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Even opening a basic bank account comes with hidden costs

BY **SIDDHARTH CHAKRABORTY**, ET ONLINE | UPDATED: SEP 08, 2017, 11.44 AM IST

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Do you know how much opening a basic bank account costs you? More than you can imagine, according to a report by the Reserve Bank of India (RBI).

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If you visit a bank branch three times to open an account—first for inquiry and later for submitting the forms and collecting documents—it will cost you almost Rs 139, says the RBI report. It is not just about the money. The total time spent in the entire process is around a whopping 7 hours and 28 minutes. Add to these monetary and non-monetary transaction costs, the dealing with the banking staff, who mostly appear to be unhelpful and tend to take people for a ride, especially when it comes to documentation.

Citing an audit of banks in 2016, the RBI report says almost two hours are spent in collecting documents after the initial procedures are done. The cost of overall documentation adds up to Rs 77. Around 20 minutes are spent in filling in various forms. The time spent while traveling is 3 hours 22 minutes.

	Initial enquiry (Visit 1)	Opening account (Visit 2)	Collecting material (Visit 3)	All visits
Time travelling (minutes)	68.45 (14.63)	72.33 (15.79)	71.42 (10.99)	212.2
Cost of travelling (₹)	21.38 (3.78)	20.2 (3.27)	19.85 (3.88)	61.43
Time waiting (minutes)	7.19 (5.88)	11.2 (12.84)	12.92 (12.77)	31.31
Time talking (minutes)	17.55 (8.57)	19.46 (13.7)	22.85 (18.98)	59.86
Time for collecting documents (minutes)	–	114.67 (133.98)	–	114.67
Cost of documents (₹)	–	77.13 (15.94)	–	77.13
Time filling in the form (minutes)	–	19.66 (9.76)	–	19.66
Number of visits	1 (0.0)	1.13 (0.35)	1.21 (0.69)	3.34
Total time (minutes)	93.19	237.32		437.7
Total cost (₹)	21.38	97.33		138.56
Number of observations	42	15		72

The report says that the total cost of transaction for the poor on average is equivalent to the worth of entire day's work. This fact can have a serious bearing on the government's ambitious plan to include millions of poor people into banking. Financial inclusion is an important goal of the government but transaction costs can discourage the poor from participating in the banking economy.

The RBI report says technological solutions could bring costs of basic banking down. Once JAM (Jan Dhan, Aadhaar, and mobile phone) reaches down to the masses, it can help bringing banking costs down.

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