



Statement of Facts

Relating to SBI's 'Statement of clarification on media reports based on the [IIT Bombay Study](#)'

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As a consequence of the release of an IIT Bombay report¹, there had been several media reports covering conclusions drawn that related to SBI. Subsequently, SBI issued a 'Statement of clarification'. This note provides a 'Statement of Facts' to supplement the 'IIT Bombay report' and SBI's 'Statement of clarification'.

1. The Pradhan Mantri Jan Dhan Yojana (PMJDY) facilitated opening of Basic Savings Bank Deposit Accounts (BSBDAs) by unbanked households based on the guiding principles of banking the unbanked and securing the unsecured. SBI has been in the forefront to implement the *yojana* and has done a commendable job to serve the financial inclusion mission of the country over years. Today we have over 60 crore BSBDAs, which constitutes 35% of savings bank accounts in India.

In what follows, SBI's text from their 'Statement of clarification' is shown in BLUE. For SBI's original release, see Appendix A.

Statement of clarification on media reports based on the Study by IIT Bombay Mumbai, April 15, 2021: "Reserve Bank of India, during Aug'12 mandated that Banks are free to levy reasonable charges in BSBD accounts beyond 4 free transactions. The availment of such additional services shall be at the option of the customers. Accordingly, SBI introduced charges for Debit transactions beyond four free transactions in BSBD accounts w.e.f 15.06.2016 with prior intimation to the customers.

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

A version of this 'Statement of Facts' was shared with SBI, RBI and DFS on April 16, 2021 for possible comments/dissent. Till the time of release of this note, no comments were received.

¹ Das, Ashish (2021). Regulating Basic Savings Bank Deposit Accounts – Do we need to care for these marginalized depositors? IIT Bombay Technical Report, April 11, 2021. <http://dspace.library.iitb.ac.in/jspui/handle/100/36650>



What was RBI's August 2012 mandate?

2. The RBI's August 2012 mandate stated,

"2. ... banks are advised to offer a 'Basic Savings Bank Deposit Account' which will offer following minimum common facilities to all their customers:

i. The 'Basic Savings Bank Deposit Account' should be considered a normal banking service available to all.

ii. This account shall not have the requirement of any minimum balance.

iii. The services available in the account will include deposit and withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments;

*iv. 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*

v. Facility of ATM card or ATM-cum-Debit Card;

3. The above facilities will be provided without any charges. Further, no charge will be levied for non-operation/activation of in-operative 'Basic Savings Bank Deposit Account'.

*4. 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."*

What do we interpret of the RBI's August 2012 mandate?

3. As per the mandate, minimum common facilities include **"account holders will be allowed a maximum of four withdrawals in a month"**. Therefore, at least in this mandate, **the question of "Banks are free to levy reasonable charges in BSBD accounts *beyond 4 free transactions*" does not arise** because of the explicit and non-superfluous words **"maximum of"** in the mandate "allowed a maximum of four withdrawals". Nevertheless...

RBI's subsequent September 2013 mandate

4. In the interest of clarity, in September 2013, RBI issued detailed guidelines (clarification-circular) on how to interpret the August 2012 circular on BSBD.² In SBI's present "Statement of clarification on media reports based on the Study by IIT Bombay", there is no mention of the September 2013 circular.

5. SBI has conveniently not mentioned the RBI's September 2013 circular on FAQs that are still available in Annex VII of the extant July 1, 2015 'Master Circular on Customer Service in Banks'. As already highlighted in the IIT Bombay (IIT-B) report, **it is not the August 2012, but the subsequent September 2013 circular or the July 2015 Master Circular that explains the characteristic features**

² 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



of a BSBDA unequivocally. Accordingly, the BSBDA holders are allowed more than four withdrawals in a month, at the bank's discretion, provided the bank does not charge for the same. In a BSBDA, banks cannot charge, and if they do, the account is not a BSBDA.

6. Just highlighting the August 2012 circular and not mentioning the RBI's September 2013 circular or the July 2015 Master Circular on BSBDA, is analogous to referring to a July 2012 circular of RBI on "NEFT System - Rationalisation of Customer Charges", and imposing charges for mobile/internet based NEFT transactions in the year 2021, despite there being a December 2019 circular of RBI on "Furthering Digital Payments – Waiver of Charges – NEFT System", which prohibits the same.

