

# Cash transactions: Depositors' body wants RBI to regulate fees charged by banks

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Against giving individual banks freedom to decide on the charges



## **Mumbai, March 3:**

To protect retail depositors' interests, the Reserve Bank of India (RBI) should swing into action to regulate the fees and charges imposed by banks, said a bank depositors' body.

This plea comes in the wake of private sector banks ICICI Bank and HDFC Bank imposing charges if cash transactions (cumulative of deposit and withdrawal) at a branch exceed four a month.

Ashok Ravat, Member, All India Bank Depositors' Association, said at a time when millions of bank accounts have been opened under the Pradhan Mantri Jan Dhan Yojana and people at the bottom of the pyramid are getting gradually used to the habit of banking, imposing charges on cash transactions if they exceed a certain number is a retrograde step.

Ravat emphasised that there is no scientific rationale for imposing these charges.

For example, ICICI Bank is charging customers Rs. 5 per Rs. 1,000 or part thereof, subject to a maximum of Rs. 150 a month, from the fifth transaction (cash) onwards at the branch. HDFC Bank is charging Rs. 150 per transaction (plus taxes and cess) from the fifth transaction onwards. "The Reserve Bank of India should start regulating the charges....It cannot say that this is a liberalised era and each bank is free to do whatever it wants.

"Nobody really knows what is the cost of providing a banking service. How have the banks arrived at these transaction charges?

"Why should the regulator close its eyes to such an important issue? This (development) should be nipped in the bud," said the Association member.

## **Incentivise digital payments**

The principle for moving the country towards a digital economy should be to incentivise digital payments and not penalise cash handling, he said, and cautioned that if cash transactions are penalised, people will shy away from banking.

"Charges should not be left to individual banks. We have not come to an era of deregulation. In the banking sector, regulation is needed and that can only be provided by the RBI," said Ravat.

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***Some top private sector banks have started imposing charges if cash transactions (cumulative of deposit and withdrawal) at a branch exceed four a month***

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