

Banks plan new products to ensure customers maintain minimum deposits

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Term deposits of one-three years will fetch 0.3 per cent higher interest rate. - KSL

Lenders aiming to dispel negative perception about banking industry

NEW DELHI, OCTOBER 2

Public sector banks will look for alternative products to attract customers to keep minimum deposits in bank accounts.

At present, all savings bank accounts, except those under PM Jan Dhan Yojana, Basic Savings Bank Deposit (BSBD), salary accounts, kids' accounts and accounts of pensioners, attract charges if the minimum balance is not maintained.

In fact, at the recent meeting between Finance Minister Arun Jaitley and heads of public sector banks (PSBs), this issue received a lot of attention. Though it is yet to decide on the new products, some bankers feel that fixed deposits for various periods could be one alternative.



In fiscal 2017-18, ₹3,551 crore was collected by public sector banks as charges from saving bank account holders for non-maintenance of minimum balance. “A detailed analysis of five banks, having the major share of such charges in 2017-18, reveals that the amount collected through charges for non-maintenance of minimum balance is approximately 1 per cent or less of the interest income of the respective PSBs,” said a government official who attended the meeting.

Negative perception

This means that minimum balance charges are neither a significant portion of the banks' interest income nor their interest expenditure; however, they do generate negative perception about the banking industry, especially from the perspective of a common man.

“There seems to be a case for banks to explore alternative banking products to attract customers to keep minimum deposit in banks,” the official said.

On August 4, *BusinessLine* highlighted the fact that during the last four years (2014-15 to 2017-18), 21 PSBs and three big private sector banks (ICICI Bank, HDFC Bank and Axis Bank) collected over ₹11,500 crore from their customers for not maintaining minimum balance. This was based on the information provided by the Finance Ministry.

State Bank of India alone collected over ₹2,400 crore in 2017-18, while among the three private banks, HDFC Bank had the highest share (₹590 crore).

The Reserve Bank of India's Master Circular on 'Customer Services in Banks', dated July 1, 2015, provides that banks are permitted to fix services charges on various services rendered by them.

These charges should be in accordance with the policy approved by the bank boards, and not out of line with the average cost of providing these services.

Accordingly, various banks levy charges on not maintaining minimum account balance. These charges are collected primarily to recover a part of the cost incurred on servicing the accounts. For example, SBI charges between ₹5 and ₹15 (plus GST) for various levels of shortfall. Its customers are required to maintain an average monthly balance of ₹3,000 for savings bank accounts in metro and urban areas, ₹2,000 in semi-urban areas, and ₹1,000 in rural areas.

Similarly, HDFC Bank customers are required to maintain an average monthly balance of ₹10,000 in metro and urban areas, and ₹5,000 in semi-urban areas, while those in rural areas are required to maintain average quarterly balance of ₹2,500.

Penal charges are between ₹150 and ₹600 (plus GST) in metro/urban and semi-urban areas, while it is between ₹270 and ₹450 (plus GST) in rural areas.

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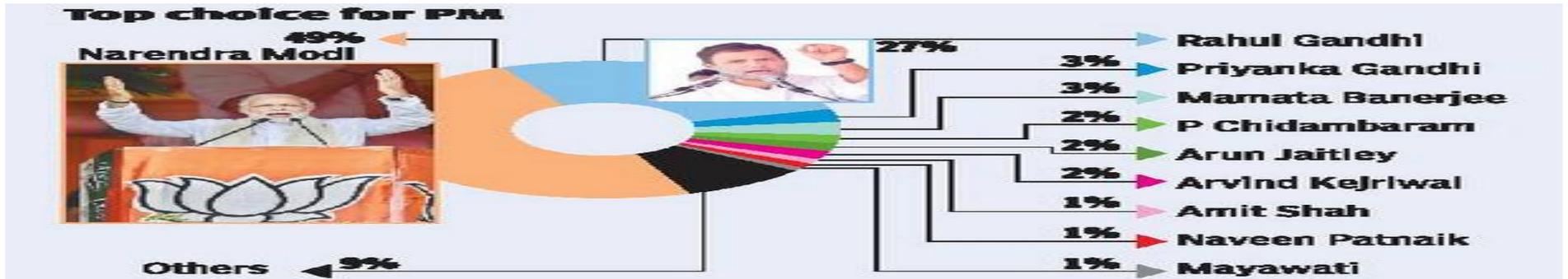
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