we quote ICICI Bank’s written response (February 1, 2021) to a BSBDA customer, when the customer sought an explanation from the bank as to why ATM cash withdrawal charges imposed (beyond four a month), got reversed suddenly, on a later date.

“We would like to inform that the basic services in BSBDA accounts are offered free to the customer as stipulated by RBI. With regard to charges for various services offered in BSBDA, Bank had made several representations to RBI and based on the final response received from RBI, bank has put a policy in place with effect from July 01, 2016 where no service charges are levied in BSBDA. Any charges levied are been reversed after the said period.



Accordingly, the charges levied in September 2016 were reversed. Incrementally such charges are not levied except for penal charges.”

(Refer to Supplementary Material C)

Six years down the line – RBI undertakes further refinement of BSBDA

16. It took RBI nearly six years to understand the serious defects in BSBDA. Subsequent to highlighting lacuna in the regulation on BSBDA, effective July 1, 2019, RBI further refined the definition of BSBDA.⁷ This time, for a BSBDA, RBI allowed banks to impose service charges (if they so desire) on debit transactions (beyond four a month) subject to extant laws and reasonableness of the charges. For insights into the genesis of this change in definition of BSBDA, see references [4] and [6].

17. Such a refinement in the definition of BSBDA made much sense. Banks were earlier prohibited to provide value-added services for a fee (including debit transactions beyond four a month) as long as the account is a BSBDA. Therefore, in order to comply with the regulation then, many banks had resort to either debarring debits beyond four a month in a BSBDA or, continued providing fee debit transactions beyond four a month. For more details, see references [4] and [6].

18. The new BSBDA regulation made it amply clear that there should arise no rationale for banks to anymore debar debit transactions beyond four a month, since banks now had the freedom to charge for debit transactions beyond four a month in a BSBDA (as long as the charges are reasonable). Moreover, RBI also clearly indicated that the BSBDA shall be considered a normal banking service available to all.

⁷ Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA). RBI/2018-19/206 DBR.LEG.BC.No.47/09.07.005/2018-19 dated June 10, 2019.



III. PMJDY depositors – the unprotected pray

The contribution of Public Sector Banks towards PMJDY

19. The public sector banks (PSBs) have significantly contributed towards the Prime Minister’s mission on financial inclusion. The PMJDY mission of the government, in their FAQs on PMJDY explains that PMJDY accounts are BSBDA in nature with additional facility of RuPay Debit card with accident insurance coverage and an overdraft facility. Of the PMJDY accounts opened, 97% is attributed to the 12 PSBs in India. These banks also act as the sponsor banks of the regional rural banks (RRBs). About 18% of the PMJDY accounts have been opened by the RRBs. The contribution from the 21 private sector banks is a bare minimum of 3% of the PMJDY accounts opened. A summary of the status as of end-December 2020 is provided in Table 3.

Table 3: Bank Category-wise Report of PMJDY as on 30/12/2020

Bank Name / Type	Number of Total Beneficiaries (In Crore)	Deposits in Accounts (In Rs Crore)	Number of Rupay Debit Cards issued to beneficiaries (In Crore)
Public Sector Banks	32.9	104920	26.1
Regional Rural Banks	7.4	26009	3.4
Private Sector Banks	1.3	4155	1.2
Grand Total	41.6	135085	30.6

Source: DFS’s weekly PMJDY data

20. For the PSBs, Table 4 provide the distribution of the number of accounts and the deposit amounts. Among the 12 PSBs, SBI has significantly contributed in the financial inclusion drive of the PMJDY. The contribution towards opening of PMJDY accounts by SBI is over one-third of the PMJDY accounts opened by the PSBs. As of end-December 2020, SBI had 12.8 crore PMJDY accounts to their credit (**with average balances of Rs 2700**), which contribute to about 39% accounts among PSBs and 31% among all banks. The four banks, Bank of Baroda, Punjab National Bank, Bank of India and Union Bank of India (henceforth called the *big four*) together have a total of 13.3 crore PMJDY accounts (just a bit more than SBI’s tally of 12.8 crore).

21. RBI publishes the BSBDA data in their annual report, where they categorise such accounts as “through branches” and “through BCs”. We summarise the distribution of the same in Table 5. As per the RBI data, nearly 56% of the BSBDA are categorised under “through BCs”.



Table 4: Public Sector Bank: PMJDY Accounts as on 30/12/2020

Bank Name	No. of Accounts (Crore)	% contribution	Deposits (Rs Crore)	% contribution
State Bank of India	12.8	38.8	34413	32.8
Bank of Baroda	4.8	14.6	16425	15.7
Punjab National Bank	3.9	12.0	15858	15.1
Bank of India	2.5	7.6	8839	8.4
Union Bank of India	2.0	6.2	5837	5.6
Indian Bank	1.8	5.4	6127	5.8
Canara Bank	1.4	4.2	5751	5.5
Central Bank of India	1.4	4.3	3785	3.6
UCO Bank	1.0	2.9	3378	3.2
Bank of Maharashtra	0.7	2.0	2329	2.2
Indian Overseas Bank	0.5	1.6	1623	1.5
Punjab & Sind Bank	0.1	0.4	557	0.5
PSBs Total	32.9	100.0	104920	100.0

Source: DFS's weekly PMJDY data

Table 5: BSBDA through branches and BCs

Number of BSBDA (Crore)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20
Through Branches	12.6	21.0	23.8	25.4	24.7	25.5	26.2
Through BCs	11.7	18.8	23.1	28.0	28.9	32.0	33.9
Total	24.3	39.8	46.9	53.3	53.6	57.4	60.0

Source: RBI's Annual Reports

Overall collections toward service charges from BSBDA depositors by PSBs

22. In order to remain informed on the approach taken by PSBs towards extracting a fee for day-to-day debit transactions in a BSBDA, we collected information from the 12 PSBs. The specific queries related to the amount of service charges collected from BSBDA holders during the period 2014-20. More specifically, the following information was sought from banks:

(Illustration here uses Central Bank of India)

For debit transaction facilities over digital channel, ATM, cheques, etc. and other savings account related services/facilities offered by your bank,

1.) Please provide the total amount of service charges collected under PMJDY accounts during each of the past financial years 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, by Central Bank of India.

2.) Please provide the total amount of service charges collected under BSBDA accounts during each of the past financial years 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20, by Central Bank of India.

3.) Please provide the number of PMJDY accounts that have not been opened under the BSBDA account category.



In response to the specific queries, most of the PSBs responded, which is summarised in Table 6.

23. Among the 12 PSBs, seven major banks like Bank of Baroda, Bank of India, Union Bank of India, Central Bank of India, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank, in compliance of the RBI regulation, *did not* impose any service charges on BSBDA and accordingly their service charge collection had been Nil. However, among the rest, the information prominently highlights that SBI collected over Rs 300 crore (Rs 265 crore) over the past five 2015-20 (three 2017-20) financial years. The four others banks collected bare minimum amounts.

Table 6: Service charges collected by PSBs in BSBDA

Charges collected (Rs Cr)	2014-20	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
SBI	308.32	4.73	12.44	26.31	34.74	72.07	158.03
Bank of Baroda	Nil				Nil		
Punjab National Bank	9.90	0.66	1.40	1.17	1.44	2.18	3.05
Bank of India	Nil				Nil		
Union Bank of India	Nil				Nil		
Indian Bank	?						
Canara Bank	?						
Central Bank of India	Nil				Nil		
UCO Bank*	Nil				Nil		
Bank of Maharashtra	Nil				Nil		
Indian Overseas Bank	?	0	0	0.01	0.42	2.46	?
Punjab & Sind Bank	Nil				Nil		

*There is a certain lack of clarity in UCO Bank's response

? Complete data not available

Source: Written response from banks based on RTI queries. Refer to Supplementary Material A.

Note:

- SBI data pertains to PMJDY accounts. SBI did not provide data on BSBDA - branch channel accounts.
- Punjab National Bank data pertains to BSBDA other than PMJDY accounts. No charges were collected for accounts under PMJDY.
- Indian Bank data in explicit form not available for BSBDA. However, no charges were collected for accounts under PMJDY.
- Canara Bank data in explicit form not available.
- Before merger, Oriental Bank of Commerce had also responded as 'Nil'.
- Before merger, United Bank of India had also responded as 'Nil'.



