

Including the Poor– Need for Reforms in Remittances

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Executive Summary

Background and Objective

1. Many people have great need to ensure that money (usually cash) earned at a location can be used by their family members back home- a distant native place in the hinterland. In order to achieve the objective of remitting such money, individuals usually target a bank branch account at the native place which is within the reach of their family members (directly or indirectly). If such a bank has corresponding branches at the urban sites one would usually see core banking solution (CBS) making a difference through a remittance product called ‘non-home branch cash deposit’. Such a non-home branch cash deposit is effectively an intra-bank inter-branch cash deposit.

2. This paper showcases that the existing interoperable platform of Cash- National Electronic Funds Transfer (Cash-NEFT) can be used for credit of the funds in any other bank’s account. Keeping in view the migrant workers in India (who have the dire need to periodically remit money) **the facility of Cash-NEFT provides an effective remittance solution.** However, there is a general lack of awareness and education of the bank-branch staff and the consumer about the product.

3. In order to have the banking system congenial for domestic remittances, we set recommendations for the following seven Action Points:

- a. The Bank Codes - IFSC
- b. Training of Bank Branch Staff and Awareness Building
- c. Removing Barriers for Cash-NEFT - Forced Imposition of Uncalled-for KYC Norms
- d. Rationalising Charges for Providing the Service of Cash-NEFT by Banks
- e. Harnessing the National Financial Switch for Interoperable Cash-Deposits
- f. Redefining BC at Urban Locations
- g. Enveloping RRBs for Inward Remittances

The Bank Codes – IFSC

4. Without disturbing the back end, we can move each bank to a single universal IFSC (at front end) that is known to all other banks. This would remove the requirement of branch IFSC at the front end. For carrying out NEFT/RTGS, this would then require seeking information of only the beneficiary bank name and account number from the remitter. RBI needs to review and revise the currently laid down NEFT/RTGS procedures. More specifically, simplify the NEFT/RTGS form by removing the requirement of IFSC, Account Type, Branch Name, City, etc.



Training of Bank Branch Staff and Awareness Building

5. The general experience is that staff in the bank branches are not well conversant with the facility of Cash-NEFT for walk-in customers who do not have bank accounts. As a result, the service is mostly denied. Thus, it is of utmost importance to ensure that every staff of the NEFT enabled bank branch is aware of the facility of Cash-NEFT for non-customers (who need not be holding an account with their bank).

6. Ensure that the Cash-NEFT form is simple and seeking information on only:

Sender's name, address and mobile number

Beneficiary's name, bank name and account number

7. For educating the bank branch staff and public in general, have appropriate banners in place explaining the Cash-NEFT product for walk-in customers (not necessarily holding an account with the bank). An exclusive cash remittance grievance redressal system should be set-up.

Removing Barriers for Cash-NEFT - Forced Imposition of Uncalled-for KYC Norms

8. Unless the bank can establish potential fraud beforehand, the information filled in the application form (for Cash-NEFT) by the remitter should not call for any documentary evidence if the amount is Rs 20,000 or less. Accordingly, RBI should mandate that no bank should refuse a Cash-NEFT for want of any documents to establish ID or address.

9. In case of a returned transaction, an appropriate mechanism (which is simple and secure) to return funds should be standardised.

Rationalising Charges for Providing the Service of Cash-NEFT by Banks

10. Keeping a balance between bank's true expenditure to provide the service of Cash-NEFT and with an eye to popularize its features, the walk-in customer charges for Cash-NEFT should be revised. The revised charges would encourage banks in undertaking small value NEFT transactions in cash. Levying the charges would also serve the dual purpose to encourage customers to move away from depositing cash over manned counters to card based deposit machines and/or mobile based remittances.

Harnessing the National Financial Switch for Interoperable Cash-Deposits

11. NPCI should take up the feature of reverse debit (cash deposit) under its interoperable Point of Service (POS) debit card platform. The same needs to be executed for Automated Cash Deposit Machines (ACDM). We have suggested appropriate reverse interchange to incentivize banks. A fee structure for the beneficiary account is also proposed. **To popularise the interoperable system, the banks should allow two such cash deposit (On-Ups and/or Off-Ups) transactions per month without any charges for amounts not exceeding Rs 20,000.**



Redefining BC at Urban Locations

12. The bank branches located in Metros and Urban regions should be allowed to use the facility of a BC for supporting the activities of the branch. Such a support is in the form of facilitating the branch due to possible lack of sufficient staff/lack of space/etc. at the branch (leading to inefficient service being rendered to their customers). Keeping the fundamental concept of a BC in the forefront (i.e., an entity which substitutes for a bank branch, where it may not be feasible to take a bank branch), one needs to redefine such BC's working in the near vicinity of a bank branch. Accordingly, such a BC outlet can be designated as *Urban BC* and be considered as extended arms or facilitators of banks in urban location, analogous to an ATM. Such a move would automatically require removal of any possible differentials in service charges at Urban BCs and urban branches (atleast during the branch banking hours). However, such a move **should not** allow the banks to disturb the existing reasonable commission (in absolute terms) that is being paid to the BCs by the banks. Independent of the service charge imposed on the customers at BC service point by the bank, for Urban BCs, an appropriate minimum commission (which makes the BC viable to run) should be arrived at and paid by the banks.

13. Any BC Agent within one Km of any bank branch in Urban regions should be designated the status of an Urban BC. Such BCs should be encouraged to have interoperable POS.

14. Have the Cash-NEFT facility effectively mandated by RBI so as to make all banks equally responsible for serving the remittance needs of the country. This would lead to the full spectrum of banks working towards alternatives like POS/ACDM and branch arms like urban BC outlets. It is imperative that each of the foreign and private banks contribute more at the urban locations through providing a meaningful Cash-NEFT facility either directly at branch counters or through extended arms in form of Urban BC outlets. Such a contribution would provide a balanced effort towards financial inclusion by all banks in India.

Enveloping RRBs for Inward Remittances

15. Presently the RRBs are not receiving inward remittances to its possible potential. All RRB branches have the inward NEFT facility through their sponsor bank. Every RRB branch being in the remittance corridors should have in place proper remittance awareness programs. This would comprise of educating people in the region on how from any location (where the RRB need not exist) money can be credited to the RRB account through a simple walk-in to any bank branch and doing a Cash-NEFT.





Including the Poor– Need for Reforms in Remittances

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Abstract

This paper looks into the reforms that the remittance system of the country needs in order to boost financial inclusion and bring in inclusive growth. Leveraging on an effective interoperable electronic remittance arrangement already in existence, a cost saving and efficient system is envisaged. With a view to expedite migration of remittance services from existing setup to alternate electronic modes, this study looks into some prudent measures that are expected to facilitate overall transition from specific bank banking to anywhere any bank banking. We highlight that there is a scope for rationalization of overall costs/pricing in the remittance system keeping broader objectives of acceptance and financial inclusion in mind. While pricing is based more on well laid out fundamental principles, RBI should carry out a focused review of the bottlenecks in the country's remittance system and advocate appropriate directions. Some recommendations are put forth keeping few bottlenecks in forefront.

I. Background

1.1 Many people have great need to ensure that money (usually cash) earned at a location can be used by their family members back home- a distant native place in the hinterland. In order to achieve the objective of remitting such money, individuals usually target a bank branch account at the native place which is within the reach of their family members (directly or indirectly). If such a bank has corresponding branches at the urban sites one would usually see core banking

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solution (CBS) making a difference through a remittance product called ‘non-home branch cash deposit’. Such a non-home branch cash deposit is effectively an intra-bank inter-branch cash deposit. The gap between demand and supply for the same is shown below in form of a slide.



Slide (Pictures taken in February 2012): SBI branch at Hadapsar (near Pune) where such queues are a regular feature. On an average the waiting time of an individual is 3 hours when 300 odd people stood in the queue and only 250 individuals could carry out the remittance transactions on the specific day.

1.2 Just to have a feel of the of the remittance market in India, here are some facts². The domestic remittance market was estimated to be US\$10 billion in 2007-08, 60% being Inter-State transfers and 80% directed towards rural households. Domestic remittances financed over 30% of household consumption expenditure in remittance receiving households that formed nearly 10% of rural India. 70% of domestic remittances were estimated to be channeled in the informal sector revealing a huge opportunity for financial institutions to serve migrant workers.

II. The Hadapsar Pilot

2.1 There is a need to showcase the existing interoperable platform of Cash- National Electronic Funds Transfer (Cash-NEFT) which allows even a non-customer to walk-in and deposit cash in a bank branch in India, for credit of the funds in any other bank’s account. Keeping in view the migrant workers in India (who have the dire need to periodically remit money) **the facility of Cash-NEFT** (for which there already exists a supply chain) **provides an effective remittance solution**. However, there is a general lack of awareness and education of the bank-branch staff and the consumer about the product.

2.2 A Cash-NEFT pilot at Hadapsar (near Pune) is an initiative taken by the Department of

² Tumbe, Chinmay (2011). Remittances in India: Facts & Issues. *Working Paper No. 331*, Indian Institute of Management Bangalore.



Financial Services (DFS), Ministry of Finance, Government of India, to showcase how through NEFT the migrant population can harness an existing interoperable platform of the whole gambit of different banks in India to deposit cash into any bank account in India. The spirit behind the pilot is to initially show a select group of the population *an avenue* of depositing cash into any bank account, using a means (Cash-NEFT) which is **low-priced and convenient** to use and carries no bar on visiting the same bank where the remote account resides. For more details on the pilot and associated learning, one may refer to the report³ “*Financial Education on Remittances- Impact on Inclusive Growth*” by the author.

2.3 As a first measure of the Pilot, test Cash-NEFTs were carried out at six bank branches within a km radius of State Bank of India (SBI), Hadapsar. Such test transactions (carried out exactly in a way the branch would provide the service to walk-in customers) prepared the staff of the branches to handle Cash-NEFT.

The fuel for success of this pilot is to have a proper awareness program, initial handholding and showcasing the convenience and economics.

2.4 Before such an initiative can be scaled to other parts of India, we need to

- i) Ensure that every staff of the NEFT enabled bank branch is aware of the facility of Cash-NEFT for non-customers (who need not be holding an account with their bank).
- ii) Check whether every branch has actually done five Cash-NEFT transactions in the past one month and if not, in order to train the branch staff, mandate to carry out ten Cash-NEFT transactions in the next two weeks.
- iii) Ensure that the Cash-NEFT form is simple and seeking information only on:
Sender’s name, address and mobile number
Beneficiary’s name, bank name and account number
- iv) ... etc.

