

Debit charge

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Given driving increased adoption of digital transactions is a key goal of the government, it must defray the costs banks incur in digital debits that involve third parties, including payment platforms like BHIM, RuPay card.

A report by Ashish Das, a professor at IIT-Bombay, highlights a dilemma for banking sector regulation posed by the cap on the number of free debit transactions per month on basic savings bank deposit (BSBD), or no-frills, accounts. On the one hand, with

free debits capped at four, banks freezing accounts or charging account-holders by converting the accounts into regular ones, for further debit transactions goes against the very spirit of no-frills accounts.

The vision behind BSBDs was to drive financial inclusion of the economically backward. So, cutting off access to their funds or charging them for even the low-value transactions typical of the economic class is an disincentive for the poor accessing formal finance. On the other hand, having banks bear the burden entirely is patently unfair to them, especially considering the costs they must bear to realise the government's social welfare goals.

The matter is further complicated with banks liberally interpreting the debit cap to include not just debits through branch visits and ATM withdrawals but also through online banking, bank transfers, and even internet debit through payment platforms such as BHIM.

Under no circumstances should BSBD account-holders be denied free access to their own funds. Banks, therefore, should not freeze their accounts or convert these into regular ones after the fourth debit. Given driving increased adoption of digital transactions is a key goal of the government, it must defray the costs banks incur in digital debits that involve third parties, including payment platforms like BHIM, RuPay card.

While banks should foot the costs incurred in branch/ATM transactions, if the digital transaction ecosystem is made friendlier for banks and the poor, chances are even branch/ATM transactions could come down, easing the burden on banks. Banks must also work harder at making BSBD account-holders aware of modes of transaction where banks stand to earn—for instance, when debit cards are used for shopping. The burden of financial inclusion and driving digital adoption is the government's to bear, neither banks nor account-holders should be made to shoulder it.

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