24. The data from Table 4 and Table 6 shows that while the *big four* together served more PMJDY accounts (13.3 crore) than what SBI did (just about 12.8 crore), in terms of service charge collections, SBI collected over Rs 300 crore against nil collections by the *big four*. In Table 7, the column corresponding to ‘Proportion relative to SBI’, SBI is 100%. For other 11 PSBs, the revenue (in %) is negligible, if not zero, whereas the number of accounts (in %) is significantly large. Therefore, it transpires that there exists a significant bias to the disadvantage of the 11 PSBs (vis-à-vis SBI), just because, unlike SBI, majority of the PSBs had been compliant to the BSBDA regulations.

Table 7: Service charges collected by PSBs in BSBDA relative to SBI

Public Sector Banks	Revenue collected 2014-20 (Rs Cr)	Proportion relative to SBI revenue (%)	No. of Accounts (Cr)	Proportion relative to SBI Accounts (%)
SBI	308.32	-	12.8	-
Bank of Baroda	Nil	0	4.8	37.6
Punjab National Bank	9.90	3.2	3.9	30.9
Bank of India	Nil	0	2.5	19.5
Union Bank of India	Nil	0	2.0	16.0
Indian Bank	?	?	1.8	13.9
Canara Bank	?	?	1.4	10.7
Central Bank of India	Nil	0	1.4	11.0
UCO Bank*	Nil	0	1.0	7.6
Bank of Maharashtra	Nil	0	0.7	5.2
Indian Overseas Bank	?	2	0.5	4.1
Punjab & Sind Bank	Nil	0	0.1	1.0

Source: Tables 4 and 6 and author’s computation

SBI prayed on their gullible customers

25. Among the PSBs, SBI is credited to be the major contributor towards the country’s financial inclusion mission. SBI’s contribution in the country’s drive towards financial inclusion is noteworthy – SBI did a commendable job. Alongside, it is also pertinent to keep track of issues surrounding customer centricity and protection of such a vulnerable group against acts not in line with the letter and spirit behind regulations framed for this very group of bank depositors.

26. As of June 2019, SBI had about 11.2 crore BSBDA under the PMJDY. SBI currently has over 12 crore BSBDA categorized as “through BCs”, which are mostly the PMJDY accounts. Additionally, SBI has nearly two crore BSBDA categorised as “through branches”.

27. Given the size of such BSBDA opened by SBI, our primary focus is on how SBI mishandled such accounts in breach of the fundamentals laid down by RBI to protect people brought under the ambit of the government’s and the Prime Minister’s financial inclusion drive.



28. In breach of RBI’s extant regulations framed under the Banking Regulation Act, 1949, SBI charged the gullible lot – the BSBDA holders. This imposition of service charges resulted in undue collections to the tune of over Rs 300 crore from among nearly 12 crore BSBDA holders of SBI during the period 2015-20, of which the period 2018-19 alone saw collection of Rs 72 crore and the period 2019-20, Rs 158 crore.

29. To begin with, a regulation had clearly been set (August 2012) that a monthly maximum of 4 debit transactions are allowed in a BSBDA, which are to be provided free of any charge. Thereafter, just to accommodate the bank’s desire to offer more than 4 debits in a month, RBI refined the regulation (September 2013) and provided for a minimum of 4 free debits in a month for a BSBDA. This allowed the banks, if they so desired, to allow more than 4 free debits in a month. That become the definition of a BSBDA, which inherently intends to protect such accounts against being charged for debit transactions. It was only from July 2019 that RBI allowed banks to charge a BSBDA beyond four free debits in a month.

30. As a new law, effective January 1, 2020, the Payment and Settlement Systems (PSS) Act, 2007, prohibited SBI to charge on any debit transaction done using UPI (BHIM-UPI) and RuPay debit card (for merchant payments). Moreover, effective January 1, 2020, RBI also made digital based online NEFT transactions free. Therefore, prior to July 2019, and since January 2020, a technical breach, on part of SBI, has resulted in undue charges (@ Rs 17.70 per transaction) being extracted from the gullible BSBD-BC channel account holders. In absence of an exact information, Table 8 provides estimates of the amount collected by SBI, towards UPI transactions, under the assumption that only 2-5% of the UPI debit transactions are from BSBD-BC Channel accounts for which charges were collected. The six months that have been dashed out in the table is the tentative period when SBI did not impose the charges.

Table 8: UPI Remitter Bank - SBI

Month	No. UPI Debit Txn (Crore)	5% of Txn charged @ Rs 17.70 per Txn (Rs Crore)	2% of Txn charged @ Rs 17.70 per Txn (Rs Crore)
Jan-20	34.7	30.8	10.9
Feb-20	35.0	31.0	11.0
Mar-20	33.8	29.9	10.6
Apr-20	29.8	-	-
May-20	36.6	-	-
Jun-20	39.1	-	-
Jul-20	43.9	38.9	13.8
Aug-20	44.7	39.6	14.0
Sep-20	51.0	45.2	16.0
Oct-20	59.9	-	-
Nov-20	60.8	-	-
Dec-20	64.2	-	-
Jan-Dec 2020	533.6	215.2	76.2

Source: NPCI and author’s computation



31. The social media platforms (including YouTube) have ample references of SBI’s unjust charge of Rs 17.70 for every debit transaction beyond four a month. SBI termed these charges as “FI Service Charge”. Chart 2, taken from such a social media platform, depicts such harsh charges.

Date / Remarks	Amount
17-DEC-2017 BY TRANSFER UPI/735121682808/ramniwassinghtomar@okaxis	₹ 151.00 (Cr)
17-DEC-2017 FI SERVICE CHARGE DR 38976288	₹ 17.70 (Dr)
17-DEC-2017 TO TRANSFER UPI/735121990835/8109436906@upi	₹ 151.00 (Dr)
17-DEC-2017 FI SERVICE CHARGE DR 38976288	₹ 17.70 (Dr)
17-DEC-2017 TO TRANSFER UPI/735115031895/paytm.one97@axisbank	₹ 70.00 (Dr)
13-DEC-2017 FI SERVICE CHARGE DR 38976288	₹ 17.70 (Dr)
13-DEC-2017 TO TRANSFER UPI/734719075602/pratapprabal28@okhdfcbank	₹ 151.00 (Dr)
13-DEC-2017 FI SERVICE CHARGE DR 38976288	₹ 17.70 (Dr)
13-DEC-2017 TO TRANSFER UPI/734719180375/paytm@icici	₹ 10.00 (Dr)
11-DEC-2017 FI SERVICE CHARGE DR 38976288	₹ 17.70 (Dr)

Chart 2: Breach of RBI regulations - BSBDA being charged @ Rs 17.70 for every UPI transaction



IV. Charges imposed by SBI are unreasonable in letter and spirit

SBI questioned and the consequences

32. As early as April 3, 2020, SBI was questioned on two aspects.

- i) Despite RBI's new regulation on BSBDA, effective July 2019, why has SBI continued to debar debits beyond four a month for their two crore BSBDA's categorized as "through branches"?
- ii) Why has SBI been charging and continue to do so, while imposing an exorbitant Rs 17.70 fee for every debit transaction beyond four a month for their 12 crore BSBDA-BC channel accounts?

33. The immediate consequence of the above questions led to

- (i) SBI opening up debits beyond four a month for nearly two crore BSBDA's categorised as "through branches".
- (ii) SBI temporarily (till end-June 2020) made all debit transactions free for over 14 crore BSBDA's.

34. However, SBI never acknowledged their short comings of a board-level decision for the debit freeze and the exorbitant charges @ Rs 17.70 (even for digital transactions) in a BSBDA. Instead, SBI attributed their gesture of temporarily providing free debits to Covid-19. Accordingly, post June 2020, SBI again resort to charging the exorbitant Rs 17.70 fee for every debit transaction beyond four a month. It was only after a more focused report⁸ that was brought out in August 2020 that SBI was directed by the government, under the PSS Act, 2007, to not only stop charging but also return all such charges imposed since January 2020 on debit transactions effected using UPI (BHIM-UPI) and RuPay debit card (for merchant payments).

35. Thereafter SBI indicated that since mid-September 2020, all non-cash debit transactions were being provided free. In fact, on September 9, 2020, SBI confirmed that "*...refund of charges will be made since 01.01.2020 to all customers who maintain BSBDA-BC channel account with the Bank and have carried out Digital Debit Transactions. Refund of Charges will be made to eligible customers for the digital debit transactions viz., UPI, BHIM-UPI, Debit Card Powered by RuPay, BHIM-UPI QR Code transactions as per directions of CDBT. Necessary action is being taken through IT Development in this regard.*". However, SBI had been silent on the refund of NEFT charges imposed since January 1, 2020, if any, for the digital based online transactions that RBI has mandated to be free.