2.5 In what follows we detail the pre-requisite to have the banking system congenial for domestic remittances. These have been broadly classified under the following seven Action Points:

1. The Bank Codes - IFSC
2. Enveloping RRBs for Inward Remittances
3. Training of Bank Branch Staff and Awareness Building
4. Removing Barriers for Cash-NEFT - Forced Imposition of Uncalled-for KYC Norms
5. Rationalising Charges for Providing the Service of Cash-NEFT by Banks
6. Harnessing the National Financial Switch for Interoperable Cash-Deposits
7. Redefining BC at Urban Locations

³ http://www.math.iitb.ac.in/~ashish/workshop/Hadapsar_Report.pdf



2.6 These **Action Points** have been considered under different sections that follow. Finally, a consolidated section on recommendations is presented.

III. The Bank Codes - IFSC

3.1 Today in order to initiate a NEFT/RTGS, the Indian Financial System Code (IFSC or IFSC code) is required. Such a code is a domestic bank-cum-branch identifier setup by RBI (in line with the SWIFT code). It is an eleven character alpha-numeric code with first 4 characters being alphabets representing the bank, 5th place is reserved as zero and the last 6 characters are used by the banks to represent their branches. Such a code is printed on a cheque leaf and furthermore RBI has recently mandated that such codes should also be printed on the Passbook/Statement of Account⁴. Thus, every branch of a bank has been allotted a distinct IFSC (except for Regional Rural Banks (RRB) where all branches of a specific RRB have the same IFSC).

3.2 In general, for a common man, it is *not easy* to obtain IFSC code of a remote bank branch where one intends to remit money.

3.3 In a study that was conducted, responses were sought from banks (through IBA) on whether they use the information of the IFSC code for processing the inward NEFT that they receive through RBI. A response “YES” means the banks ignore the inward IFSC data and credit the beneficiary account solely based on the account number. Table 1 provides the summary results (see Appendix A for more details).

Table 1

Scheduled Commercial Banks participating in NEFT

| Bank Type | No. of Banks | No. of Banks with "YES" | No. of Branches | No. of Branches with "YES" | % Branches with "YES" | No. of Branches with "NO" | % Branches with "YES" among respondents | No. of Banks with "NO" | Non-Response |
|----------------------|--------------|-------------------------|-----------------|----------------------------|-----------------------|---------------------------|---|------------------------|--------------|
| Public Sector Banks | 26 | 23 | 70492 | 64612 | 91.66 | 3196 | 95.29 | 2 | 1 |
| Private Sector Banks | 20 | 14 | 13744 | 12248 | 89.12 | 101 | 99.18 | 1 | 5 |
| Foreign Banks | 25 | 7 | 293 | 233 | 79.52 | 0 | 100.00 | 0 | 18 |
| Total | 71 | 44 | 84529 | 77093 | 91.20 | 3297 | 95.90 | 3 | 24 |

3.4 It may be noted that among the 18 non-respondent foreign banks, 8 are single branch banks. So, considering their answer as “Yes”, the figures for foreign banks in the above table would improve. The Table 2 below provides a summary of the April 2012 inward NEFT transactions (see Appendix B for more details) with respect to transactions which uses the IFSC code.

⁴ <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CPIFS200412SC.pdf>



Table 2

Inward NEFT Transactions - April 2012

| Total Inward Transactions | Total Inward Transactions for Banks with "YES" response | % Inward Transactions for Banks with "YES" response | Total Inward Transactions for Banks with "NO" response | Total Inward Transactions for Banks who responded | % Respondents' Transactions | % Inward Transactions for Banks with "YES" among respondents |
|---------------------------|---|---|--|---|-----------------------------|--|
| 23765181 | 21940770 | 92.32 | 883126 | 22823896 | 96.04 | 96.13 |

3.5 For inward NEFT, majority of the banks (list provided in Appendix) do not require branch-wise IFSC codes and can instead provide just one IFSC code that can be used to remit money to **any** of its branches. As on date we can translate more than 77000 branch IFSC codes into about 60 odd IFSC codes which amount to more than 99.9% redundancy in IFSC codes when it comes to identifying an account lying in a particular bank for initiating an NEFT. In the Hadapsar pilot on Cash-NEFT, we have exploited this redundancy.

3.6 Though we concentrate on the front end redundancy of the IFSC code, the back end requirement of IFSC can be looked into. Just for illustration, it appears that for outward Cash-NEFT, the IFSC code of the initiating bank branch is required for tracking in case of a return. However, if every branch opens a distinct special account for the purpose of initiating Cash-NEFT, this requirement can be eliminated.

3.7 The RRBs (81 of the 82) participate in NEFT. The IFSC codes of the RRBs are already unique to each RRB (i.e., it is not branch specific) and are generally provided by respective sponsor banks. There are about 36 Urban Cooperative Banks (UCB) which participate in NEFT. It is not clear whether UCBs, who are on CBS and are NEFT enabled, still need to migrate to unique account number system so as to associate one IFSC for all branches of its bank.

Recommendations:

1. Without disturbing the back end, move each bank to a single universal IFSC (at front end) that is known to all other banks. This would remove the requirement of branch IFSC at the front end. For carrying out NEFT/RTGS, this would then require seeking information of only the beneficiary bank name and account number from the remitter.
2. RBI needs to review and revise the currently laid down NEFT/RTGS procedures. More specifically, work towards simplifying the NEFT/RTGS form by removing the requirement of spelling out IFSC, Account Type, Branch Name, City, etc.
3. Subsequently, to route all NEFT/RTGS transactions, migrate (or map) IFSC to a 4 digit bank



code (so as to include the UCBs) that is already set under BSR or MICR code.

IV. Enveloping RRBs for Inward Remittances

4.1 There had been an interesting example where a migrant (Anil) first did a Cash-NEFT to an account of SBI nearest to his village. The distance between his village and this SBI branch is 21 km. On comprehending that he can remit such cash through NEFT to any other bank as well, he came up with his mother's account number and the IFSC of a RRB (Sponsor Bank is Union Bank of India) which is just 3 km from his village. To verify that things would work, Anil did a Cash-NEFT of Rs 100 to the RRB from Corporation Bank. The money reached within 2 hours. This gave him enough confidence to come back after 2 days and remit Rs 12,000 (through Cash-NEFT from Corporation Bank) to his mother's RRB account. Again the money reached within hours.

4.2 With the money receiving-end concentration and its proximity to RRB's being crucial for harnessing the RRB's role for inward remittance from urban locations, a plan is required under the financial inclusion drive (at the RRB end) focusing financial education on easy remittance methods into a RRB branch from any urban location.

Recommendations:

1. Presently the RRBs are not receiving inward remittances to its possible potential. All RRB branches have the inward NEFT facility through their sponsor bank. Every RRB branch being in the remittance corridors should have in place proper remittance awareness programs. This would comprise of educating people in the region on how from any location (where the RRB need not exist) money can be credited to the RRB account through a simple walk-in to any bank branch and doing a Cash-NEFT.
2. RBI and NABARD should desirably facilitate Cash-NEFT, involving RRBs, through its various financial education initiatives.

V. Training of Bank Branch Staff and Awareness Building

5.1 The general experience is that staff in the bank branches are not well conversant with the facility of Cash-NEFT for walk-in customers who do not have bank accounts. As a result, the service is mostly denied.

5.2 The bank branches are not well conversant about Cash-NEFT because circulars in this regard have been received as a more comprehensive general NEFT circular (and the procedure for executing a Cash-NEFT request is not emphasised). Even though some banks have



exclusively reiterated details on Cash-NEFT, the lack of awareness among the public does not create demand for the same, leading to branch staff getting no opportunity to practice Cash-NEFT operations. The specific content on Cash-NEFT thus gets either neglected or fades from one's mind. This is more so because it involves a learning process of how to execute Cash-NEFT which, without much demand for the same, gets diluted and lost within a branch.

5.3 There are also instances where even if a bank manager knows of the existence of the Cash-NEFT product, he discourages to offer the product to walk-in customers by either insisting on the requirement of an account with the bank or requirement of full KYC (both of which are actually not necessarily required).

5.4 It would be a rarity to see a front-end bank staff in a branch who is aware of the facility of Cash-NEFT for walk-in customers (not holding an account with their bank).

5.5 There is an urgent need of an appropriate institution to disseminate knowledge among the public (more specifically, unbanked migrant population) to exercise their right to enter any bank branch (preferably any less crowded bank branch) to harness the facility of Cash-NEFT. This would reduce the considerable time taken to stand in long queues of non-home branches by the remitter.

5.6 An exclusive Cash-NEFT grievance redressal system is required. Such a system would cater to customer protection, customer education, feedback gathering, monitoring and assessment in the area of cash remittances.

Recommendations:

1. It is of utmost importance to ensure that every staff of the NEFT enabled bank branch is aware of the facility of Cash-NEFT for non-customers (who need not be holding an account with their bank).
2. Not only to bring in awareness for bank branch staff but also to enable them through actual practice, check whether every branch has actually done more than two Cash-NEFT transactions in the past one month and if not, mandate to carry out a total of ten test Cash-NEFT transactions in the next two weeks. To execute this in all branches of a bank, the bank may provide a bank account of a different bank.
3. Ensure that the Cash-NEFT form is simple and seeking information on only:
 - Sender's name, address and mobile number
 - Beneficiary's name, bank name and account number
4. Ensure that "May I Help You" desk is manned properly in every branch and there is helping hand specific to Cash-NEFT initiation.



5. For educating the bank branch staff and public in general, have appropriate banners in place explaining the Cash-NEFT product for walk-in customers (not necessarily holding an account with the bank).
6. An exclusive cash remittance grievance redressal system should be set-up. There should be two numbers advertised for the public to call-in.

VI. Removing Barriers for Cash-NEFT - Forced Imposition of Uncalled-for KYC Norms

6.1 Today, cash deposits of less than Rs 50,000 in any bank account *by any individual* (at the home and non-home branches) requires only the bank account number and name of the beneficiary account. Nothing like ID or address proof is required. This is despite the fact that non-home branch cash deposits are considered remittances.