7. Though RBI has always referred to the August 2012 circular in conjunction with the September 2013 or the July 2015 Master Circular, SBI's not highlighting the 'September 2013 circular of RBI', which has been covered thoroughly in Section II of the IIT-B report, is not in sync with proper consumer education. The question of charging "with prior intimation to the customers" does not arise, when as **per the September 2013 circular or the July 2015 Master Circular of RBI, the bank cannot impose service charges on a running BSBDA.** It had been with respect to this technicality that the question arose of how Rs 300 crore got collected during the five-year period 2015-20, in breach of regulations.

8. In this context, it is pertinent to highlight a paragraph from the IIT-B report showcasing refunds made to BSBDA's customers by ICICI Bank, on the basis of RBI's September 2013 circular.

15. Even ICICI Bank had sought written clarification from RBI regarding imposition of charges on BSBDA's. 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. ICICI Bank writes:

"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."

SBI is silent on the question of reasonableness in fixing a charge of Rs 17.70 for every digital transaction

9. Even if we keep aside the above technicalities involving RBI's September 2013 circular, the question still remains as to how SBI could have been compliant with respect to the RBI's August 2012 and July 2015 mandates on "Principles for ensuring reasonableness in fixing the service charges"? Such reasonableness of charges was to be ensured by the banks' Board of Directors based on the regulatory



principles as mandated by RBI (see, Appendix B). Under such principles mandated by RBI, when SBI imposes a charge of Rs 17.70 for every unassisted debit card-, online- and mobile-based digital transaction, are such charges just? **The charge of Rs 17.70 for an unassisted digital debit transaction, is neither reasonable nor just.**

CBDT during August 2020, advised Banks to refund the charges collected, if any, on or after 01.01.2020 on transactions carried out using the digital mode and not to impose charges on future transactions carried out through such modes.

In terms of CBDT directives, SBI has refunded the charges recovered in respect of all the digital transactions to the BSBD customers w.e.f. 01.01.2020 to 14.09.2020. SBI has stopped recovering charges in such accounts on all digital transactions w.e.f. 15.09.2020, while retaining charges on cash withdrawals over and above four free withdrawals allowed per month. The objective is also to encourage BSBD account holders including PMJDY account holders to adopt digital payment through the prescribed modes vis-à-vis the cash transactions.

10. Irrespective of what CBDT invoked under the Payment and Settlement Systems (PSS) Act, 2007, SBI is still silent on the question of ensuring reasonableness in fixing a charge @ Rs 17.70 for every digital transaction, as per RBI's July 2015 mandates. **Whenever SBI has imposed a charge of Rs 17.70 for an unassisted digital debit transaction, that cannot be considered reasonable, and thus is in breach of the RBI's July 2015 mandates. Accordingly, SBI should refund such charges recovered in respect of all the digital transactions to the BSBD customers not only w.e.f. 01.01.2020 to 14.09.2020, but rather w.e.f. 15.06.2016 onwards. The essence of the IIT-B report did capture this aspect.**

11. In this context, recall paragraphs 35-37 of the IIT-B report:

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 BSBD-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 CBDT. 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 BSBDAs:

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.
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 BSBD holder, the author could gather that SBI has only recently (late March 2021; i.e., after more than six months of CBDT 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.

What does "in respect of all the digital transactions" constitute?

12. SBI states that "In terms of CDBT directives, SBI has refunded the charges recovered **in respect of all the digital transactions** to the BSBDA customers w.e.f. 01.01.2020 to 14.09.2020.". This simply means that SBI has primarily refunded the charges for *select digital modes*, as directed by CDBT. The *select digital modes* are, UPI/BHIM-UPI and RuPay digital payments.

13. Now, despite this respite, it does not appear that RBI has ensured SBI's regulatory compliance towards "ensuring reasonableness in charges". This is so since:

(i) SBI charged as high as Rs 17.70 for every digital debit transaction, through means other the *select digital modes*, carried out during the period 01.01.2020 to 14.09.2020. Such charges remain imposed on debit transactions through non-cash means like NEFT, IMPS, ECS-debit, standing instruction debits, etc. for the period 01.01.2020 to 14.09.2020.

