

Unreasonable Charges for Transacting Digitally in a BSBDA– Extent of SBI’s Undue Enrichments through UPI and RuPay Charges

Ashish Das

Department of Mathematics, Indian Institute of Technology Bombay, Mumbai 400076, India

Received: 13 July 2021; Revised: 22 September 2021; Accepted: 25 September 2021

Abstract

Two major milestones under the financial inclusion drive of the country were the institution of the Basic Savings Bank Deposit Account (BSBDA) by RBI in 2012-13 and introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) by the government in August 2014. The PMJDY facilitated opening of BSBDA by unbanked households based on the guiding principles of banking the unbanked and securing the unsecured.

There had been a systematic breach in the RBI regulations when State Bank of India (SBI) imposed exorbitant and unreasonable charges onto BSBDA customers who transacted digitally. Since June 1, 2017, SBI charged @ Rs. 17.70 for every debit transaction beyond four a month. This has adversely impacted the BSBDA customers of SBI who, on the call of the government and RBI, embraced digital means of financial transactions. These relatively vulnerable, gullible and marginalized fellow-countrymen being thrust with charges @ Rs. 17.70, for transacting digitally, is not only unreasonable but unjust too.

We analyse the extent of SBI’s undue enrichments through imposition of transaction charges on digital payment means, (i) the UPI and (ii) the RuPay debit card. During the period January-September 2020, SBI attributed to about 222 crore UPI transactions and about 6.8 crore RuPay (POS and eCom) debit card transactions. Of these UPI and RuPay debit card transactions, only 2.23% of the transactions, i.e., 5.1 crore transactions were charged by SBI @ Rs. 17.70 per transaction, exclusively from the BSBDA customers. In this process, SBI collected Rs. 90.2 crore, which was subsequently refunded in February-March 2021. Nevertheless, SBI made undue interest gains of Rs. 4.65 crore, which actually belongs to the BSBDA customers, who were charged for these UPI and RuPay debit card transactions. This undue enrichment of SBI, at the cost of the depositors, has not been assessed or audited yet.

More seriously, for the prior 33 months, April 2017 through December 2019, SBI has collected over Rs. 164 crore towards charges imposed on atleast 9 crore UPI and RuPay debit card transactions. Again, SBI has still not refunded this amount to the BSBDA customers.

The Board of Directors of SBI have been vested with the responsibility to ensure that charging Rs. 17.70 for every UPI/ RuPay debit card transaction is reasonable as per principles laid down by RBI. Given that it costs a bank disproportionately more to provide an ATM cash withdrawal service than to provide the UPI/ RuPay debit card transaction facility, SBI’s imposition of a uniform charge of Rs. 17.70 for both the ATM cash withdrawal and the UPI/ RuPay debit card transaction is grossly unreasonable and in breach of RBI regulations. While having embraced digital means for transacting, the BSBDA customers remained an unprotected lot since SBI’s actions amounted to exploitation of this marginalized section of the society through imposition of usurious service charges.

Key words: Savings Account; BSBDA; PMJDY; Board of Directors; UPI; RuPay debit card.

1. Introduction

Two major milestones under the financial inclusion drive of the country were the institution of the Basic Savings Bank Deposit Account (BSBDA) by RBI in 2012-13 and introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) by the government in August 2014. The PMJDY facilitated opening of BSBDA's by unbanked households based on the guiding principles of banking the unbanked and securing the unsecured.

Data from RBI's Annual Reports and DFS's weekly PMJDY data shows that upon introduction of the PMJDY, there had been a significant growth of BSBDA's in the country. As of December 2020, 64.9 crore BSBDA's have been opened through branch and Business Correspondent (BC) points, of which, nearly two-thirds (41.6 crore) have been opened under the PMJDY. From the inception of the PMJDY, the thrust has been to open only BSBDA's under the yojana. Though general public may be less familiar with the nomenclature of BSBDA's, of the 173 crore savings bank accounts opened (as of March 2020), 60 crore were BSBDA's. Thus, more than a third of the savings bank accounts are BSBDA's.

1.1. BSBDA - the backdrop

RBI introduced the BSBDA in August 2012. Banks were advised to offer a 'Basic Savings Bank Deposit Account', which will offer the following minimum common facilities:

- The account shall not have the requirement of any minimum balance;
- While there will be no limit on the number of deposits that can be made in a month, account holders will be '**allowed a maximum of four withdrawals**' in a month, including ATM withdrawals; and
- The account shall provide the facility of ATM card or ATM-cum-Debit Card.

These facilities were required to be provided in a BSBDA without any charges.

Furthermore, RBI in their 2012 definition of BSBDA indicated that banks would be free to evolve other requirements including pricing structure for additional value-added services beyond the stipulated basic minimum services on **reasonable** and transparent basis and applied in a non-discriminatory manner.

As per the mandate, minimum common facilities include "account holders will be allowed **a maximum of** four withdrawals in a month". Therefore, at least in this mandate, the question of "Banks are free to levy reasonable charges in BSBDA's beyond 4 free transactions" does not arise because of the explicit and non-superfluous words "**a maximum of**" in the mandate "allowed a maximum of four withdrawals".