6.2 This raises a vital question- whether for an individual intending to originate a cash transfer (less than Rs 50,000) through NEFT in person, does the bank branch *need anything more* than just a filled-in application form providing details of the beneficiary (like, name, bank and beneficiary account number) and contact details of the remitter (name, complete address and telephone number)? It has been observed that many banks discourage such Cash-NEFTs through their demanding know your customer (KYC) documents which neither RBI nor Government of India is insisting upon. It is important to understand why some banks insist on ID and address proof without appreciating the potential of Cash-NEFT for the unbanked population to carry out small amount interoperable electronic remittances? How does the bank's present policy help in providing remittance service to one who is in real need of the banking service rather than pushing the person towards informal or less efficient means of money transfer?

6.3 The following points have been highlighted by RBI and Government of India in context with KYC and Anti-Money Laundering (AML) norms.

- It is important to bear in mind that the adoption of customer acceptance policy (related to the KYC norms) and its implementation should not become too restrictive and must not result in denial of banking services to general public, especially to those, who are financially or socially disadvantaged.
- ...banks should keep in mind the spirit of instructions (on KYC norms) issued by the Reserve Bank and avoid undue hardships to individuals who are, otherwise, classified as low risk customers.
- In case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address should be verified. However, if a bank has reason to



believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs 50,000 the bank should verify identity and address of the customer and also consider filing a suspicious transaction report to Financial Intelligence Unit-India.

(The above three points make it clear that the bank should first entertain the Cash-NEFT and then invoke KYC if it believes misuse. Thus a bank cannot and should not start with a KYC requirement for small remittances.)

- Information accompanying all domestic wire transfers of Rs 50,000 and above must include complete originator information i.e., name, address and account number etc., unless full originator information can be made available to the beneficiary bank by other means.
- If a bank has reason to believe that a customer is intentionally structuring wire transfer to below Rs 50,000 to several beneficiaries in order to avoid reporting or monitoring, the bank must insist on complete customer identification before effecting the transfer.
- While filing Cash Transaction Report, details of individual transactions below Rs 50,000 need not be furnished.
- Customer Education: Implementation of KYC procedures requires banks to demand certain information from customers which may be of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. There is, therefore, a need for banks to prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers.
- Employee's Training: Banks must have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

6.4 All the points above give sufficient direction towards bank's requiring not to refuse small amount remittances on the pretext of KYC. A bank requiring a copy of the photo ID is different from bank desiring a copy of photo ID. If an unbanked (or even banked) person is desiring to do a Rs 1,500 Cash-NEFT and is also providing his complete address, telephone number, signature/thumb impression, and does not have a photo ID, how best could the bank facilitate in absorbing this cash into the banking system? There is an acknowledgement slip provided by the bank for every across the counter NEFT request. This acknowledgement slip should suffice, in case of a return, for the person to claim. Additionally (just like there exists a RBI mandated system of credit confirmation of the remittance sent by SMS to the remitter) in case of a return, SMS can be sent to the remitter with a code which can be used for claiming funds.

6.5 The NEFT initiator is already required to give his name, address and phone number. The only way one can associate transactions as "several transactions that appear to be connected" is if the remitter's name/address/phone number and the beneficiary details match. If it does not match, there could be no grounds for transactions appearing connected. Thus, banks should not



have any serious concern- more so since the RBI and the Government of India are not insisting on any need of identity verification for small amount remittances.

6.6 In a study that was conducted, responses were sought from banks (through IBA) on whether they insisted on any documents for ID and address proof. Furthermore, a threshold amount was sought from the banks above which the bank (under its internal policy) has kept the requirement of ID and address proof. Table 3 provides the summary results. It is noted that 11% of public sector bank branches always insist for ID and address proof. This percentage for private and foreign banks is 51 and 100 respectively. Details are provided in Appendix C.

Table 3

Scheduled Commercial Banks participating in NEFT

| Bank Type | No. of Banks | No. of Branches | No. of Respondent Banks | No. of Banks not always insisting for documents | No. of Banks necessarily insisting for documents | No. of Branches not always insisting for documents | No. of Branches necessarily insisting for documents | % Branches not always insisting for documents |
|----------------------|--------------|-----------------|-------------------------|---|--|--|---|---|
| Public Sector Banks | 26 | 70492 | 21 | 18 | 3 | 55920 | 7070 | 88.78 |
| Private Sector Banks | 20 | 13744 | 10 | 5 | 5 | 4804 | 5027 | 48.87 |
| Foreign Banks | 25 | 293 | 3 | 0 | 3 | 0 | 152 | 0.00 |
| Total | 71 | 84529 | 34 | 23 | 11 | 60724 | 12249 | 83.21 |

Recommendations:

1. Unless the bank can establish potential fraud beforehand, the information filled in the application form (for Cash-NEFT) by the remitter should not call for any documentary evidence if the amount is Rs 20,000 or less.
2. RBI should mandate that no bank should refuse a Cash-NEFT for want of any documents to establish ID or address subject to point 1 above.
3. Unless the bank can establish potential fraud beforehand, for amounts more than Rs 20,000, but less than Rs 50,000, an ID proof (no address proof) could be sought for facilitating any return transaction.
4. In case of a returned transaction, an appropriate mechanism (which is simple and secure) to return funds should be standardised.

VII. Rationalising Charges for Providing the Service of Cash-NEFT by Banks

7.1 The current RBI mandated charges for Cash-NEFT is Rs 5 (plus Service Tax). This charge applies for any amount of Cash-NEFT less than or equal to Rs 50,000. However, effective



August 1, 2012, RBI has mandated new charges⁵ of Rs 2.50 (plus Service Tax) for NEFT up to Rs 10,000 and beyond that it would be Rs 5 (plus Service Tax). It may be noted that the charges indicated above are the maximum that can be recovered by banks from their customers.

7.2 Cash management is neither easy nor inexpensive. Ideally, a bank customer should be charged more to withdraw cash than to deposit cash since every cash deposit brings in funds for the banks and facilitates in reducing the cash economy. However, today we see a general tendency of cash-out being cheaper than cash-in. For example, anywhere ATM withdrawal and over the counter branch or non-home branch withdrawal are free to a great extent while non-home branch cash deposit and Cash-NEFT are usually charged.

7.3 Today, in a cash transaction at a bank branch or cash machines, it may appear that receiving and giving cash (and similarly cheque) is free for a customer. However, expenditures towards such transactions, to a great extent, are borne by the bank which in turn passes it to their customers in form of lower returns on the deposits held by the bank (0% rate of interest offered for current accounts and about 4% rate of interest offered for savings accounts).

7.4 Banks distinguish between remote cash deposit and remote cash withdrawal. While there is a tendency to treat cash deposits done remotely as 'remittance', cash withdrawals (even through ATMs) done remotely are not so treated. Furthermore, unlike cash withdrawals done remotely free of charge, banks tend to always charge a fee in case of deposits made remotely.

7.5 Keeping in mind the current level of disincentives for a bank branch to offer the Cash-NEFT product, as a compromise, it is felt that the charges should be revised. However while bringing about such a revision one has to keep the socially and economically weak masses in the forefront for whom this should be the cheapest mode of remittance (just like taking the cheapest mode of travel between two locations).

7.6 At present the bank charges for depositing cash (i.e., remit cash) into a bank account, from a non-home branch counter, is more than the charges to do Cash-NEFT. With RBI mandating a low charge of Rs 2.50 or Rs 5 for even Cash-NEFT, it may not be viable for the banks to offer this product. This invariably leads to banks resorting to varied tactics to avoid accepting cash under NEFT. To harness the potential of NEFT for cash deposits using full resources of banking infrastructure and also considering the difficulties in currency management, RBI should consider rationalizing the present charges for Cash-NEFT and establish suitable benchmarks on charges for cash remittances through NEFT.

7.7 The pricing structure for remittances needs to be so designed that it supports financial inclusion from the demand side. Such a move would encourage the people to move towards formal channels of remittances and give them the experience of banking without even opening a bank account. This is the first step in the direction of inclusive growth- teaching the

⁵ <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/131NET0130712F.pdf>



unbanked, the benefits of banking.

7.8 Based on the pilot at Hadapsar, Table-4 provides the summary statistics of 2276 Cash-NEFT transactions which took place during May-June 2012. It transpires that about 72% of the transactions are of amounts less than or equal to Rs 10,000.

Table 4

Frequency Distribution of Cash-NEFT Transactions

| Class Interval (Rs) | Number of Transactions | % Transactions | Mean Transaction Amount (Rs) |
|---------------------|------------------------|----------------|------------------------------|
| 1-5000 | 1091 | 48 | 2968 |
| 5001-10000 | 541 | 24 | 8028 |
| 10001-15000 | 231 | 10 | 12987 |
| 15001-20000 | 157 | 7 | 18755 |
| 20001-25000 | 107 | 5 | 23861 |
| 25001-30000 | 39 | 2 | 28558 |
| 30001-35000 | 15 | 1 | 34048 |
| 35001-40000 | 21 | 1 | 39099 |
| 40001-45000 | 14 | 1 | 43843 |
| 45001-50000 | 60 | 3 | 49360 |
| Total (Wt. Mean) | 2276 | 100 | 9710 |

Recommendations:

1. Keeping a balance between bank's true expenditure to provide the service of Cash-NEFT and with an eye to popularize its features, the walk-in customer charges for Cash-NEFT should be revised.
2. To encourage all banks in undertaking small value NEFT transactions in cash, we suggest for the charges as:

| Cash-NEFT Amount (Rs) | Proposed Charges (Rs) Inclusive of Service Tax |
|-----------------------|--|
| 1-10000 | 15 |
| 10001-20000 | 30 |
| 20001-50000 | 40 |

It may be noted that the charges indicated above are the maximum that can be recovered by banks from their customers. Levying the charges would also serve the dual purpose to encourage customers to move away from depositing cash over manned counters to card based deposit machines and/or mobile based remittances. We need to provide customer education for this purpose.