(ii) SBI charged as high as Rs 17.70 for every digital transaction, including the *select digital modes*, for the period 01.07.2019 to 31.12.2019.

The IIT-B report has expressly indicated that SBI considers it appropriate not to refund the charges recovered in respect of all the digital transactions to the BSBDA customers prior to January 2020, despite having charged as high as Rs 17.70 per digital debit transaction. Such a charge can neither be considered reasonable nor can it be attributable to customer centricity.



Customer Centricity has always been the Bank's focus. SBI has been determinedly working towards offering a convenient banking experience to all its diverse range of customers. Bank has also waived fees levied on SMS services and on maintenance of monthly average balance to all its Savings Bank account holders while promoting financial inclusion in the country in a big way."

Customer Centricity?

14. **It has been over one year since SBI and RBI was apprised of the situation, which was purely on the basis of Customer Centricity.** Despite that, till date, neither SBI nor the Consumer Education and Protection Department of RBI feel duty-bound to come forward in protecting those whom they are required to protect. **SBI and the RBI's concerned departments could not provide a convincing response as to why SBI should not return the undue charges recovered @ Rs 17.70 per digital debit transaction, prior to January 2020.**

15. Our relatively vulnerable, gullible and marginalized fellow-countrymen have been suppressed through such charges that are not only grossly unreasonable and exploitative, but unjust too. Citizens look up to the remarkable institutions like SBI and RBI, when it comes to Consumer Education and Protection. **The only way SBI can be truthful in its approach is to refund the undue charges recovered. And finally, RBI has to streamline all the technicalities involved in a BSBDA.**

About State Bank of India:

State Bank of India is the largest commercial bank in terms of assets, deposits, branches, customers, and employees. It is also the largest mortgage lender in the country. The home loan portfolio of the bank has crossed the milestone of Rs. 5 lakh crore. The bank has auto loan book of Rs. 75,937 crore, as on December 31, 2020, the bank has a deposit base of over Rs. 35 lakh crore and advances of more than Rs. 26 lakh crore with CASA ratio of about 45%. SBI commands over 34% market share in home loans and around 33% in the auto loans segment. The Bank has largest network of more than 22,000 branches in India with an ATM / CDM network of nearly 58,000 and total BC outlets of over 71,000. The number of customers using internet banking and mobile banking stand at 85 million and 19 million respectively. The integrated digital and lifestyle platform by SBI - YONO has crossed 74 million downloads mark. YONO which has over 34.5 million registered users, witnesses 9 million logins per day. Accelerating the digital agenda, SBI has opened over 1.5 million accounts through YONO in the quarter ended December 2020 with nearly 91% of YONO eligible savings bank customers migrated on YONO. In terms of digital lending, bank disbursed pre-approved personal loan (PAPL) worth Rs. 5300 crore via YONO in the same quarter. YONO is also a global name having tasted its success in international markets as well. On social media platforms, SBI has the highest number of followers on Facebook and Twitter amongst all banks worldwide.

16. **There is no second opinion that SBI is the JEWEL of India in the financial world. However, it should not add glitter to the jewel using poor men's sweat.**



Appendix A: SBI's original release in response to Study by IIT Bombay



भारतीय स्टेट बैंक
STATE BANK OF INDIA

Statement of clarification on media reports based on the Study by IIT Bombay

Mumbai, April 15, 2021: "Reserve Bank of India, during Aug'12 mandated that Banks are free to levy reasonable charges in BSBD accounts beyond 4 free transactions. The availment of such additional services shall be at the option of the customers. Accordingly, SBI introduced charges for Debit transactions beyond four free transactions in BSBD accounts w.e.f 15.06.2016 with prior intimation to the customers.

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Appendix B: https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9862

There are extant principles as laid down by RBI towards banks' ensuring reasonableness in service charges. RBI through their '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) has already set mandates onto banks towards ways and means of Fixing Service Charges and Ensuring Reasonableness of Bank Charges.

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.

RBI has emphasized 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, the bank has to demonstrate to the more meaningful stakeholders – their customers, that such charges are just and supported by reason.