36. Subsequently, after passage of five months, early February 2021 SBI was requested to provide the following information towards their BSBDA's:

1. The number of refunds applied by SBI for transactions done via UPI/BHIM-UPI.
2. The number of refunds applied by SBI for RuPay Card merchant payments.

⁸ Das, Ashish (2020). Deviating from the BHIM-UPI Law. IIT Bombay Technical Report. August 24, 2020. <http://dspace.library.iitb.ac.in/jspui/handle/100/25215>



3. The total amount of refunds associated for points 1 and 2, above.
4. The date when the IT developments were completed and the refunds were initiated by SBI.
5. The date when all refunds were completed by SBI.
6. The total amount of money which was due for refund but could not be refunded due to technical reasons.

Although the bank could not yet revert with the information that has been sought, however, based on a recent bank statement of a BSBDA holder, the author could gather that SBI has only recently (late March 2021; i.e., after more than six months of CDBT direction) initiated the actual refunds, as can be seen in Chart 3.

Txn Date	Value Date	Description	Ref No./Cheque No.	Debit	Credit	Balance
3 Mar 2021	3 Mar 2021	DEBIT-CMP MANDATE DEBIT TVS CREDIT SERVICES LTD-		2,698.00		13.00
11 Mar 2021	11 Mar 2021	BULK POSTING-Charges Refunded on Digital txn wef 01 01 2020-			17.70	30.70
23 Mar 2021	23 Mar 2021	BULK POSTING-Charges Refunded on Digital txn wef 01 01 2020-			17.70	48.40
23 Mar 2021	23 Mar 2021	BULK POSTING-Charges Refunded on Digital txn wef 01 01 2020-			17.70	66.10
23 Mar 2021	23 Mar 2021	BULK POSTING-Charges Refunded on Digital txn wef 01 01 2020-			17.70	83.80
25 Mar 2021	25 Mar 2021	CREDIT INTEREST--			2.00	85.80

Please do not share your ATM, Debit/Credit card number, PIN (Personal Identification Number) and OTP (One Time Password) with anyone over mail, SMS, phone call or any other media. Bank never asks for such information.

**This is a computer generated statement and does not require a signature.

Chart 3: SBI’s Bulk Posting of Rs 17.70 towards refunds on digital transactions w.e.f. 01.01.2020

37. Next, when the question arose for the refund of the unreasonable and exorbitant charges imposed (@ Rs 17.70 per debit transaction) prior to January 2020 on debit transactions done over UPI (BHIM-UPI) and RuPay debit card (for merchant payments), SBI arguing otherwise, refused to refund. RBI remained a silent spectator favoring SBI’s stance. Thus, although SBI has done a commendable job while scaling the PMJDY to its present level, there are two core issues that still lingers while BSBDA’s got served to the masses. The issues are (i) “SBI’s BSBDA’s prior to July 1, 2019 – in breach of explicit regulations” and (ii) “SBI’s BSBDA’s since July 1, 2019 – in breach of reasonableness of service charges”. These are taken up, one at a time, in the following two sub-sections.

SBI’s BSBDA’s prior to July 1, 2019 – in breach of explicit regulations

38. Here, we restrict to the aspect that relates to RBI notifications of August 10, 2012 and September 11, 2013, wherein banks were required to provide certain basic facilities (including four debits a month) in a BSBDA free of charge. For additional value-added services, SBI could impose charges as long as the account is no longer a BSBDA. However, RBI allowed banks to provide free of charge additional value-added services (including debits beyond four a month) in a BSBDA. Despite this



technicality, SBI imposed a fee of Rs 17.70, in a BSBDA, for every debit transaction beyond four a month.

39. On the one hand SBI, with effect from June 1, 2017, introduced charges @ Rs 17.70 (inclusive of service tax) per debit transaction beyond four free transactions per month in BSBD – BC Channel accounts, while on the other hand, SBI in their schedule of service charges (BSBDA branch channel) indicates that (effective 01.06.2017) in BSBDA only four withdrawals in a month would be provided free of charges. It goes on to disclose in their schedule of service charges that “Beyond 4 withdrawals: No further withdrawals. BSBD accountholders will be provided services as mandated by the RBI. No further services will be available to BSBD account holders. In case of need, they may get their account converted to Normal Savings Bank account with full services at applicable service charges.”. Tables 9 and 10 provide the respective details.

Table 9: SBI’s charges in a BSBDA BC channel

SBI introduced charges for debit transactions beyond four free transactions in BSBD – BC Channel accounts	
w.e.f 15.06.2016, per transaction	Rs 5 (plus GST)
w.e.f 01.06.2017, per transaction	Rs 15 (plus GST)

Table 10: SBI’s schedule of charges in a BSBDA Branch channel

Description of Service Charge	Charges
Service Charges for exchange of Soiled/Imperfect Notes #	
Upto 20 pieces and value upto ₹5,000/-	Nil
More than 20 pieces and / or value more than ₹5,000/-	
More than 20 pieces	₹2/- per piece on entire tender + GST
Value above ₹5,000/-	₹2/- per piece or ₹5/- per 1000 + GST whichever is higher on entire tender @
@ For example 25 pieces of ₹500/- = value ₹12,500/- are tendered: Charges ₹2/- per piece : ₹50/- + GST, Charges @ ₹5/- per Rs.1000/- : ₹62.50 + GST Amount to be charged will be ₹62.50 + GST	
Service Charges for Basic Savings Bank Deposit (BSBD) accounts #	
Issue of Cheque book	No cheque book will be issued and no charges
Issue of ATM Card	Only RuPay classic card will be issued free of cost
Withdrawals	Four withdrawals in a month including ATM withdrawals free of charges. Beyond 4 withdrawals: No further withdrawals
BSBD accountholders will be provided services as mandated by the RBI. No further services will be available to BSBD account holders. In case of need, they may get their account converted to Normal Savings Bank account with full services at applicable service charges.	

Effective from 01.06.2017

40. SBI failed to address the core issue of why and how it could charge BSBDA holders for debit transactions beyond four a month when prior to July 1, 2019, RBI prohibited the same as long as the account is a BSBDA. SBI has tried to address the situation by stating:



*“RBI prescribes that the Banks may provide additional services, over and above the basic minimum facilities (which includes 4 withdrawals per month), to BSBD customers either free of cost or at a price. However, we also wish to submit that there was no specific mention that such accounts needed conversion into normal SB accounts. Bank permitted 5th withdrawal onwards in BSBD accounts to facilitate the customers who need to conduct more than 4 debit transactions in a month. As and when Bank permitted the 5th withdrawal from a BSBD account, the prescribed service charges were levied. However, levy of the service charges on account of additional facilities provided to a BSBD account did not automatically convert the BSBD account into a normal SB account. **The conversion of the BSBD account into a normal SB account had to be done at the front end at the branch only after receipt of request from the customer as the same otherwise, would have attracted minimum balance charges, causing a very huge burden on such accounts.**”*

41. The argument of ‘charges due to non-maintenance of minimum balance in a normal savings bank account being a huge burden relative to the burden of charges @ Rs 17.70 in a BSBD for every debit transaction beyond four a month’ is completely hollow. In a normal savings bank account, the minimum balance requirement had been zero since March 11, 2020. Moreover, even prior to March 11, 2020, SBI had fixed a one-time charge of Rs 10 only (for Rural), if a normal savings bank account maintained less than Rs 250 as the average monthly balance. Such accounts enjoyed free facilities that included 10 to 12 ATM cash withdrawals and almost all digital transactions.

42. For the BSBDAs, SBI always had the freedom to allow free debits beyond four a month as done by several PSBs in compliance with RBI’s mandate. Even ICICI Bank, on getting a confirmation from RBI, had to make all debit transactions free to comply with the BSBD regulations and had also refunded the money where such charges got imposed. Again, for BSBDAs, SBI also had the freedom to allow a certain number of free debits beyond four a month and thereafter impose a debit freeze if they cannot provide further free debit transactions in the month. In fact, effective June 2017, SBI imposed debit freeze beyond four a month for nearly two crore of their BSBD – branch channel accounts.

SBI’s BSBDAs since July 1, 2019 – in breach of reasonableness of service charges

43. Here, we restrict to the aspect that relates to RBI notification of June 10, 2019 (which supersedes RBI's earlier instructions on BSBD of August 10, 2012 and September 11, 2013), wherein SBI was given a freedom to impose charges in a BSBD for additional value-added services, beyond the minimum free facilities required to be provided in a BSBD.