VIII. Harnessing the National Financial Switch for Interoperable Cash-Deposits

8.1 Currently National Financial Switch (NFS) of the National Payment Corporation of India (NPCI) facilitates off-us ATM withdrawals (say positive entries) with the exception being for transaction reversals. Thus, with the launch of RuPay and with standards for interoperable Point of Service (POS) terminals already in place, a proactive role by NPCI is solicited for efficient use of these RuPay POS in bank branch counters for on-us and off-us transactions. For this to take shape NPCI needs to facilitate negative entries (i.e., facilitate deposits) in their existing NFS platform. This process is technologically feasible and can be executed quickly. Once operational, this would be very helpful in improving the existing remittance system by providing interoperable cash deposit facility using standardised POS. With no involvement of paperwork, it would also enhance efficiency through increased speed for deposit transactions. The use of POS for On-us deposit transactions would be restricted to the bank's core banking network.

8.2 NPCI has put in place the Interbank Mobile Payment Service (IMPS). Even if we ignore the front end being necessarily a mobile, the system is a state of the art interoperable real time back end solution for any remittance service. Once the account number is mapped to a mobile number, the rest becomes easy. However, this mapping of mobile number is a challenge and has to be initiated at the instance of account holder. A possible solution is to map the account number itself as the mobile number. Furthermore, each bank can use one and only one MMID as a bank identifier. Once this is in place, at the back end all transactions could be routed through real time IMPS instead of NEFT based on beneficiary account number and bank name.

8.3 SBI has done a commendable job in foreseeing the potential of POS and has already deployed POS devices (called Green Channel) at their branches. Such POS accepts a debit card for transactions. SBI has also initiated issuing special debit cards (called Green Remit Card) which disallows cash withdrawal but allows cash deposit. Such a card thus acts as add-on card (just like multiple debit cards in case of joint accounts). However, such a special add-on card, though being a standard debit card, is disabled for cash withdrawal.

8.4 Cash receiving outlets should be popularised and automation should be ensured to the extent possible. In particular, each bank branch should have standardized interoperable POS terminals at the manned counters along with cash counting machines. This would increase the efficiency of depositing (and withdrawing) cash to (from) any bank account through use of the complete bank network in India. Just to illustrate, let Bank A issue a debit card to person X. The processes that one needs to put in place are:

- a) Debit card of person X should be usable in POS of Bank B to deposit cash (by a person authorized by X) in the account of X.
- b) Debit card of person X should be usable in Bank B's ATM and POS to remit funds to an account of person Y in Bank C.



- c) Debit card of person X should be usable in Bank B’s POS to withdraw cash.
- d) The cost of providing such service is to be correctly identified and paid by Bank A to Bank B.

8.5 Automated cash deposit machines (ACDM) are coming up fast and these would, in due course of time, also come as hybrids which would do multiple functions, including cash dispensation (akin to our existing ATM). Such hybrids would go a long way in addressing the economies of scale for the country’s ATMs. The business model for such interoperable ACDM can then work on lines similar to ATM. The way cash is withdrawn freely from any location using today’s ATM network, an ACDM would facilitate deposit of cash freely from any location, even away from the branch where one’s account was opened. Initially such ACDM should be at the branch site (On-site).



Recommendations:

1. NPCI/MasterCard/Visa to take up the feature of reverse debit (cash deposit) under its interoperable (POS) debit card platform and test case the same among all banks. The same needs to be executed for ACDMs.
2. Where ever there is a need, banks should issue RuPay based add-on debit cards (with cash withdrawal facility disabled) in line with Green-Remit card of SBI.
3. Set appropriate reverse interchange to incentivize banks. A suggested reverse interchange is Rs 15 for the first Rs 10,000 cash deposit. For every additional Rs 10,000 the reverse interchange could be Rs 5. The beneficiary bank should debit reverse interchange amount plus Rs 5 from the beneficiary account. Thus the fee structure for the beneficiary account is

| Cash Deposit Amount (Rs) | Proposed Charges (Rs) Inclusive of Service Tax |
|--------------------------|--|
| 1-10000 | 20 |
| 10001-20000 | 25 |
| 20001-30000 | 30 |
| 30001-40000 | 35 |
| 40001-50000 | 40 |

However, to popularise the interoperable system, the banks should allow two such cash deposit (On-Us and/or Off-Us) transactions per month without any charges for amounts not exceeding Rs 20,000.



4. For every such transaction over POS or ACDM, a maximum of Rs 50,000 can be deposited.
5. Monthly cash deposits in an account beyond Rs 50,000 be charged an additional Rs 2 for every Rs 1000.

IX. Redefining BC at Urban Locations

9.1 A significant step in moving ahead on the country's financial inclusion plan was the issue of RBI guidelines in January 2006 for engagement of Business Correspondents (BC) by banks for providing banking and financial services. Since then, the regulatory framework for the BC model has been progressively honed to ensure that consumer protection is not compromised while facilitating enhanced outreach of banking services⁶. Keeping in mind the services that the BCs are expected to render at hinterlands (where it is difficult to take a brick-and-mortar bank branch), the banks have been permitted to collect *reasonable service charges*, at the BC service point, from the customers in a transparent manner. Over time, the BC agents have become bank facilitators and they gradually moved into the high density bank branch locations in metros and urban areas.

9.2 An impact of the penetration of BCs near bank branches was seen from an on-spot assessment at SBI, Hadaspar and its vicinity. Additionally, various remittance services available in and around Kurla (Mumbai) and Kotputli (Rajasthan) were also assessed. Based on interactions with the people (SBI branches' non-home branch deposit queue and BC-Agent queue), the following impression emerged:

- (a) There is a strong tendency to direct many deposits below Rs 10,000 to the BC-Agent. Other than Hadapsar, similar practice is seen in other locations which include Kurla (Mumbai) and Kotputli (Rajasthan).
- (b) Majority of the customers using SBI's non-home branch cash deposit facility have the knowledge that Rs 25 is debited, as service charge, from the deposit account (which is actually Rs 2 per every Rs 1,000 subject to a minimum of Rs 25). SBI, for every non-home branch cash deposit transaction, has set a deposit cap of Rs 25,000.
- (c) Some depositors after having stood in the queue of the branch for long, on reaching the cash window, are redirected to the BC-Agent.
- (d) The poor people at the queue of the BC-Agent are unaware of the differential charges (and that too of a significant amount as explained below) for the same activity i.e., non home branch cash deposits.

⁶ <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CPC28092010.pdf>



(e) When a remitter reaches the BC-Agent (ZERO Mass), he has to necessarily get a registration done in order to remit funds. He is given a laminated card (for which the remitter has to pay Rs 25). The card has the BC based account number (hosted at the Financial Inclusion server) corresponding to SBI account number in which they intend to deposit money. In their registration process, the BC account number is mapped to the beneficiary's SBI account number. Such a BC account number becomes a regular BC account without the cash-out facility (since they are not capturing the biometrics). For every beneficiary account a separate registration is required and a new card is to be made.

(f) The charges for the SBI's BC based non-home branch cash deposit are imposed at the rate of 2% of the deposit amount with a minimum fee of Rs 25 and a maximum of Rs 100. Thus the poor gullible persons who were able to carry out a Rs 5,000 cash deposit, until now, by paying only Rs 25, suddenly finds themselves paying Rs 125 for this new type of exercise.

(g) The reactions of the poor remitters are nothing but that of helplessness.

(h) The card containing only the BC account number distances and habituates one to move away from branch banking to BC banking even in presence of a bank branch in near vicinity. The card does not display the SBI account number.

(i) Some pictures to illustrate the BC outlet at Hadapsar, manned by ZERO Mass (which is located just about 20 meters away from the SBI branch), are presented in Appendix D.

9.3 Yes Bank is among the first to have innovated a commendable product called "Yes Bank Money". This is Yes Bank's BC based NEFT and requires no identity and address proof for Cash-NEFT up to Rs 5000. However one is required to register a phone number (for which there is a fee of Rs 25) to initiate the NEFT. The fee for Yes Bank Money is 1.5% of the remittance amount (with a minimum of Rs 15 and maximum of Rs 300). As against this, Yes Bank provides Cash-NEFT facility at their branches for only Rs 6 or even less. However, there is a catch- apart from a phone number, the bank, for carrying out Cash-NEFT in the branch, insists on full KYC documentation (even for Rs 100). This again highlights a discriminatory policy for a poor migrant. This discourages and distances the migrant from branch banking and pushes him to BC banking (for which the poor migrants have to pay heavily).

9.4 Nevertheless, the current BC based systems have a great benefit for people who cannot read or write. But it is with a cost that one pays to be an illiterate. Unlike the elite, this gullible remitter is not able to access cheaper services at the bank branch which is located at close proximity to a BC outlet. This brings in serious concerns of customer service, customer education, customer protection and customer empowerment.

9.5 The country's banking sector have about Rs 13 lakh crore parked under savings bank (SB) deposits and about Rs 4.5 lakh crore is held under current account deposits. The 1-year term



deposit rates, on an average, hover at the repo rate. Thus considering even an average repo rate of 7% and the prevailing *time components* of SB and current account deposits, the present system takes from the current account and savings account (CASA) depositors about Rs 52,000 crore in a year in terms of reduced interest payoffs. The prime reason why depositors' money is not receiving more interest is banks' retaining profitability and to cross subsidise their expenditures. RBI's move on deregulation of SB rates is an attempt to let individual banks decide how best they can let go some component of this Rs 52,000 crore to the benefit of the SB depositors (based on their efficient use of cost effective technology to manage such SB deposit accounts). Over time, with the advent of information and communications technology and with the core banking system in place, the banking system has evolved where the actual cost to manage 1-year term deposits vis-à-vis CASA deposits for one year, has a difference which is far less than Rs 52,000 crore. Thus, given that the banking sector already has in place RBI mandated *reasonable service charges*, it appears unjustified to attribute an additional disproportionately high figure of Rs 52,000 crore to manage the minimal free services of current and SB deposit accounts⁷.

9.6 Until the Urban BC boom, SBI invested on exclusive branches called Core Power branches which are servicing only non-home branch cash deposits. However, for the bank, this is an expensive proposition vis-a-vis BC outlets. This has prompted SBI against further expanding the Core Power branch network. In other words, for the bank, it is much cheaper and convenient to have BC outlets serve a select group of customers than to serve them at branches. However, the price paid by the poor migrants in providing convenience to the branches is not justified. Once the service charge at BC outlet is made comparable to that of a bank branch, it will be a justified win-win proposition for poor migrants, BCs and banks.

