

04:05 PM   23 DEC <b>MARKET STATS</b> ▾	SENSEX <b>26,041</b> ▲ 61.10	NIFTY 50 <b>7,986</b> ▲ 6.65	GOLD (MCX) (Rs/10g.) <b>27,005</b> ▲ 37.00	USD/INR <b>67.82</b> ▼ -0.17	<a href="#">CREATE PORTFOLIO</a>	<a href="#">Download ET MARKETS APP</a>	<a href="#">CHOOSE LANGUAGE ENG</a>
--	---------------------------------	---------------------------------	---	---------------------------------	----------------------------------	---	-------------------------------------

# Banks push costly cheques, ATM withdrawals over cheaper NEFT and IMPS

By [Mayur Shetty](#), TNN | Updated: Feb 13, 2016, 11.39 AM IST

[Post a Comment](#)

MUMBAI: A pricing anomaly in the banking system is resulting in the most efficient means of funds transfer being disincentivised through charges even as the more expensive cheques and ATM withdrawals are made available for free. A study by an Indian Institute of Technology (IIT) professor in Mumbai has suggested that banks be mandated to offer 12 free overall transactions, including those using National Electronic Funds Transfer (NEFT) or Immediate Payment System (IMPS).

This anomaly has arisen because customers in metros have five free ATM transactions and are charged Rs 20 for each additional transaction. Banks are also mandated to give at least 20 free cheque leaves in a year and can charge up to Rs 3 for every additional cheque. But in NEFT/IMPS, banks charge up to Rs 5 per transaction.

"Today people don't travel by sea to the USA because it is an inefficient mode of transport and would probably cost more than travelling by air. But the pricing in banking is akin to saying that air passengers should pay a much higher price than those travelling by sea because air travel is so much more efficient," said Ashish Das, professor at the department of mathematics at IIT-Bombay. Das has published a technical report on the policy gap which gives incentives to use ATM-cash and cheques over electronic transactions.

Another anomaly in pricing is the stance that customers will get five free transactions at the bank's own ATMs and three free transactions at third party ATMs. "This will compel a customer to go to a third party ATM after five transactions even if there is a home ATM close by. It also disadvantages the bank as they end up paying for the transaction," said Das. He recommends that the wording be changed to read as no more than eight in metro locations and no more than three in third-party ATMs.

The third discrepancy the report highlights is the fee charged by banks on declined ATM transactions. These are withdrawal attempts which fail due to want of funds. Almost all banks charge between Rs 20-25 for such charges. "Declining a cheque or ECS payment involves a third party payment and creates distrust. This should be discouraged in the form of a penalty. But decline of an ATM transaction does not fall in this category and no interchange is paid. It could at most be considered a void transaction," said Das.

Stay on top of business news with [The Economic Times App](#). [Download it Now!](#)

[Live Market](#) [News](#) [Portfolio](#) [Mobile](#) [Live TV](#) [Newsletter](#) [Commodities](#) [Speed](#) [QnA](#) [Blogs](#) [Alerts](#) [RSS](#)

#### Other Times Group news sites

Times of India | इकनॉमिक टाइम्स  
 ઇકોનોમિક ટાઇમ્સ | Mumbai Mirror  
 Times Now | Indiatimes  
 नवभारत टाइम्स | महाराष्ट्र टाइम्स  
 ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker  
 Gizmodo | Eisamay | IGN India  
 NavGujarat Samay

#### Living and entertainment

Timescity | iDiva | Zoom |  
 Luxpresso | Gaana | Happytrips |  
 Cricbuzz | Get Smartapp

#### Networking

itimes | MensXP.com

#### Hot on the Web

Budget 2017 | Sensex, Nifty Live  
 Year-End Special 2016 | UP &  
 Punjab Assembly Elections 2017  
 Live: Currency  
 Demonetisation | Gold Rate  
 RBI Monetary Policy

#### Services

ads2book | Gadgetsnow | Free Business Listings  
 Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |  
 dineout | Filmipop | Remit2India | Gaana | Greetzap | Techradar | Alivear |  
 Google Play