44. With respect to the reasonableness of service charges, when RBI (effective July 1, 2019) allowed SBI to charge BSBD account holders for debit transactions beyond four a month, SBI considered it reasonable to imposed Rs 17.70 on BSBDAs for every ‘unassisted’ non-cash (digital) debit transactions using means like NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments).



45. The question of charges being or not being reasonable germinates from RBI's requirement to ensure reasonability with respect to service charges imposed by banks. While charging Rs 17.70 for every 'unassisted' non-cash debit transaction, SBI has to establish that such charges are not out of line with the average cost of providing 'these' services. Here, 'these' services are the unassisted digital transactions using NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments). SBI could not establish that they ensured reasonableness in fixing the charges.

46. SBI has violated all the principles of reasonableness in fixing the service charges, as laid down by RBI (see following sub-section), when they charged uniformly Rs 17.70 for every debit transaction beyond four a month. The questions that linger are:

(i) how exactly is a service charge of Rs 17.70 fixed and also considered reasonable for the 'unassisted' non-cash (digital) debit transactions using asset-lite means like NEFT, IMPS, UPI, BHIM-UPI and debit cards (merchant payments), and

(ii) how did the reasonableness of such charges (@ Rs 17.70) get ensured by the Board of Directors of SBI?

The principles laid down by RBI towards banks' ensuring reasonableness in service charges

47. RBI in their extant July 2015 notification on 'Master Circular on Customer Service in Banks' sets mandates onto banks towards ways and means of Fixing Service Charges and Ensuring Reasonableness of Bank Charges (see reference [7]).

48. The action required to be taken by banks is indicated under the column 'action points for banks' in the Annex I to the above-mentioned master circular. The actions include:

A. While **Fixing Service Charges for VARIOUS TYPES of services** like charges for cheque collection, etc., banks should ensure that the **charges are reasonable and are not out of line with the average cost of providing THESE services**. The Bank's Board of Directors has been vested with the responsibility to ensure the reasonableness of such charges.

B. Regarding **Ensuring Reasonableness of Bank Charges**, in order to ensure fair practices in banking services, RBI had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges. Based on the recommendations of the Group, action required to be taken by banks is indicated in the Master Circular. The actions include:

i) Identification of basic banking services, where the prime parameter for identifying the basic banking services relates to deposit accounts and remittance services. Telegraphic Transfer, ECS, NEFT and EFT are among the then identified basic remittance services, and would additionally include services considered appropriate towards basic services for deposit accounts and remittance services. Accordingly, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments), each fall under basic banking services. **When transactions occur in different delivery channels, for the purpose of pricing, they are to be treated on a separate footing.**



ii) Offering basic banking services outside the scope of bundled products. Here, some of the banks do not levy charges on each individual product or service. Products and services are bundled and offered to a customer as a composite offering. The bank recovers the cost of these operations through net interest income. The bank achieves break-even levels through higher average balances in customer accounts which yield healthy interest margins or by imposing charges for keeping inadequate balances.

In so far as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices/charges and towards this, the basic services should be delivered outside the scope of the bundled products.

iii) Principles for ensuring reasonableness in fixing the service charges include

- a. **For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals.**
- b. **For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason.**
- c. **For the basic services to individuals, the banks will levy service charges ad-valorem only to cover any incremental cost and subject to a cap.**

49. RBI has emphasised that these actions are to be adhered to by the banks. Under the above principles mandated by RBI, when SBI imposes a charge of Rs 17.70 for every unassisted online and mobile-based digital transaction, where no cash is involved, the bank has to establish to the more meaningful stakeholders – their customers, that such charges are not out of line with the average cost of providing the unassisted digital services with respect to NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments). More so, since such a regulation 'on reasonableness of service charges' has been arrived at, in the first place, to protect the bank customers.

Responsibility of the bank's board to ensure and fix reasonable service charges

50. SBI's Board of Directors had the responsibility to ensure the reasonableness of such service charges and are liable for the same. The board's dereliction in ensuring reasonableness of charges for debit transactions via digital means like NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments) needs an in-depth understanding.

51. This has adversely impacted over 12 crore individual BSBDA holders in the country who, on the call of the government and RBI, embraced digital means of financial transactions. **It is emphasised here that SBI has already collected over Rs 300 crore in charges from BSBDA holders while imposing a fee of Rs 17.70 for every debit transaction beyond four a month.** These relatively vulnerable, gullible and marginalized fellow-countrymen being thrust with charges @ Rs 17.70, for transacting digitally, is not only unreasonable but unjust too.



52. SBI adopted a step motherly biased treatment towards the Prime Minister's financial inclusion initiatives when it came to BSBDA's vis-à-vis a normal savings bank account. SBI continued to find it appropriate to charge Rs 17.70 for the non-cash digital transactions in a BSBDA despite the fact that even for the normal savings bank accounts the minimum balance requirement had been zero since March 11, 2020 (board approved).

53. Moreover, even prior to March 11, 2020, SBI had fixed a one-time charge of Rs 10 only (for Rural since April 1, 2018), if a normal savings bank account maintained less than Rs 250 as the average monthly balance. Such accounts enjoyed free facilities that included 10 to 12 ATM cash withdrawals and almost all digital transactions. Thus, on the one hand the bank found it reasonable to provide several free services to a normal savings bank account by just charging Rs 10 for maintaining even zero balance, while on the other hand the bank adopted a discriminatory approach for BSBDA's by charging an exorbitant Rs 17.70 as 'FI Service Charge' for every debit transaction beyond four a month. For more on this, refer to Supplementary Material B.



Regulating Basic Savings Bank Deposit Accounts

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V. Discriminating BSBDA's undertaking digital transactions

The liability – RBI's nonchalant response

54. RBI recently (February 2, 2021) responded to justify reasonableness of SBI's charging @ Rs 17.70 on every debit transaction beyond four a month. Here, we restrict only to the aspect that relates to RBI notification of June 10, 2019, wherein banks were given a freedom to impose charges (effective July 1, 2019) in a BSBDA for additional value-added services, beyond the minimum free facilities required to be provided under a BSBDA.

55. Accordingly, RBI's response applies for the period starting July 1, 2019 when banks could impose a charge on a BSBDA beyond four debits a month, as long as the reasonableness of the charges is ensured by the bank's board.

56. The principles of ensuring reasonableness in service charges has already been laid down by RBI, as elucidated earlier. Given that the reasonableness in charges (@ Rs 17.70) is in question only for the 'unassisted' non-cash-based debit transactions, RBI's response, as below, for establishing reasonableness in the charges is quite derelict. The Consumer Education and Protection Department of RBI writes (Refer to Supplementary Material B),

"Please refer to your various e-mails on the captioned subject. In this connection, we advise that the issue was taken up with SBI, who have submitted that the average cost of interchange fee on Aadhar Enabled Payment System (AePS) transactions comes to ₹12.72 per transaction. Further, the bank has stated that interchange fees on AePS transactions is as follows:

Transaction Amount (deposit / Withdrawal/ Fund Transfer)	Interchange fee (excl Taxes)	
	NPCI Circular No. NPCI/2015-16/AEPS/01 dated 22.03.2016	NPCI Circular No. NPCI/2017-18/AEPS/001 dated 03.05.2017
<₹100	1% of txn amount, subject to min 5/- and max, ₹15/- per successful txn	Nil
₹100/- and above		0.5% of txn amount, Maximum ₹15/- per successful txn.

2. With effect from September 7, 1999, Scheduled Commercial Banks have been given freedom to fix service charges. The reasonableness of such charges has to be ensured by the bank's Board. It has to be ensured that charges are not out of line with the average cost of providing these services and customers are made aware of the service charges upfront and any changes in service charges are implemented only with the prior notice to the customers.

The guidelines of August 10, 2012 on BSBDA (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7501&Mode=0>) and FAQs issued on September 17, 2013 (<https://www.rbi.org.in/Scripts/FAQView.aspx?Id=106>), banks were allowed to offer more value-added services either free of charge or at a price.

3. In view of the aforesaid, we treat your issue as dealt with and closed at our end. "



57. Despite knowing that it mattered to over 12 crore account holders of SBI who may have transacted digitally and that these comprised more of the marginalised depositors who have been financially included, RBI remained insensitive and chose to be more concerned to somehow have the ball off its court saying “*we treat your issue as dealt with and closed at our end*”. RBI’s lack of ensuring consumer protection in its true spirit by even conducting a forensic audit reflects absence of ‘scientific temper, humanism and the spirit of inquiry and reform’. Do we need to care for these marginalized depositors? RBI’s analysis (or absence of the same) appears to show that their inference is based on some invisible rationale in contravention to customer centricity, consumer education and consumer protection, prompting them to conclude that even charging Rs 17.70 for every asset-lite digital transaction is perfectly in order and within mandates set by RBI on reasonableness of service charges.