9.7 It is emphasized that the basic premise of the BC model is in devising means to provide a banking solution which is cheaper than setting up a brick-and-mortar bank branch. So given that bank branch and the BC-Agent co-exist at close proximity, it defies logic when banks design the service charge of a banking product keeping it more expensive at the BC-Agent than at the bank branch. And this too when as per RBI directives, the service charge at the BC outlet can be different from the branch charges provided that for each (BC outlet and branch counter), the charges are respectively reasonable and not out of line with the average cost of providing these services.

9.8 With the demand for remittance services at urban locations, there has been a significant increase of the urban BC-Agents. Considering 90 as the average number of transactions in a day, even at a fixed rate of Rs 15 per transaction, the revenue generated in 30 days of a month is about Rs 40,000. Add to this the revenue saved by a bank, like say SBI, in not requiring setting up of exclusive counters for non-home cash depositors (which may cost the bank as high as Rs 60 per transaction leading to an average revenue loss of Rs 35 per transaction). In short, if the bank remunerates the urban BC-Agent at reasonable rates and the fee structure at

⁷ http://dspace.library.iitb.ac.in/jspui/bitstream/10054/1736/1/On_SB_Deposit.pdf



the BC outlet is at par (or possibly below par) with branch charges, the existing BC model could fetch meaningful returns in terms of true service to customers as well as banks.

9.9 The BC-Agents facilitating remittance service in metros and urban locations (on behalf of the BC/Bank) is an alternative to 'over the counter' branch service, ACDMs and ATMs. Accordingly, banks need to invest in urban BC-Agent network as they did to set-up the ATM network in the country. Just because it costs much higher to serve a customer at the branch counters, ATMs were seen as an alternative. For all practical purpose, inspite it costing the bank around Rs 50,000 every month to run an ATM, still ATM services in the country are offered free. However, the same analogy does not exist for urban BCs. Why is the bank not ready to invest in a similar fashion when it comes to urban BCs?

9.10 It is observed that only few banks (primarily SBI and few other public sector banks) in India are overburdened with solving the country's domestic remittance needs. Once the Cash-NEFT facility is effectively mandated by RBI, all banks would become equally responsible. This would lead to the full spectrum of banks working towards alternatives like POS/ACDM and branch arms like Urban BC outlets. As per RBI's, March 2011 data, the Urban/Metro branch presence vis-à-vis Rural/Semi-urban is 95% for foreign banks, 56% for private banks and 42% for public sector banks. Thus it is imperative that each of the foreign and private banks contribute more at the urban locations through providing a meaningful Cash-NEFT facility either directly at branch counters or through extended arms in form of Urban BC outlets. Such a contribution would provide a balanced effort towards financial inclusion by all banks in India.

Recommendations:

1. The bank branches located in Metros and Urban regions should be allowed to use the facility of a BC for supporting the activities of the branch. Such a support is in the form of facilitating the branch due to possible lack of sufficient staff/lack of space/etc. at the branch (leading to inefficient service being rendered to their customers). Keeping the fundamental concept of a BC in the forefront (i.e., an entity which substitutes for a bank branch, where it may not be feasible to take a bank branch), one needs to redefine such BC's working in the near vicinity of a bank branch. Accordingly, such a BC outlet can be designated as *Urban BC* and be considered as extended arms or facilitators of banks in urban location, analogous to an ATM. Such a move would automatically require removal of any possible differentials in service charges at Urban BCs and urban branches (atleast during the branch banking hours). However, such a move **should not** allow the banks to disturb the existing reasonable commission (in absolute terms) that is being paid to the BCs by the banks. Independent of the service charge imposed on the customers at BC service point by the bank, for Urban BCs, an appropriate minimum commission (which makes the BC viable to run) should be arrived at and paid by the banks.

2. Any BC Agent within one Km of any bank branch in Urban regions should be designated the



status of an Urban BC.

3. BCs should be encouraged to have interoperable POS as suggested in Section 8.
4. With respect to the migrant remittances, there has to be a clear procedure in place to plug ways and means that keep gullible people misinformed about the alternatives for which the charges are less.
5. RBI's financial education initiative should have focused awareness programs empowering the migrants about the varied options and their rights; remove any scope or tendency to keep the migrants misinformed on their rights; and develop confidence among them to exercise options as per their convenience and financial capabilities.
6. IBA and BCSBI should also play a pro-active role for the welfare of bank customers. Accordingly they should have a quick survey of the depositors in Delhi and Mumbai standing in long queues to remit money either through a BC or through non-home branch cash deposits.
7. Have the Cash-NEFT facility effectively mandated by RBI so as to make all banks equally responsible for serving the remittance needs of the country. This would lead to the full spectrum of banks working towards alternatives like POS/ACDM and branch arms like Urban BC outlets. It is imperative that each of the foreign and private banks contribute more at the urban locations through providing a meaningful Cash-NEFT facility either directly at branch counters or through extended arms in form of Urban BC outlets. Such a contribution would provide a balanced effort towards financial inclusion by all banks in India.

X. The Recommendations

A. The Bank Codes - IFSC

1. Without disturbing the back end, move each bank to a single universal IFSC (at front end) that is known to all other banks. This would remove the requirement of branch IFSC at the front end. For carrying out NEFT/RTGS, this would then require seeking information of only the beneficiary bank name and account number from the remitter.
2. RBI needs to review and revise the currently laid down NEFT/RTGS procedures. More specifically, work towards simplifying the NEFT/RTGS form by removing the requirement of spelling out IFSC, Account Type, Branch Name, City, etc.
3. Subsequently, to route all NEFT/RTGS transactions, migrate (or map) IFSC to a 4 digit bank code (so as to include the UCBs) that is already set under BSR code.



B. Enveloping RRBs for Inward Remittances

1. Presently the RRBs are not receiving inward remittances to its possible potential. All RRB branches have the inward NEFT facility through their sponsor bank. Every RRB branch being in the remittance corridors should have in place proper remittance awareness programs. This would comprise of educating people in the region on how from any location (where the RRB need not exist) money can be credited to the RRB account through a simple walk-in to any bank branch and doing a Cash-NEFT.
2. RBI and NABARD should desirably facilitate Cash-NEFT, involving RRBs, through its various financial education initiatives.

C. Training of Bank Branch Staff and Awareness Building

1. It is of utmost importance to ensure that every staff of the NEFT enabled bank branch is aware of the facility of Cash-NEFT for non-customers (who need not be holding an account with their bank).
2. Not only to bring in awareness for bank branch staff but also to enable them through actual practice, check whether every branch has actually done more than two Cash-NEFT transactions in the past one month and if not, mandate to carry out a total of ten test Cash-NEFT transactions in the next two weeks. To execute this in all branches of a bank, the bank may provide a bank account of a different bank.
3. Ensure that the Cash-NEFT form is simple and seeking information on only:
Sender's name, address and mobile number
Beneficiary's name, bank name and account number
4. Ensure that "May I Help You" desk is manned properly in every branch and there is helping hand specific to Cash-NEFT initiation.
5. For educating the bank branch staff and public in general, have appropriate banners in place explaining the Cash-NEFT product for walk-in customers (not necessarily holding an account with the bank).
6. An exclusive cash remittance grievance redressal system should be set-up. There should be two numbers advertised for the public to call-in.

D. Removing Barriers for Cash-NEFT - Forced Imposition of Uncalled-for KYC Norms

1. Unless the bank can establish potential fraud beforehand, the information filled in the application form (for Cash-NEFT) by the remitter should not call for any documentary evidence if the amount is Rs 20,000 or less.
2. RBI should mandate that no bank should refuse a Cash-NEFT for want of any documents to establish ID or address subject to point 1 above.



3. Unless the bank can establish potential fraud beforehand, for amounts more than Rs 20,000, but less than Rs 50,000, an ID proof (no address proof) could be sought for facilitating any return transaction.
4. In case of a returned transaction, an appropriate mechanism (which is simple and secure) to return funds should be standardised.

E. Rationalising Charges for Providing the Service of Cash-NEFT by Banks

1. Keeping a balance between bank's true expenditure to provide the service of Cash-NEFT and with an eye to popularize its features, the walk-in customer charges for Cash-NEFT should be revised.
2. To encourage all banks in undertaking small value NEFT transactions in cash, we suggest for the charges as:

| Cash-NEFT Amount (Rs) | Proposed Charges (Rs) Inclusive of Service Tax |
|--------------------------|---|
| 1-10000 | 15 |
| 10001-20000 | 30 |
| 20001-50000 | 40 |

It may be noted that the charges indicated above are the maximum that can be recovered by banks from their customers. Levying the charges would also serve the dual purpose to encourage customers to move away from depositing cash over manned counters to card based deposit machines and/or mobile based remittances. We need to provide customer education for this purpose.

F. Harnessing the National Financial Switch for Interoperable Cash-Deposits

1. NPCI/MasterCard/Visa to take up the feature of reverse debit (cash deposit) under its interoperable (POS) debit card platform and test case the same among all banks. The same needs to be executed for ACDMs.
2. Where ever there is a need, banks should issue RuPay based add-on debit cards (with cash withdrawal facility disabled) in line with Green-Remit card of SBI.
3. Set appropriate reverse interchange to incentivize banks. A suggested reverse interchange is Rs 15 for the first Rs 10,000 cash deposit. For every additional Rs 10,000 the reverse interchange could be Rs 5. The beneficiary bank should debit reverse interchange amount plus Rs 5 from the beneficiary account. Thus the fee structure for the beneficiary account is



| Cash Deposit Amount (Rs) | Proposed Charges (Rs) Inclusive of Service Tax |
|--------------------------|--|
| 1-10000 | 20 |
| 10001-20000 | 25 |
| 20001-30000 | 30 |
| 30001-40000 | 35 |
| 40001-50000 | 40 |

However, to popularise the interoperable system, the banks should allow two such cash deposit (On-Us and/or Off-Us) transactions per month without any charges for amounts not exceeding Rs 20,000.

4. For every such transaction over POS or ACDM, a maximum of Rs 50,000 can be deposited.
5. Monthly cash deposits in an account beyond Rs 50,000 be charged an additional Rs 2 for every Rs 1000.

