

How banking may change for you post Budget 2019

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Budget proposes interoperability of services for account holders across PSU banks

The government will also initiate steps to give account holders control over who deposits cash in their accounts

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Besides focusing on improving [tax collections](#), the Union budget for 2019-20, announced last week, also laid emphasis on ease of living. Two of the announcements to promote ease of living could be significant for millions of bank account holders in public sector banks.

“To further improve ease of living, they (public sector banks) will leverage technology, offering online personal loans and doorstep banking, and enabling customers of one public sector bank to access services across all public sector banks,” said finance minister [Nirmala Sitharaman in her budget speech](#). Further, she said, the government will initiate steps “to empower account holders to remedy the current situation in which they do not have control over deposit of cash by others in their accounts”. This step could mean increased scrutiny by the tax authorities on cash deposits in bank accounts.

While the budget speech has proposed these measures, the roadmap to achieve them is not clear as of now. Let us take a look at how these changes could pan out and what it could mean for you.

Interoperability

“What I believe this announcement means is that you can walk into a bank branch of one public sector bank (PSB) and fulfil your banking needs even if you have an account with another PSB. That kind of a technology platform could be made available in the future,” said Khushroo Panthaky, director, Grant Thornton Advisory Pvt. Ltd.

This is very similar to what you can do currently within your bank—you can visit any branch of your bank at present to get your banking needs fulfilled.

Sameer Narang, chief economist at Bank of Baroda, said that Indian PSBs primarily use either TCS or Infosys platforms for their core banking systems. "If there has to be interoperability of services between banks, there needs to be a common platform or sharing of information between platforms. Even right now there are certain services that are interoperable, like usage of ATMs," he said.

The successful mergers of Bank of Baroda with Vijaya Bank and Dena Bank, and that of several public sector banks with State Bank of India earlier, show that offering the same services through different places can be done effectively over a period of time. "As we underwent the merger process with Vijaya Bank and Dena Bank, we have extended six interoperable basic services across the network," Narang said.

But creating a single or common core banking platform may not be the only way out. It is possible that an interface or APIs (application program interface) is built so that information between banks can be shared, said Narang. For instance, there are APIs that are used at present by banks to interact with fintech companies or credit bureaus to instantly check the credit profile of an individual and to give instant pre-approved loans.

With some bank services already accessible through ATMs of all banks, it is possible that some of these like withdrawing cash, checking balance or getting a statement can be extended at branches as well in the near future. However, this may not happen immediately. "I believe that technology platforms that we have at present may not be fully geared up to doing this across banks. The systems, access controls and the risk management framework across banks need to be of very high class for this to be implemented, else it could lead to problems," Panthaky said.

Control on deposits

A bank official from a [public sector bank](#), who did not want to be named, said giving control to holders on who could [deposit money](#) in their accounts could be a first-of-its-kind step if it gets implemented. "While it will give you more control, it will also add friction for some sets of account holders who receive smaller amounts as payments from several people. If the move is only restricted to cash, we already take [PAN \(permanent account number\) of the depositor for amounts higher than ₹50,000](#)," the banker said.

At present, while you have no control over who deposits money in your account, you also don't need authentication for receiving payments. If such a control is put in place, it is possible that authentication would be required to receive money going forward.

While the details are not yet out, the proposal by the government appears to not let tax-payers give an excuse that they were not aware of the deposits made in their accounts, said Kuldip Kumar, partner and leader, personal tax, PwC India. "It is an important step to safeguard and protect the interest of account holders so that they do not get stuck with money laundering or tax issues. But it needs to be seen how this change is brought in and whether any exceptions are created to facilitate certain transactions," he added.

Archit Gupta, founder and CEO, Cleartax, a tax and investment advisory firm, said that the control can be good for individuals as any deposit in one's bank account can have a tax consequence. "If there is a high-value credit in your account, the transaction sits in your annual information report prepared by your bank and tax authorities do have access to it," he said.

But the government has not yet spelt out the mechanism of how this will be done. "The intent seems to be plugging the loophole where someone would say that they were not aware of money being deposited into their accounts. Similarly, the government is trying to curb cash transactions in different ways, but still more measures are needed. The intent is there, but the mechanism that will come up and its efficacy is something that will need to be seen," said Gupta.

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