58. Since, the question of reasonableness in the charges (with respect to Rs 17.70) had always been for the ‘unassisted’ non-cash-based debit transactions, RBI response is quite meaningless. **RBI’s response restricts to referring to the reasonableness in charges for AePS based transactions, which are primarily the ‘assisted’ cash withdrawal (debit) transactions at MicroATMs.**

59. Note that AePS (Aadhaar Enabled Payment System) is a bank led model which allows online interoperable financial inclusion transactions at MicroATM through the business correspondent/banking outlet of any bank using the Aadhaar authentication. Being a human-assisted cash withdrawal means, AePS is expected to be more cost-intensive than ATMs. Actually, charging Rs 17.70 only (beyond 4 debits), for cash withdrawal, amounts to possible undercharging. This is so since even RBI considers ATM withdrawals to be a costly affair and accordingly has set a cap of Rs 20 plus GST, for the ATM cash withdrawal charges, beyond the mandated free withdrawals. MicroATM being a human-assisted cash withdrawal means, AePS based cash withdrawals is expected to be more cost-intensive than regular ATMs.

60. The question of unreasonableness in the charges was never raised for cash-based debit transactions and so the core contention remains, i.e.,

“SBI not ensuring reasonableness of charges (when charging @ Rs 17.70 for every unassisted non-cash debit transaction), being out of line with the average cost of providing ‘these’ services. Here, ‘these’ services are the unassisted services with respect to NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments).”

61. SBI appears to have violated all the principles as laid down by RBI, when they charged uniformly Rs 17.70 for every debit transaction beyond four a month. Therefore, questions still remain as to

- (i) how exactly is a service charge of Rs 17.70 fixed and also considered reasonable for the unassisted non-cash (digital) debit transactions using asset-lite means like NEFT, IMPS, UPI, BHIM-UPI and debit cards (merchant payments), and**
- (ii) how did the reasonableness of such charges (@ Rs 17.70) get ensured by the Board of Directors of SBI?**



62. RBI's action (rather inaction) to supervise its own regulations has adversely impacted over 12 crore of SBI's BSBDA customers in the country who, on the call of the government and RBI, embraced digital means of financial transactions. As showcased earlier, **SBI has collected over Rs 300 crore in charges from BSBDA while imposing a fee of Rs 17.70 for every debit transaction beyond four a month.**

63. This matter is significant enough since it involves over 25% of savings account holders of SBI who, with much hope, have been brought into the reach of financial inclusion. These relatively vulnerable, gullible and marginalized fellow-countrymen being thrust with charges @ Rs 17.70, for transacting digitally (unassisted non-cash means), is not only grossly unreasonable and exploitative, but unjust too.

Is it in order to allow a bank to offer a maximum of four withdrawals in a month?

64. After RBI's new regulation on BSBDA took effect from July 1, 2019, a pertinent issue flagged was whether things are in order for RBI to allow a bank to offer a maximum of say, four withdrawals in a month, and that after four withdrawals in the BSBDA, the bank is free to impose a debit freeze for the month.

65. More specifically, RBI was asked a basic question "Effective July 2019, despite banks having the freedom to reasonably charge for debit transactions beyond four a month, would it be in order to see a bank allowing a maximum of four withdrawals per month in a BSBDA?". The question also pertains to discrimination between two Full-KYC savings deposits (in a bank) with respect to a debit freeze beyond a certain number of withdrawals in a month.

66. Although, RBI was apprised of the above question almost a year back, an explicit stance of RBI has not yet been provided though we all understand that any savings bank account is an account to inculcate a habit to save money. But the pertinent question that RBI has not cared to address during the past year is whether such a savings concept should disallow BSBDA holders to use the account for their day-to-day expenditures (that too digitally)?

67. We surely understand the extant definitions⁹ as laid down by RBI, i.e.,

(i) "Current Account" means a form of non-interest bearing demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit.

⁹ Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 (Updated as on February 22, 2019). https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10296



(ii) *"Savings deposit" means a form of interest bearing demand deposit which is a deposit account whether designated as "Savings Account", "Savings Bank Account", "Savings Deposit Account", "Basic Savings Bank Deposit Account (BSBDA)" or other account by whatever name called which is subject to the restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the bank during any specified period.*

68. Though quite dated, nevertheless, as per this definition, banks do have the freedom to restrict the number of withdrawals in a savings deposit. However, the question of discrimination (towards the restriction) between two Full-KYC savings deposits (in a bank) is the basic contention that RBI was requested to address and respond to. The Consumer Education and Protection Department of RBI too could not come back with an educative response during this past one year.

69. In this context, illustrations were also provided of specific scheduled commercial banks, e.g., SBI and IDBI Bank. It was core to understand RBI's stance on the specific issue. What transpired though, is presented in Box 1.

Box 1: The backdrop of things... What transpired with RBI

1. The core issue had always been to understand RBI's stance when SBI interpreted the BSBDA notification of June 10, 2019 in a way to mean that SBI is free not to allow any debits beyond four a month.

In this context, RBI responded saying "... if a bank offers minimum four withdrawals free of charge, it is in order."

Such a response is not the same as, 'if a bank offers a maximum of four withdrawals in a month, it is in order'.

SBI had set a debit freeze beyond four a month for their BSBDA's (through branches).

2. Now, the explicit question had always been whether the RBI's BSBDA notification of June 10, 2019 inherently indicates that "if a bank offers a maximum of four withdrawals in a month, it is in order?"

3. The flow of queries and the responses highlight that the core contention, as above, has not been addressed.

- Original query from Ashish Das to SBI keeping RBI apprised of the same (April 13, 2020)
 - (a) Does SBI find that the RBI notification of June 10, 2019 implies that banks have the freedom of not offering debit facility beyond four times a month?
 - (b) Does SBI's BSBDA product satisfy the RBI's requirement, which states "The BSBDA shall be considered a normal banking service available to all."?
 - (c) Does SBI consider it 'normal' banking service not to allow debits beyond four a month?



- Response of SBI (August 14, 2020)
Yes
- Issue placed before RBI (September 2, 2020)
Does RBI feel it appropriate to have such a savings deposit product, mandated by RBI, where RBI's notification inherently gives leeway to banks not to allow debits beyond four per month?
It appears that SBI's response as 'Yes' should mean that either RBI has not drafted its regulation properly, or RBI consciously does not mind if BSBD holders are deprived by a bank to carry out normal debit transactions beyond four a month.
Since SBI's response is explicit and unequivocal, RBI may like to clarify please, so that the depositors understand RBI's stance.
- RBI's Response (February 1, 2021) – Refer to Supplementary Material B
*Regarding regulatory prescription of minimum four debit transactions in BSBD Account in a month and SBI's policy of not offering debit facility beyond four times a month, it may be mentioned that the BSBD Account was designed as a Savings Bank Account which will offer certain minimum facilities, free of charge, to the holders of such accounts. **The number of minimum withdrawals allowed in the account is four.** Banks can offer more withdrawals per month, with or without charge. So, if a bank offers minimum four withdrawals free of charge, it is in order.*

4. RBI in its June 10, 2019 notification has mandated that
“Banks are now advised to offer the following basic minimum facilities in the BSBD Account, free of charge, without any requirement of minimum balance... (iv) Minimum of four withdrawals in a month, including ATM withdrawals... The BSBD Account shall be considered a normal banking service available to all.”

5. So, of course, if a bank offers a minimum four withdrawal free of charge, it is in order. However, such a conclusion in RBI's February 1, 2021 response does not address the core contention, i.e., ‘if a bank offers a maximum of four withdrawals in a month and thereafter imposes a debit freeze for the month, is it in order?’. Moreover, the core contention has not been addressed by RBI despite RBI explicitly mandating that “The BSBD Account shall be considered a normal banking service available to all.”

Does normal banking service in a savings bank deposit account impose a debit freeze after a certain number of withdrawals in a month?

6. When RBI in their response writes “The number of minimum withdrawals allowed in the account is four.”, it needs to be precise since RBI mandates **“The number of minimum withdrawals allowed in the account, FREE OF CHARGE, is four.”**



Regulating Basic Savings Bank Deposit Accounts

70. RBI's nonchalant attitude has resulted in encouraging other banks to offer a limited number of withdrawals (4 to 10) in a month for a BSBDA and accordingly imposing a debit freeze for the month on exhausting the same. IDBI Bank being a classic example has also set a very peculiar schedule of service charges for BSBDA's (See Table 11).

