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# No-frills account holders pay heavy penalty for exceeding withdrawal limit: Report

BY PTI | UPDATED: MAY 27, 2018, 11.18 PM IST

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NEW DELHI: No-frills account holders are facing penalty for exceeding the limit of four withdrawals in a month as several [banks](#) are using the 5th debit as a trigger to convert the Basic Savings Bank Deposit Account (BSBDA) into a regular one, says a report.

While no charges are levied for maintaining no-frills account or BSBDA in a bank, the regular accounts are subject to various fees and charges.

The key restriction on a BSBDA is that the account holder cannot make more than four withdrawals in a month, though there is no such limit on number of deposits.

These "design anomalies" are prompting the bankers to overcharge BSBDA customers in violation of the [RBI's](#) extant regulations, said the report prepared by Ashish Das, IIT Bombay professor.

"The moment a 5th debit transaction is done by the customer in a month, these banks without explicit and voluntary consent of customers are unilaterally converting the BSBDA into a regular savings account, requiring high minimum balance and associated service charges," the report said.

Reserve [Bank of India](#) should put a halt to involuntary conversion of BSBDA's to regular savings account, the report said, adding that the whole scheme was launched to promote financial inclusion.

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It also suggested that RBI should remove the restrictions on number of digital transactions in a month by such account holders, in tandem with the government's policy to promote less cash economy.

At present, after four debits in a month from a BSBDA, the customer is no longer able to make online purchases, transfer money through BHIM or use RuPay debit card at merchant locations for day-to-day purchases, the report said.

"Inhibiting the financially included folks to transact digitally through their bank accounts is a blow to our country's digital payments drive. The very nature of the RBI regulation, has forced banks to limit the BSBDA usage," the report said.

RBI mandated savings product BSBDA provides to the customer facilities of unlimited credit, four debits every month, zero minimum balance, and no service charges.

As part of the financial inclusion drive, the RBI had launched the scheme in August 2012. The financial inclusion programme got a boost with the launch of the Pradhan Mantri [Jan Dhan Yojana](#) (PMJDY) in August, 2014.

Presently there are about 54 crore BSBDA's have been opened through branches and Business Correspondent (BC) points, of which, more than half have been opened under PMJDY.

Though PMJDY accounts are meant primarily for financial inclusion, BSBDA's have a much broader perspective and can be opened by anyone - not only by certain types of individuals like poor and weaker sections of the population but also other sections of the population without any restrictions imposed on income.

"It is a basic banking account available to all customers", the report said, while underlining the need to cure anomalies in the scheme.

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