G. Redefining BC at Urban Locations

1. The bank branches located in Metros and Urban regions should be allowed to use the facility of a BC for supporting the activities of the branch. Such a support is in the form of facilitating the branch due to possible lack of sufficient staff/lack of space/etc. at the branch (leading to inefficient service being rendered to their customers). Keeping the fundamental concept of a BC in the forefront (i.e., an entity which substitutes for a bank branch, where it may not be feasible to take a bank branch), one needs to redefine such BC's working in the near vicinity of a bank branch. Accordingly, such a BC outlet can be designated as *Urban BC* and be considered as extended arms or facilitators of banks in urban location, analogous to an ATM. Such a move would automatically require removal of any possible differentials in service charges at Urban BCs and urban branches (atleast during the branch banking hours). However, such a move **should not** allow the banks to disturb the existing reasonable commission (in absolute terms) that is being paid to the BCs by the banks. Independent of the service charge imposed on the customers at BC service point by the bank, for Urban BCs, an appropriate minimum commission (which makes the BC viable to run) should be arrived at and paid by the banks.
2. Any BC Agent within one Km of any bank branch in Urban regions should be designated the status of an Urban BC.
3. BCs should be encouraged to have interoperable POS as suggested in Section 8.
4. With respect to the migrant remittances, there has to be a clear procedure in place to plug ways and means that keep gullible people misinformed about the alternatives for which the charges are less.
5. RBI's financial education initiative should have focused awareness programs empowering the migrants about the varied options and their rights; remove any scope or tendency to keep the migrants misinformed on their rights; and develop confidence among them to exercise options as per their convenience and financial capabilities.



6. IBA and BCSBI should also play a pro-active role for the welfare of bank customers. Accordingly they should have a quick survey of the depositors in Delhi and Mumbai standing in long queues to remit money either through a BC or through non-home branch cash deposits.

7. Have the Cash-NEFT facility effectively mandated by RBI so as to make all banks equally responsible for serving the remittance needs of the country. This would lead to the full spectrum of banks working towards alternatives like POS/ACDM and branch arms like Urban BC outlets. It is imperative that each of the foreign and private banks contribute more at the urban locations through providing a meaningful Cash-NEFT facility either directly at branch counters or through extended arms in form of Urban BC outlets. Such a contribution would provide a balanced effort towards financial inclusion by all banks in India.

Acknowledgements

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Author's note: In order to stimulate discussions and receive valued comments, the paper is being put in the public domain in form of a Technical Report.



Appendix A

| Scheduled Commercial Banks participating in NEFT | | | |
|--|------------------------------------|--|---|
| Sr. No. | Name of Bank | IFSC Branch Redundancy for Inward NEFT | Number of branches as on April 30, 2012 |
| Public Sector Banks | | | |
| 1 | ALLAHABAD BANK | Yes | 3049 |
| 2 | ANDHRA BANK | No | 1753 |
| 3 | BANK OF BARODA | Yes | 3895 |
| 4 | BANK OF INDIA | Yes | 4008 |
| 5 | BANK OF MAHARASHTRA | Yes | 1565 |
| 6 | CANARA BANK | Yes | 3746 |
| 7 | CENTRAL BANK OF INDIA | Yes | 4155 |
| 8 | CORPORATION BANK | No | 1443 |
| 9 | DENA BANK | Yes | 1272 |
| 10 | IDBI BANK | Yes | 1081 |
| 11 | INDIAN BANK | Yes | 1888 |
| 12 | INDIAN OVERSEAS BANK | | 2684 |
| 13 | ORIENTAL BANK OF COMMERCE | Yes | 1790 |
| 14 | PUNJAB AND SIND BANK | Yes | 641 |
| 15 | PUNJAB NATIONAL BANK | Yes | 5668 |
| 16 | STATE BANK OF BIKANER AND JAIPUR | Yes | 945 |
| 17 | STATE BANK OF HYDERABAD | Yes | 1439 |
| 18 | STATE BANK OF INDIA | Yes | 15177 |
| 19 | STATE BANK OF MYSORE | Yes | 735 |
| 20 | STATE BANK OF PATIALA | Yes | 1044 |
| 21 | STATE BANK OF TRAVANCORE | Yes | 884 |
| 22 | SYNDICATE BANK | Yes | 2876 |
| 23 | UCO BANK | Yes | 2394 |
| 24 | UNION BANK OF INDIA | Yes | 3241 |
| 25 | UNITED BANK OF INDIA | Yes | 1689 |
| 26 | VIJAYA BANK | Yes | 1430 |
| Private Sector Banks | | | |
| 1 | SBI Commercial and Int. Bank Ltd. | NP | |
| 2 | AXIS BANK | Yes | 1669 |
| 3 | CATHOLIC SYRIAN BANK | Yes | 372 |
| 4 | CITY UNION BANK | | 284 |
| 5 | DEVELOPMENT CREDIT BANK | | 89 |
| 6 | DHANALAXMI BANK | | 276 |
| 7 | FEDERAL BANK | Yes | 962 |
| 8 | HDFC BANK LTD. | Yes | 2639 |
| 9 | INDUS-IND BANK | Yes | 372 |
| 10 | ICICI BANK LTD. | Yes | 2622 |
| 11 | JAMMU & KASHMIR BANK | | 644 |
| 12 | KARNATAKA BANK | Yes | 539 |
| 13 | KARUR VYSYA BANK | Yes | 486 |
| 14 | KOTAK MAHINDRA BANK | Yes | 381 |
| 15 | LAKSHMI VILAS BANK | Yes | 317 |
| 16 | ING VYSYA BANK | Yes | 570 |
| 17 | NAINITAL BANK LTD | No | 101 |
| 18 | RATNAKAR BANK | | 102 |
| 19 | SOUTH INDIAN BANK | Yes | 701 |
| 20 | TAMILNADU MERC. BANK | Yes | 293 |
| 21 | YES BANK | Yes | 325 |
| Foreign Banks | | | |
| 1 | AB Bank Ltd. | NP | |
| 2 | American Express Banking Corp. | NP | |
| 3 | Antwerp Diamond Bank NV | NP | |
| 4 | Bank International Indonesia | NP | |
| 5 | Commonwealth Bank of Australia | NP | |
| 6 | Credit Suisse AG | NP | |
| 7 | JSC VTB Bank | NP | |
| 8 | Krung Thai Bank Public Co. Ltd. | NP | |
| 9 | Sber Bank | NP | |
| 10 | Sonali Bank | NP | |
| 11 | United Overseas Bank Ltd. | NP | |
| 12 | ABU DHABI COMMERCIAL BANK | | 2 |
| 13 | B N P PARIBAS BANK | | 8 |
| 14 | BANK OF AMERICA | | 5 |
| 15 | BANK OF BAHREIN & KUWAIT | Yes | 1 |
| 16 | BANK OF CEYLON | | 1 |
| 17 | BANK OF NOVA SCOTIA | | 5 |
| 18 | BANK OF TOKYO-MITSUBISHI | | 3 |
| 19 | BARCLAYS BANK | | 1 |
| 20 | CHINATRUST COMMERCIAL BANK | | 1 |
| 21 | CITI BANK | Yes | 42 |
| 22 | CREDIT AGRICOLE CORP N INVSMT BANK | | 6 |
| 23 | DEUTSCHE BANK | Yes | 15 |
| 24 | DEVELOPMENT BANK OF SINGAPORE | | 12 |
| 25 | FIRSTRAND BANK | | 1 |
| 26 | HONG KONG & SHANGHAI BANK | Yes | 51 |
| 27 | JP MORGAN CHASE BANK | | 1 |
| 28 | MASHREQ BANK | | 1 |
| 29 | MIZUHO CORPORATE BANK LTD | | 3 |
| 30 | OMAN INTERNATIONAL BANK | | 1 |
| 31 | SHINHAN BANK | | 3 |
| 32 | SOCIETE GENERALE | | 2 |
| 33 | STANDARD CHARTERED BANK | Yes | 95 |
| 34 | STATE BANK OF MAURITIUS | Yes | 1 |
| 35 | THE ROYAL BANK OF SCOTLAND | Yes | 31 |
| 36 | UBS AG | | 1 |

NP stands for bank not participating in NEFT. Brown highlight stands for branches requiring IFSC for inward NEFT. Branches corresponding to banks who did not respond have been marked in bold.