Table 11: IDBI Bank's schedule of service charges for BSBDA

Basic Savings Account with complete KYC (January 01,2021)		IDBI BANK	
Schedule of Facilities- Charges are Exclusive of GST			
First 4 Customer Induced Debit transactions per month free; thereafter Rs.20 per transaction upto 10th will be charged over & above the respective transaction charges. Maximum 10 Customer induced Debit transactions (viz. ATM, Branch, Inet transactions etc) are allowed in 1 month ; thereafter no further debit transactions will be allowed.			
Scheme Code - RSBA2			
MAB Requirement (Monthly Average Balance)	Zero		
Rupay Classic Debit Card			
Issuance / Annual Fee	Free		
One/additional add-on card per account	Free		
Replacement of Lost/ Stolen card	Free		
Re PIN Generation	Free		
IDBI Bank ATM Non Financial / Financial Transaction	Free		
Other Bank ATM	4 transactions Free per month, thereafter Non Financial - Rs 8 per transaction Financial - Rs 20 per transaction		
International ATM	Non Financial - Rs 30 per transaction Financial- Rs 140 per transaction		
Transactions declined due to insufficient Balance at IDBI Bank ATM / other Bank ATMs / International ATM	Rs. 20 per Instance		
ATM Cash Withdrawal Limit	Rs 10,000/- (Per Day)		
POS Limit (Point of Sale)	Rs 10,000/- (Per Day)		
E-Commerce (online)Transactions	Rs 10,000/- (Per Day) effective 10th Feb 2021		
Contact Less card Transactions limit	Rs 10,000/- (Per Day) effective 10th Feb 2021		
1) Default, Debit Card is enabled for Domestic usage only at ATM & POS as per RBI guidelines. For enabling & managing Domestic E-Commerce / Contactless transaction & International Usage, kindly download and use IDBI Bank Abhay App / Go Mobile+ App or contact Branch / Customer Care for assistance. 2) For all domestic POS transactions, PIN will be prompted to complete the transaction. Contactless Domestic Transaction upto Rs.5,000/- can be done without PIN. 3) Above mentioned ATM, POS, E-Commerce & Contactless Limits are separate for Domestic & International			
Cheque Book			
Personalised Multicity /Local cheque book	Free		
Account statements			
Statement	Daily	Weekly	Quarterly
- Physical from Branch	Rs.100/- per statement		
- By Post/Courier	Rs.100/- per statement plus courier charges		Free
- By e-mail	Rs.5/-	Rs.5/-	Free
Duplicate Statement at the branch	Upto 1 Year - Rs. 100/-; Above 1 Year - Rs. 300/-		
Duplicate Statement through Alternate Channel	Email - Rs. 25/- per Occasion Post/Courier - Upto 1 Yr - Rs. 100/-; Above 1 Yr - Rs.300/-		
Passbook	Free		
Duplicate Passbook	Free		
Miscellaneous			
Interest Certificate	Free		
Balance/Signature or Photo verification certificate/Banker's report	Free		
Foreign inward remittance certificate	As per Trade Finance guidelines		
Standing instructions	Free		
Overseas mailing	Actual Mailing charges		
Old Record (Subject to Availability)	Above 1 yr & less than 2 yr	Rs.150/- per Item	
	2 years and thereafter,	Rs.100/- per add.Yr,subject to Max of Rs. 750/-	
Copy of Original of Cheque/Draft (paid by the Bank)	Rs. 150/- per Instance		
Addition/Deletion of Names in Accounts/Nominations/Change in Operational Instructions	1st occasion (after account opening)		Free
	Beyond 1st occasion, for every Addition/Deletion of Name/change in Nomination/Operational Instructions		Rs. 100/-
Allowing operations through power of Attorney/Mandate	Not Allowed		
Change of Authorised Signatory in Accounts	Rs. 300/- per Instance (Exempted - change due to death of existing signatory)		
Facility of Sweep/Linking of Accounts (Sweep Out Only)	Not Allowed		
Sweep out Trigger facility Charges	NA		
Tax Payment Challan retrieval beyond 2 years for Net Banking Users	Rs.50 /- per request		
Mandate Registration Charge	Free		
Issue of Duplicate Confirmation Of Deposit(COD)	Rs.150 per Instance		
Remittances			
Demand Drafts (Branch/Non Branch Location)/ Payorder*	Free		
Payable at Par utilisation	Free		
Foreign currency demand drafts / international money orders	As per Trade Finance guidelines		
DD/ payorder cancellation (Domestic)	Free		
DD/ payorder cancellation (Foreign Currency)	As per Trade Finance Guidelines		
NEFT (Through Branch /Net Banking /Mobile Channel)*	Free		
RTGS (Through Branch Channel)	Free		
IMPS (Through Net Banking/Mobile Banking/Branch Channel)*	Free		
* Subject to Maximum 4 Free Customer Induced Debit transactions per month; thereafter applicable charges upto 10th transaction . No further debit transaction allowed.			



71. Effective January 1, 2021, IDBI Bank’s BSBDA characterizes “*First 4 Customer Induced Debit transactions per month free; thereafter Rs.20 per transaction upto 10th will be charged over & above the respective transaction charges. Maximum 10 Customer induced Debit transactions (viz. ATM, Branch, Inet transactions etc) are allowed in 1 month; thereafter no further debit transactions will be allowed.*”.

72. Needless to mention that the reasonableness in charges has gone for a toss since the bank’s Board of Directors consider it quite reasonable to impose a service charge of Rs 20 for every non-cash digital debit transaction (that includes UPI/BHIM-UPI/IMPS/NEFT and debit card use for merchant payments), beyond the four free debits in a month (for illustration, see Chart 4). As a result, even ATM cash withdrawal got charged at an exorbitant fee of Rs 20 + Rs 20 = Rs 40.

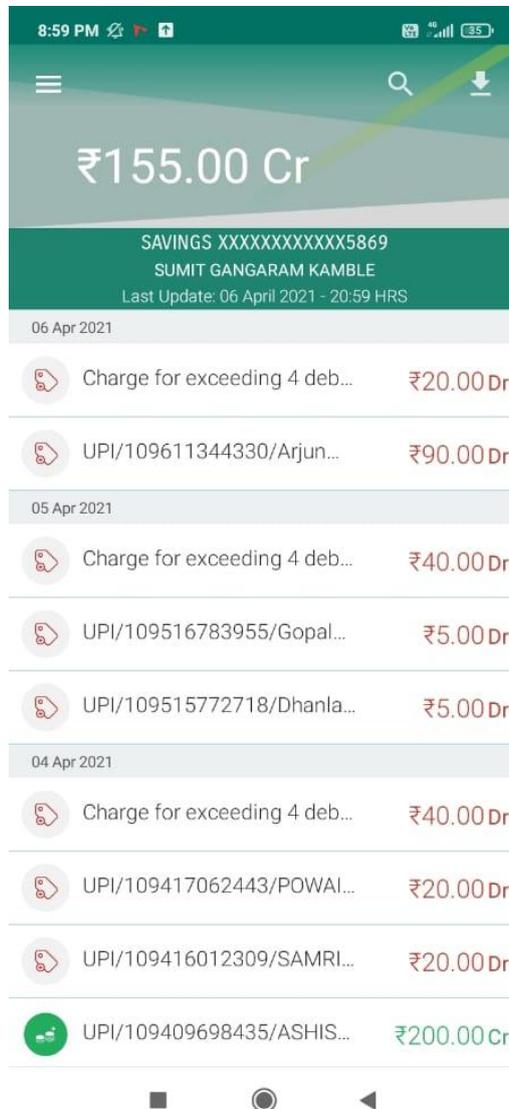


Chart 4: IDBI Bank charging Rs 20 for every debit transaction exceeding 4 debits in a month



73. All this surely dwarfs RBI's and the government's financial inclusion and digital payment initiatives for the marginalised in India. That too despite a related para in Statement on Developmental and Regulatory Policies, issued by the RBI governor as early as October 4, 2017 being in the nature of

“It has been reported that banks are discouraging or turning away senior citizens and differently abled persons from availing banking facilities in branches. Notwithstanding the need to push digital transactions and use of ATMs, it is imperative to be sensitive to the requirements of senior citizens and differently abled persons. It has been decided to instruct banks to put in place explicit mechanisms for meeting the needs of such persons so that they do not feel marginalised.”

RBI evades the core contention against SBI's right to charge a BSBDA prior to July 2019

74. With respect to the period prior to July 2019, SBI had been categorical when they wrote that *“Wherever the BSBD customers does not opt for conversion of BSBD account to normal SB account, the account continued to be categorized as BSBD accounts in the books of the Bank despite the customers availing additional paid services from the Bank. Due to the above, the service charges levied in respect of additional facilities provided to BSBD account holders are appearing in our Bank books against the Head – BSBD Accounts.”*

75. When a customer is not converting or does not want to convert a BSBDA to a normal savings bank account, what gives SBI the right to charge beyond four debit transactions in a BSBDA, when SBI at its own discretion is allowing such debits (value-added service)? In case SBI wanted to provide value-added services in a BSBDA, the RBI did not prohibit the bank as long as the services were provided free of charge. That RBI prohibited any charges imposed in a running BSBDA had been made unequivocally clear by RBI. Furthermore, among banks who contributed significantly in the PMJDY, majority of the banks ensured compliance (other than SBI).

76. Referring to RBI's notification of August 10, 2012 (guideline on BSBDA) and September 11, 2013 (guideline on BSBDA-FAQs), through a recent response, RBI has tried to shield SBI. Rather than working on merit and as per the exact wordings of the regulation, RBI in their February 1, 2021 response tries to portray things imperfectly, that too at the cost of consumer education and protection.

77. Although RBI has already clarified the regulation through multiple responses to queries under the FAQs and through independent clarifications, as discussed earlier in Section II, still RBI at the cost of truth, tangentially positions itself defending SBI. RBI writes:

- i. *“Regarding charges levied by SBI on debit transactions beyond four in a month in BSBD Accounts, it may be mentioned that as per our August 10, 2012 guideline on BSBDA and September 11, 2013 guideline on BSBDA-FAQs, banks were free to decide pricing structure for additional value-added services beyond the stipulated basic minimum services on reasonable and transparent basis and applied in a non-discriminatory manner. SBI has levied*



additional charge on more than four withdrawals as maximum four free withdrawals were permitted. These guidelines have now been superseded by our circular dated June 10, 2019.”

- ii. *“Regarding reversal of charges levied by SBI on BSBDA Accounts for debit transactions beyond four a month, it may be mentioned that as per our earlier guidelines dated August 10, 2012 on BSBDA, maximum four withdrawals were allowed in a month. Banks were allowed to offer more value-added services (like SBI has allowed 5th and more withdrawals) either free of charge or at a price. It may be recalled that w.e.f September 7, 1999, Scheduled Commercial Banks have been given the freedom to fix service charges. The reasonableness of such charges has to be ensured by the bank’s Board. It has to be ensured that charges are not out of line with the average cost of providing these services and customers are made aware of the service charges upfront and any changes in service charges are implemented only with the prior notice to the customers. In this connection, SBI has informed that they introduced charges on BSBDA accounts beyond four withdrawals to recover the average cost of interchange fee on AePS transactions which comes to ₹12.72 per transaction.”*

(Refer to Supplementary Material B)

78. Technically speaking, RBI had been beating around the bush, while providing such a response. RBI is trying to conveniently avoid the core definitions put forth in the September 11, 2013 regulatory guideline on BSBDA-FAQs, which explains and addresses frequently answered questions that arise of the August 10, 2012 guideline on BSBDA. As elucidated earlier in Section II, the September 11, 2013 guideline on BSBDA-FAQs makes it amply clear that for a BSBDA, a bank cannot impose charges on value-added services. Moreover, it is also very clearly specified in the September 11, 2013 guideline on BSBDA-FAQs that the bank can impose a charge **only if** the account is no more a BSBDA.

79. In the present case SBI, due to operational difficulty, could not or did not convert the account into a non-BSBDA before imposing charges for the value-added services. In fact, the very same operational difficulty (which RBI was apprised of as early as 2015; see reference [6]) led many banks to either offer free debit transactions even beyond the mandated four per month or impose a debit freeze beyond four free debit transactions, just to ensure regulatory compliance towards BSBDA. RBI cannot promote SBI’s non-compliance (who collected huge sums from their BSBDA customers) over banks who had been compliant (and thus incurred expenses in providing free debits beyond four a month in a BSBDA).

80. If what RBI is trying to portray is correct, there would have been no need for the July 2019 regulation on BSBDA that superseded earlier instructions of the 2012 and 2013 regulations on BSBDA. However, that is not so since the fundamental change in the June 10, 2019 regulation had been that in a running BSBDA, effective July 2019, a bank could charge beyond four free debits in a month.



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VI. The action points

The contentions

81. SBI, in breach of RBI regulations set forth as early as 2013, had been charging the BSBDA holders for every debit transaction beyond four a month. The charges were as high as Rs 17.70 even for digital transactions done using NEFT, IMPS, UPI, BHIM-UPI and the debit card for merchant payments.

82. Subsequently, effective July 1, 2019, when RBI allowed the banks to charge a BSBDA for debit transactions beyond four a month, the charges were required to be reasonable. Such reasonableness of charges was to be ensured by the banks' boards based on the regulatory principles laid down by RBI. It is perfectly in order to charge, and even discourage excessive cash withdrawals. SBI's well appreciated BC-channel based assisted-transactions continue to be reasonably and differently charged, as judiciously envisaged under the BC model. However, SBI charging @ Rs 17.70, considered it reasonable to charge at this exorbitant rate even for every unassisted non-cash (digital) debit transactions using asset-lite means like NEFT, IMPS, UPI, BHIM-UPI and debit cards (merchant payments). It is not clear as to how the reasonableness in fixing such charges (@ Rs 17.70) got ensured by the Board of Directors of SBI?

83. Though at the behest of RBI and the government, these 12 crore relatively poor people opened the BSBDA to support the government's mission, SBI's action amounted to exploitation. On the one hand the country strongly promoted digital means of payments, while on the other hand SBI discouraged these very people, to transact digitally for their day-to-day expenditures, by charging an exploitative Rs 17.70 per digital transaction. This dwarfed the spirit of financial inclusion, where financial inclusion intends to help cater the needs of the poor people by providing financial services, including payment transactions, at economical prices.

84. RBI's action (rather inaction) to supervise its own regulations has adversely impacted over 12 crore of SBI's BSBDA customers in the country who, on the call of the government and RBI, embraced digital means of financial transactions. It is emphasised here that SBI has collected over Rs 300 crore (till March 2020) in charges from BSBDA while imposing a fee of Rs 17.70 for every debit transaction beyond four a month.

85. RBI's nonchalant attitude encouraged other banks to become unreasonable towards charges beyond four debits a month. For example, effective January 1, 2021 IDBI Bank's Board of Directors considered it reasonable to impose a service charge of Rs 20 for every non-cash digital debit transaction (that includes UPI/BHIM-UPI/IMPS/NEFT and debit card use for merchant payments). Even ATM cash withdrawal come at an exorbitant fee of Rs 40. Needless to mention that the bank also imposes a debit freeze beyond 10 debits a month. Earlier, effective January 1, 2020, the bank set even a more severe restriction of debit freezing the account for the month once 5 debits hit the



account. In early 2020, RBI had been kept aware of such a practice adopted by the bank, and despite that RBI felt it appropriate to let it remain as is and allow suppression of BSBDA account holders while prohibiting to transact digitally beyond 5 debits a month.

86. With a flaw in the original product design, BSBDA remained flightless for nearly six years – neither the customers could manage with just four debits (including digital ones) a month, nor could the banks provide free debits beyond four a month. However, given that RBI has now (effective July 2019) provided a more meaningful structure, users of BSBDA can henceforth receive more services (by paying reasonable service charges) without losing the basic benefits they received from the BSBDA.

87. However, despite these improvements, there still remain some impediments that are likely to cause the BSBDA customers to stay away from the formal financial system and must be corrected. These impediments are:

- Bank customers are being charged significant fees for failed transactions due to insufficient funds in the account.¹⁰ There is no rationale to charge as high as Rs 25 plus GST for a failed merchant payment at POS, which includes E-commerce payments. Even for cash withdrawals at ATM or MicroATM, such high charges are quite unreasonable.
- The country intends/needs to promote digital payments. While the entry level normal savings bank accounts are allowed free access to digital payments, BSBDA are not. If allowed, it would encourage the BSBDA customers to maintain balances in the account.
- RBI defines a ‘savings deposit’ as a demand deposit, which is a deposit account subject to the restrictions as to the number of withdrawals permitted by the bank during any specified period. Even with banks given freedom to impose reasonable service charges in both (i) a normal savings bank account and (ii) a BSBDA (effective July 2019), RBI allowed discrimination

¹⁰ Banks are imposing a fee on decline of transaction at ATM and point of sale (POS) due to insufficient balance in the account. For illustration, we present charges for few banks.