Appendix B

NATIONAL ELECTRONIC FUND TRANSFER (NEFT) - APRIL - 2012

| S. No. | BANK | RECEIVED INWARD CREDITS | | **Yes* as Response Bank Type | | | *No* as Response | Total | |
|--------|-------------------------------------|-------------------------|----------------------|------------------------------|---------|---------|------------------|-------|----|
| | | NO. OF TRANSACTIONS | AMOUNT (Rs. Million) | Public | Private | Foreign | | | |
| 1 | ABHYUDAYA CO-OP BANK LTD | 20684 | 869.71 | | | | 1 | | |
| 2 | ABU DHABI COMMERCIAL BANK | 513 | 254.14 | | | | | | |
| 3 | AHMEDABAD MERCANTILE COOP BANK | 2490 | 126.57 | | | | | | |
| 4 | ALLAHABAD BANK | 215691 | 23420.40 | 1 | | | | | |
| 5 | ANDHRA BANK | 571318 | 19956.73 | | | | 1 | | |
| 6 | ANZ Banking Group Limited | 29 | 1813.03 | | | | | | |
| 7 | AFANA SAHAKARI BANK LTD. | 37 | 9.21 | | | | | | |
| 8 | AXIS BANK | 1395962 | 92777.85 | | 1 | | | | |
| 9 | B N PARIBAS | 60225 | 22093.52 | | | | | | |
| 10 | BANK OF AMERICA | 15587 | 6758.10 | | | | | | |
| 11 | BANK OF BAHARIEN AND KUWAIT | 913 | 108.87 | | | 1 | | | |
| 12 | BANK OF BARODA | 648515 | 55119.99 | 1 | | | | | |
| 13 | BANK OF CEYLON | 164 | 45.17 | | | | | | |
| 14 | BANK OF INDIA | 749054 | 48238.75 | 1 | | | | | |
| 15 | BANK OF MAHARASHTRA | 253443 | 13763.57 | 1 | | | | | |
| 16 | BANK OF NOVA SCOTIA | 679 | 931.92 | | | | | | |
| 17 | BANK OF TOKYO AND MITSUBISHI | 1393 | 1676.70 | | | | | | |
| 18 | BARCLAYS BANK | 5360 | 2509.51 | | | | | | |
| 19 | BASEIN CATHOLIC CO-OP BANK LTD | 3395 | 152.18 | | | | | | |
| 20 | BHARAT CO-OP BANK LTD | 12464 | 813.29 | | | | | | |
| 21 | CANARA BANK | 720564 | 38757.25 | 1 | | | | | |
| 22 | CATHOLIC SYRIAN BANK LTD. | 26760 | 1430.49 | | | 1 | | | |
| 23 | CENTRAL BANK OF INDIA | 356934 | 27367.69 | 1 | | | | | |
| 24 | CHINATRUST COMMERCIAL BANK | 65 | 46.51 | | | | | | |
| 25 | CITI BANK | 664741 | 89247.41 | | | 1 | | | |
| 26 | CITIZEN CREDIT COOPERATIVE BANK LTD | 3360 | 280.05 | | | | | | |
| 27 | CITY UNION BANK LTD | 69108 | 4615.67 | | | | | | |
| 28 | CORPORATION BANK | 307873 | 24410.54 | | | | 1 | | |
| 29 | COSMOS COOPERATIVE BANK | 29328 | 2037.36 | | | | | | |
| 30 | CREDIT AGRICOLE CORP N INVSMTN BANK | 396 | 527.23 | | | | | | |
| 31 | CREDIT SUISSE AG | 1 | 0.05 | | | | | | |
| 32 | DENA BANK | 138502 | 11725.72 | 1 | | | | | |
| 33 | DEUSTCHE BANK | 210574 | 35702.21 | | | 1 | | | |
| 34 | DEVELOPMENT BANK OF SINGAPORE | 2116 | 2925.08 | | | | | | |
| 35 | DEVELOPMENT CREDIT BANK | 24580 | 2525.23 | | | | | | |
| 36 | DHANLAXMI BANK LTD | 35904 | 2322.96 | | | | | | |
| 37 | DICGC | 67 | 7.24 | | | | | | |
| 38 | DOMBIVLI NAGRIK SAHAKARI BANK | 4802 | 218.23 | | | | | | |
| 39 | FEDERAL BANK | 170294 | 12182.39 | | 1 | | | | |
| 40 | FIRSTRAND BANK | 29 | 7.24 | | | | | | |
| 41 | GREATER BOMBAY CO-OP BANK | 3896 | 171.85 | | | | 1 | | |
| 42 | HDFC BANK | 2583387 | 242461.02 | | 1 | | | | |
| 43 | HSBC BANK | 213357 | 43623.79 | | | | 1 | | |
| 44 | ICICI BANK LTD | 2394116 | 127016.49 | | 1 | | | | |
| 45 | IDBI BANK | 495369 | 58418.62 | 1 | | | | | |
| 46 | INDIAN BANK | 590469 | 23854.45 | 1 | | | | | |
| 47 | INDIAN OVERSEAS BANK | 482151 | 25784.49 | | | | | | |
| 48 | INDUSIND BANK | 89650 | 12228.87 | | | 1 | | | |
| 49 | ING VYSYA BANK | 174544 | 17272.29 | | | 1 | | | |
| 50 | JAMMU AND KASHMIR BANK LTD | 39911 | 3869.90 | | | | | | |
| 51 | JANAKALYAN SAHAKARI BANK LTD | 5315 | 340.94 | | | | | | |
| 52 | JANATA SAHAKARI BANK LTD | 2936 | 368.37 | | | | | | |
| 53 | JP MORGAN BANK | 1479 | 6434.26 | | | | | | |
| 54 | KALLAPPANNA AWADE IJSB LTD | 55 | 5.16 | | | | | | |
| 55 | KALUPUR COMM COOPERATIVE BANK | 5286 | 343.63 | | | | | | |
| 56 | KALYAN JANATA SAHAKARI BANK | 2423 | 104.14 | | | | 1 | | |
| 57 | KAPOLE BANK | 1574 | 98.17 | | | | | | |
| 58 | KARAD URBAN CO-OP BANK LTD | 817 | 48.74 | | | | | | |
| 59 | KARNATAKA BANK LTD | 108876 | 5765.87 | | 1 | | | | |
| 60 | KARNATAKA STATE COOP APEX BANK | 665 | 64.47 | | | | | | |
| 61 | KARUR VYSYA BANK | 158396 | 10542.88 | | 1 | | | | |
| 62 | KOTAK MAHINDRA BANK LTD | 269743 | 30218.78 | | 1 | | | | |
| 63 | LAKSHMI VILAS BANK LTD | 41565 | 3261.63 | | 1 | | | | |
| 64 | MAHANAGAR COOP BANK LTD | 2320 | 172.97 | | | | | | |
| 65 | MAHARASHTRA STATE CO-OP BANK LTD | 2124 | 432.28 | | | | | | |
| 66 | MASHREQ BANK | 35 | 9.06 | | | | | | |
| 67 | MEHSANA URBAN COOPERATIVE BANK LTD | 1300 | 137.50 | | | | | | |
| 68 | MIZUHO CORPORATE BANK LTD | 244 | 1094.72 | | | | | | |
| 69 | NAGPUR NAGRIK SAHAKARI BANK LTD | 112 | 10.35 | | | | | | |
| 70 | NAINITAL BANK LTD | 3488 | 359.16 | | | | 1 | | |
| 71 | NEW INDIA CO-OP BANK | 4959 | 218.49 | | | | | | |
| 72 | NGSB BANK | 7215 | 446.39 | | | | | | |
| 73 | NUTAN NAGARIK SAHAKARI BANK LTD | 2647 | 129.76 | | | | | | |
| 74 | OMAN INTERNATIONAL BANK | 111 | 33.51 | | | | | | |
| 75 | ORIENTAL BANK OF COMMERCE | 304805 | 27803.09 | 1 | | | | | |
| 76 | PARSIK JANATA SAHAKARI BANK | 4522 | 161.09 | | | | | | |
| 77 | PUNJAB AND MAHARASHTRA CO BANK | 9534 | 404.69 | | | | | | |
| 78 | PUNJAB AND SIND BANK | 31421 | 2583.19 | 1 | | | | | |
| 79 | PUNJAB NATIONAL BANK | 1063384 | 55728.04 | 1 | | | | | |
| 80 | RAIKOT NAGARIK SAHAKARI BANK LTD | 1041 | 106.12 | | | | | | |
| 81 | RATNAKAR BANK LTD | 4162 | 934.85 | | | | | | |
| 82 | RBI PAD | 517 | 204.07 | | | | | | |
| 83 | SARASWAT CO-OP BANK LTD. | 47603 | 4254.57 | | | | | | |
| 84 | SHAMRAO VITHAL CO-OP BANK LTD | 20003 | 2089.88 | | | | | | |
| 85 | SHINHAN BANK | 374 | 340.25 | | | | | | |
| 86 | SOCIETE GENERALE | 69 | 452.61 | | | | | | |
| 87 | SOUTH INDIAN BANK | 116485 | 10149.84 | | 1 | | | | |
| 88 | STANDARD CHARTERED BANK | 311383 | 50438.24 | | | | 1 | | |
| 89 | STATE BANK OF BIKANER AND JAIPUR | 164815 | 12519.36 | 1 | | | | | |
| 90 | STATE BANK OF HYDERABAD | 386190 | 16969.11 | 1 | | | | | |
| 91 | STATE BANK OF INDIA | 4402510 | 438085.18 | 1 | | | | | |
| 92 | STATE BANK OF MAURITIUS | 147 | 444.87 | | | | 1 | | |
| 93 | STATE BANK OF MYSORE | 158595 | 12116.83 | 1 | | | | | |
| 94 | STATE BANK OF PATIALA | 133680 | 9308.09 | 1 | | | | | |
| 95 | STATE BANK OF TRAVANCORE | 243601 | 11549.46 | 1 | | | | | |
| 96 | SURAT PEOPLES COOPERATIVE BANK | 2138 | 86.63 | | | | | | |
| 97 | SYNDICATE BANK | 488607 | 20929.37 | 1 | | | | | |
| 98 | TAMIL NADU STATE APEX COOP BANK | 2394 | 104.68 | | | | | | |
| 99 | TAMILNADU MERCANTILE BANK | 74190 | 4069.01 | | 1 | | | | |
| 100 | THANE BHARAT SAHAKARI BANK LTD | 48 | 10.04 | | | | | | |
| 101 | THANE JANATA SAHAKARI BANK LTD | 13962 | 1078.11 | | | | | | |
| 102 | THE A. P. MAHESH URBAN CO-OP BANK L | 447 | 39.46 | | | | 1 | | |
| 103 | THE NASIK MERCHANTS CO-OP BANK LTD. | 838 | 42.61 | | | | | | |
| 104 | THE ROYAL BANK OF SCOTLAND N.V | 105619 | 12688.27 | | | 1 | | | |
| 105 | UBS AG | 26 | 8.15 | | | | | | |
| 106 | UCO BANK | 206381 | 11619.75 | 1 | | | | | |
| 107 | UNION BANK OF INDIA | 618038 | 49458.66 | 1 | | | | | |
| 108 | UNITED BANK OF INDIA | 177415 | 10227.70 | 1 | | | | | |
| 109 | VIJAYA BANK | 196961 | 10755.83 | 1 | | | | | |
| 110 | WEST BENGAL STATE COOPERATIVE BANK | 702 | 30.45 | | | | | | |
| 111 | YES BANK | 60131 | 14044.84 | | 1 | | | | |
| | Total | 23765181 | 1954955.76 | | | | | | |
| | Total in Million & Billion | 23.77 Million | 1954.96 Billion | | | | | | |
| | Total Number of Banks | | | 23 | 14 | 7 | 3 | 4 | 51 |