- ICICI: Rs 25 for Decline of transaction at other bank’s ATM or point of sale (POS) due to insufficient balance in the account
- SBI: Rs 20 for ATM/POS transaction technical declines attributable to customer (i.e. lack of balance in account)
- HSBC: Rs 25 for Decline of transaction at ATMs due to insufficient balance in the account
- HDFC: Rs 25 for Decline of transaction at other bank’s ATM or at a Merchant Outlet / online stores outside India due to insufficient balance in the account
- Axis Bank: Rs 25 for Transaction Decline at ATM/POS due to insufficient balance in Savings Account
- IndusInd: Rs 20 for Decline of transaction at other bank’s ATM due to insufficient balance in the account

Cheque/ECS returns involve third parties and create distrust in the payment mode. This should be discouraged and thus severe deterrents should be put in place in the form of penalty. However, decline of an ATM transaction due to insufficient balances is nowhere at par with cheque/ECS return. It does not involve any third party. Moreover, National Payments Corporation of India (NPCI) does not consider it a transaction and hence no interchange is paid by the card issuing bank. Thus, to determine a fee for such a declined transaction, it could at most be considered a non-financial transaction, if not a void transaction. In case banks are not able to set right this anomaly, the declined transaction due to insufficient balance in the account should be considered a non-financial transaction and thus should fall within the ATM fees regulations already set by RBI. For POS, there appears no rationale to charge as high as Rs 25 for a declined transaction due to insufficient balance in the account.

Refer to: Das, Ashish (2016). ‘Incentivising ATM-cash and cheques over electronic transactions - A policy gap’. IIT Bombay Technical Report. January 26, 2016. <http://dspace.library.iitb.ac.in/jspui/handle/100/18425>



between the two Full-KYC accounts for the purpose of restrictions imposed to the number of withdrawals permitted in a month. While banks were allowed to impose debit freeze (even for digital transactions) beyond 4 or 10 debits in a month for a BSBDA, it had not been so for a normal savings bank account.

88. Although not by intent, but in practice RBI has allowed victimisation of these BSBDA customers despite being duty-bound to protect them. Two of its specialised departments – the ‘Consumer Education and Protection Department’ and the ‘Financial Inclusion and Development Department’ – allowed this to continue over years despite RBI regulations for “ensuring reasonableness of service charges” being already in place. Of the 12 crore BSBDA of SBI, many account holders must have been dissuaded to effectively use the account (even digitally) due to this intimidating and exorbitant charge of Rs 17.70 for a digital transaction, dwarfing government’s financial inclusion initiative and promotion of digital payments.

The way forward

89. To sum up, this report highlights that the BSBDA holders had been exploited and suppressed for more reasons than one.

- First, BSBDA customers were marginalized – the government and SBI on the one hand enticed the poor to open BSBDA under the PMJDY for their well-being, while on the other hand the very same BSBDA holders were charged high service fees even for digital transactions.
- Second, until July 1, 2019, imposition of service charges was in breach of RBI regulations, which prohibited such charges to be imposed on running BSBDA. Despite this they were charged.
- Third, even when imposition of charges was allowed in a BSBDA (effective July 1, 2019), reasonableness was not ensured – e.g., charges @ Rs 17.70 for every asset-lite digital debit transaction could not have been considered reasonable by the Board of Directors of SBI.
- Fourth, even post June 2019, some banks froze BSBDA after 4 or 10 debits in a month – this vitiates the core objective of financial inclusion as the depositor is unable to use his own money for day-to-day expenditures (that too digitally).
- Fifth, Full-KYC BSBDA are discriminated for the number of withdrawals permitted during any specified period – despite banks given the freedom to reasonably charge in both a normal savings bank account and a BSBDA (effective July 2019).
- Sixth, BSBDA customers are being unreasonably charged as high as Rs 25 plus GST for failed transactions due to insufficient funds in the account. There is no rationale for such exorbitant charges for a failed merchant payment at POS and cash withdrawals at ATM. Such fees are recipe for financial exclusion and must be discouraged.
- Seventh, limiting free digital payments is against the country’s digital payment mission – if (the entry level) normal savings bank accounts get to transact digitally at no cost to them, the BSBDA should also be allowed digital payment transactions at no cost to the depositors. This would encourage the BSBDA customers to maintain balances in the account.



The grievance that remains

90. The issue of excessive charges for BSBDAs was brought to the notice of RBI in April 2020. However, RBI is not prompt enough to protect these vulnerable and marginalized depositors. It made no efforts to ensure that the undue money taken since 2017 from our gullible depositors is returned by SBI. It may be mentioned that Shri S. S. Mundra, the then Deputy Governor of RBI, in 2017 said¹¹ – “*While banks have been granted autonomy in fixing minimum average balance or for charging for premium services, it should not be used as an excuse to deny service or to drive away common man.*”. He further added that “... *RBI would be extensively focused on ..., imposition of usurious service charges during the current year’s supervisory cycle*” and that “... *RBI has specifically established a department for examining the instances of regulatory violations with a view to taking enforcement actions on the errant banks*”¹².” Although reputational risk is at play, but what good is a reputation, which hinges on hollow assurances.

91. When SBI charged for every UPI/BHIM-UPI and RuPay digital payments @ Rs 17.70 per transaction, though RBI was approached first to address breach of the PSS Act, 2007 (for which RBI itself is the administrator), RBI remained silent. It was the government, which when subsequently approached, that came forward to instruct the banks (on August 30, 2020), to retrospectively (since January 1, 2020) return the money to the depositors or face penal consequences. Despite this respite, RBI still needs to ensure compliance of its own regulations when SBI still considers itself compliant in charging as high as Rs 17.70 for every digital debit transaction, through means other than UPI/BHIM-UPI and RuPay-digital, carried out since January 2020.

92. Though RBI was apprised of the grievance, the Consumer Education and Protection Department of RBI did not feel duty-bound to boldly come forward for protecting those whom they are required to protect. The department could not provide a convincing response as to why SBI should not return the exorbitant and undue charges (@ Rs 17.70 per digital debit transaction) imposed prior to January 2020. Citizens look up to RBI to be more proactive, than what Consumer Education and Protection Department of RBI has shaped up as, and is routinely delivering.

¹¹ Keynote address “*Customer Service in Banks: Time to Raise the Bar!*” delivered by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India at the Annual Conference of Principal Code Compliance Officers organized by the Banking Codes and Standards Board of India in Mumbai on May 30, 2017.
https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1040

¹² RBI formalized a framework for taking enforcement action against banks for non-compliance with guidelines and instructions issued by it. Accordingly, a separate Enforcement Department has been created within the RBI in April 2017. RBI states that “The core function of the Department is to undertake enforcement action against the entities regulated by RBI on the basis of supervisory reports and regulatory references in an objective and consistent manner, **to ensure compliance with regulations within the overarching principle of financial system stability, greater public interest and consumer protection.**”.



93. Finally, we focus at the persistent design flaws in RBI's BSBDA, which is ultimately inhibiting its promotion by banks and usage by customers. Towards a solution, it is paramount that RBI puts in place appropriate regulations that include:

- digital transaction facilities under a BSBDA should be made at par with the entry level normal savings bank account;
- excessive cash transactions (withdrawals as well as deposits) should be discouraged through appropriate service charges, making it at par (or at par plus) with the entry level normal savings bank account;
- RBI's mandate of *unlimited* cash deposits, free of charge, should be done away with;
- all value-added services, offered at bank's discretion, should follow RBI's principle of reasonableness in fixing the service charges.

Concluding remark

94. This report highlights RBI's lack of zeal in ensuring consumer protection even after passage of nearly a decade since the introduction of BSBDA. Such accounts had been introduced to drive financial inclusion, with due protection for our marginalized fellow-countrymen. Do we need to care for these marginalized depositors? Article 51A (Part-IV.A) of the Indian Constitution emphasises that it is our Fundamental Duty to "**Develop scientific temper, humanism and the spirit of inquiry and reform**".

Supplementary Material

The following is the Supplementary Material related to this article.

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A: RTI response from banks on collection amounts through service charges in BSBDA.

B: The correspondence with SBI, RBI and the government on the BSBDA episode.

C: The correspondence from ICICI Bank.



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