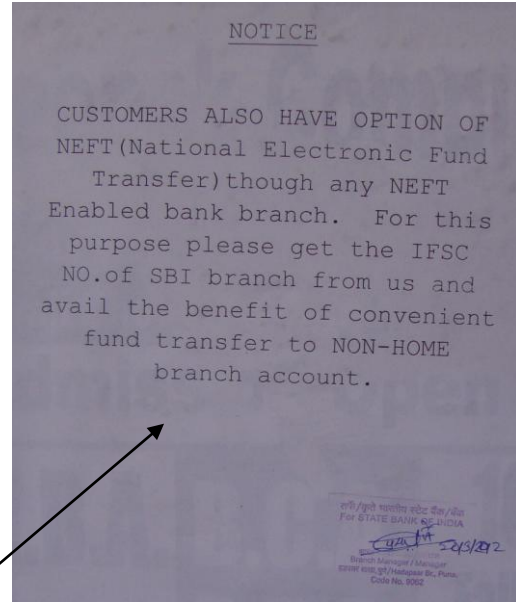
Appendix C

| Scheduled Commercial Banks participating in NEFT (As at end-April 2012) | | | |
|--|--|---------|----------------|
| Sr. No. | Name of the Bank | "No" ID | Total Branches |
| Public Sector Banks | | 18 | |
| 1 | Allahabad Bank | 1 | 3,049 |
| 2 | Andhra Bank | | 1,753 |
| 3 | Bank of Baroda | 1 | 3,895 |
| 4 | Bank of India | | 4,008 |
| 5 | Bank of Maharashtra | 1 | 1,565 |
| 6 | Canara Bank | 1 | 3,746 |
| 7 | Central Bank of India | 1 | 4,155 |
| 8 | Corporation Bank | 1 | 1,443 |
| 9 | Dena Bank | | 1,272 |
| 10 | Indian Bank | 1 | 1,888 |
| 11 | Indian Overseas Bank | 1 | 2,684 |
| 12 | Oriental Bank of Commerce | | 1,790 |
| 13 | Punjab and Sind Bank | 1 | 641 |
| 14 | Punjab National Bank | 1 | 5,668 |
| 15 | Syndicate Bank | | 2,876 |
| 16 | UCO Bank | 1 | 2,394 |
| 17 | Union Bank of India | 1 | 3,241 |
| 18 | United Bank of India | 1 | 1,689 |
| 19 | Vijaya Bank | 1 | 1,430 |
| 20 | IDBI Bank Ltd. | 1 | 1,081 |
| 21 | State Bank of India | 1 | 15,177 |
| 22 | State Bank of Bikaner and Jaipur | | 945 |
| 23 | State Bank of Hyderabad | 1 | 1,439 |
| 24 | State Bank of Mysore | 1 | 735 |
| 25 | State Bank of Patiala | | 1,044 |
| 26 | State Bank of Travancore | | 884 |
| Private Sector Banks | | 5 | |
| 1 | Catholic Syrian Bank Ltd. | 1 | 372 |
| 2 | City Union Bank Ltd. | | 284 |
| 3 | Dhanalakshmi Bank Ltd. | | 276 |
| 4 | Federal Bank Ltd. | | 962 |
| 5 | ING Vysya Bank | 1 | 570 |
| 6 | Jammu and Kashmir Bank Ltd. | | 644 |
| 7 | Karnataka Bank Ltd. | 1 | 539 |
| 8 | Karur Vysya Bank Ltd. | | 486 |
| 9 | Lakshmi Vilas Bank Ltd. | | 317 |
| 10 | Nainital Bank Ltd. | | 101 |
| 11 | Ratnakar Bank Ltd. | | 102 |
| 12 | SBI Commercial and Int. Bank Ltd. | | |
| 13 | South Indian Bank Ltd. | 1 | 701 |
| 14 | Tamilnad Mercantile Bank Ltd. | | 293 |
| 15 | Axis Bank Ltd. | | 1,669 |
| 16 | Development Credit Bank Ltd. | | 89 |
| 17 | HDFC Bank Ltd. | | 2,639 |
| 18 | ICICI Bank Ltd. | 1 | 2,622 |
| 19 | IndusInd Bank Ltd. | | 372 |
| 20 | Kotak Mahindra Ltd. | | 381 |
| 21 | Yes Bank Ltd. | | 325 |
| Foreign Banks | | 0 | |
| 1 | AB Bank Ltd. | | |
| 2 | Abu Dhabi Commercial Bank Ltd. | | 2 |
| 3 | American Express Banking Corp. | | |
| 4 | Antwerp Diamond Bank NV | | |
| 5 | BNP Paribas | | 8 |
| 6 | Bank International Indonesia | | |
| 7 | Bank of America National Association | | 5 |
| 8 | Bank of Bahrain & Kuwait B.S.C. | | 1 |
| 9 | Bank of Ceylon | | 1 |
| 10 | Bank of Nova Scotia | | 5 |
| 11 | Barclays Bank PLC | | 1 |
| 12 | Chinatrust Commercial Bank | | 1 |
| 13 | Citibank N.A. | | 42 |
| 14 | Commonwealth Bank of Australia | | |
| 15 | Credit Agricole Corporate & Investment | | 6 |
| 16 | Credit Suisse AG | | |
| 17 | DBS Bank Ltd. | | 12 |
| 18 | Deutsche Bank (Asia) | | 15 |
| 19 | First Rand Bank | | 1 |
| 20 | HSBC Ltd. | | 51 |
| 21 | JPMorgan Chase Bank | | 1 |
| 22 | JSC VTB Bank | | |
| 23 | Krung Thai Bank Public Co. Ltd. | | |
| 24 | Mashreqbank PSC | | 1 |
| 25 | Mizuho Corporate Bank Ltd. | | 3 |
| 26 | Oman International Bank S.A.O.G. | | 1 |
| 27 | Sber Bank | | |
| 28 | Shinhan Bank | | 3 |
| 29 | Societe Generale | | 2 |
| 30 | Sonali Bank | | |
| 31 | Standard Chartered Bank | | 95 |
| 32 | State Bank of Mauritius Ltd. | | 1 |
| 33 | The Bank of Tokyo-Mitsubishi UFJ | | 3 |
| 34 | The Royal Bank of Scotland N V | | 31 |
| 35 | UBS AG | | 1 |
| 36 | United Overseas Bank Ltd. | | |

Yellow highlight stand for branches requiring no ID. Brown highlight stand for branches necessarily requiring ID. Banks who did not respond have not been highlighted. For a bank not participating in NEFT, number of branches is not indicated.



Appendix D





The picture shows the disappointment and helplessness of a gullible person after moving through queues to find the fees being imposed under the new set-up arranged by the bank branch. Moreover this information in English may not be easy to comprehend in the first instance even by a person knowing little English.

Complaints / Suggestions:
SMS: 9594976145
E-mail: customersupport@zero-mass.org.

SBI TINY State Bank of India **ZERO**

Revised Charges to be Levied to Customers at all SBI-Tiny Outlets of Zero Microfinance and Savings Support Foundation
(as per SBI's Letter No. RBNF/AC/248 dated 10th May 2011)

| Transaction Description | Charges that must be levied to Customer (Urban/Metro) |
|---|--|
| 1 Enrolment for Account Opening | Rs. 100 (urban/Metro) / Rs. 25 (Rural/Semi-urban) one time at the time of enrollment |
| 2 Account Maintenance Charge | Rs. 4 per month |
| 3 Cash Deposit Transaction | 0.25% of amount deposited, minimum Re. 1, maximum Rs. 6 |
| 4 Cash Withdrawal Transactions | 0.50% of the amount transacted (Min Rs. 2, Max. Rs. 12) |
| 5 Account to Account Remittance | 1% of amount remitted - minimum Rs. 2 |
| 6 Tatkal Remittance | 2% of amount remitted - minimum Rs. 25, maximum Rs. 100 |
| 7 Tatkal Beneficiary Account Registration | Rs. 25 one time, for each beneficiary account registration |
| 8 Smart Card | Rs. 40 (this is optional). At the time of enrollment |
| 9 Photo ID Card | Rs. 15 (this is optional). At the time of enrollment |

Example of charges for Tatkal (cash-to-account)
(2% fee, min. Rs. 25, max Rs. 100)

| Amount to be deposited in beneficiary account (Rs.) | Fee paid to SBI (Rs.) | Total Amount to be paid by Customer including Fee |
|---|-----------------------|---|
| 500 | 25 | 525 |
| 1000 | 25 | 1025 |
| 1500 | 30 | 1530 |
| 2000 | 40 | 2040 |
| 3000 | 60 | 3060 |
| 4000 | 80 | 4080 |
| 5000 | 100 | 5100 |
| 6000 | 100 | 6100 |
| 8000 | 100 | 8100 |
| 9900 | 100 | 10000 |

Maximum Rs. 10,000

Example of charges for Account-to-Account Transfer
(1% fee, subject to a min. fee of Rs. 2)

| Amount to be deposited in beneficiary account (Rs.) | Fee paid to SBI (Rs.) | Total Amount to be paid by Customer including Fee |
|---|-----------------------|---|
| 400 | 4 | 404 |
| 1000 | 10 | 1010 |
| 1500 | 15 | 1515 |
| 2000 | 20 | 2020 |
| 3000 | 30 | 3030 |
| 4000 | 40 | 4040 |
| 5000 | 50 | 5050 |
| 6000 | 60 | 6060 |
| 8000 | 80 | 8080 |
| 9900 | 100 | 10000 |

Maximum Rs. 10,000

Example of charges for Cash Deposit
(0.25% fee, min. Re. 1, max. Rs. 6)

| Amount to be deposited in beneficiary account (Rs.) | Fee paid to SBI (Rs.) | Total Amount to be paid by Customer including Fee |
|---|-----------------------|---|
| 49 | 1 | 50 |
| 99 | 1 | 100 |
| 399 | 1 | 400 |
| 798 | 2 | 800 |
| 997.5 | 2.5 | 1000 |
| 1995 | 5 | 2000 |
| 2994 | 6 | 3000 |
| 4994 | 6 | 5000 |
| 7994 | 6 | 8000 |
| 9994 | 6 | 10000 |

Maximum Rs. 10,000. Multiples of Rs. 50

Example of charges for Cash Withdrawal
(0.5% fee, min. Rs. 2, max. Rs. 12)

| Amount to be debited from beneficiary account (Rs.) | Fee paid to SBI (Rs.) | Total Amount to be paid to Customer after deducting Fee |
|---|-----------------------|---|
| 52 | 2 | 50 |
| 102 | 2 | 100 |
| 402 | 2 | 400 |
| 1005 | 5 | 1000 |
| 2010 | 10 | 1000 |
| 3012 | 12 | 2000 |
| 5012 | 12 | 3000 |
| 6012 | 12 | 5000 |
| 8012 | 12 | 8000 |
| 10000 | 12 | 9988 |

Maximum Rs. 10,000

Rs. 10,000 Daily Limit for any customer's account | Ensure your printed receipt clearly shows the fee charged to you.