Nevertheless, after a year of the introduction of BSBDA, in September 2013, RBI issued detailed guidelines (clarification-circular) on how to interpret the August 2012 circular on BSBDA. While defining the features of a BSBDA, the September 2013 circular or the July 2015 Master Circular explains the characteristic features of a BSBDA unequivocally. A salient refinement in the definition of BSBDA 'allowed more than four withdrawals' in a month, **at the bank's discretion**, provided the bank does not charge for the same. RBI is clear to mention that in a BSBDA, banks cannot charge, and if they do, the account is not a BSBDA.

Thus, the regulatory requirements made it amply clear that in addition to mandatory free banking services (that included four withdrawals per month), so long as the savings deposit account is a BSBDA, banks cannot impose any charge even for value-added banking services that a bank may like to offer at their discretion.

Select FAQs of September 2013 Circular – Highlighting features of a BSBDA and Why Banks cannot charge in a BSBDA so long as the account is a BSBDA

Query-11: What kinds of services are available free in the ‘Basic Savings Bank Deposit Account’?

Response: The services available free in the ‘Basic Savings Bank Deposit Account’ will include deposit and withdrawal of cash; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.

Query-13: Whether banks are free to offer more facilities than those prescribed for ‘Basic Savings Bank Deposit Account’?

Response: Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis to be applied in a non-discriminatory manner with prior intimation to the customers. Banks are required to put in place a reasonable pricing structure for value added services or prescribe minimum balance requirements which should be displayed prominently and also informed to the customers at the time of account opening. Offering such additional facilities should be non-discretionary, non-discriminatory and transparent to all ‘Basic Savings Bank Deposit Account’ customers. However, such accounts enjoying additional facilities will not be treated as BSBDA.

Query-14: If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, will it cease to be a BSBDA?

Response: Yes. Please refer to response to the above query (Query No.13). However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BSBDA a/cs without minimum balance then such a/cs can be classified as BSBDA.

Query-15: Whether the existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?

Response: No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI etc. It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.

Query-24: In terms of RBI circular DPSS. CO.CHD. No. 274/03.01.02/2012-13 dated August 10, 2012, if “payable at par” / “multi-city” cheques are issued to BSBDA customers based on their request, can banks prescribe minimum balance requirements?

Response: BSBDA does not envisage cheque book facility in the minimum facilities that it should provide to BSBDA customers. They are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA) or charge for the additional facilities (in which case the account is not BSBDA).

Query-25: What is the definition of “Basic Savings Bank Deposit Account” (BSBDA)?

Response: All the existing ‘No-frills’ accounts opened pursuant to guidelines issued vide circular DBOD. No. Leg. BC. 44/09.07.005/2005-06 dated November 11, 2005 and converted into BSBDA in compliance with the guidelines issued in circular DBOD.No.Leg.BC.35/09.07.005/20012-13 dated August 10, 2012 as well as fresh accounts opened under the said circular should be treated as BSBDA. Accounts enjoying additional facilities under the reasonable pricing structure for value added services, exclusively for BSBDA customers should not be treated as BSBDA.

It took RBI nearly six years to recognise the serious defects in the formulation of the BSBDA as a savings deposit product. Subsequent to highlighting lacuna in the regulation on BSBDA, effective July 1, 2019, RBI further refined the definition of BSBDA. This time, for a BSBDA, RBI allowed banks to impose service charges (if they so desire) on debit transactions (beyond four a month) subject to extant laws and reasonableness of the charges. For insights into the genesis of this change in definition of BSBDA, see Das (2017, 2018).

Such a refinement in the definition of BSBDA made much sense. Banks were earlier prohibited to provide value-added services for a fee (including debit transactions beyond four a month) so long as the account is a BSBDA. Therefore, in order to comply with the regulation then, many banks had resort to either debarring debits beyond four a month in a BSBDA or, continued providing fee debit transactions beyond four a month. For more details, see Das (2017, 2018).

The new BSBDA regulation made it amply clear that there should arise no rationale for banks to anymore debar debit transactions beyond four a month, since banks now had the freedom to charge for debit transactions beyond four a month in a BSBDA (so long as the charges are reasonable). Moreover, RBI also clearly indicated that the BSBDA shall be considered a normal banking service available to all.

1.2. Mandates set by RBI towards ensuring reasonableness in service charges

RBI in their extant July 2015 notification on 'Master Circular on Customer Service in Banks' sets mandates onto banks towards ways and means of Fixing Service Charges and Ensuring Reasonableness of Bank Charges. The actions required to be taken by banks is indicated under the column 'action points for banks' in the Annex I to the above-mentioned master circular. The actions include:

- A. While **Fixing Service Charges for various types of services** like charges for cheque collection, etc., banks should ensure that the **charges are reasonable and are not out of line with the average cost of providing these services**. The Bank's Board of Directors has been vested with the responsibility to ensure the reasonableness of such charges.
- B. Regarding **Ensuring Reasonableness of Bank Charges**, in order to guarantee fair practices in banking services, RBI had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges. Based on the recommendations of the Group, action required to be taken by banks is indicated in the Master Circular. The actions include:

i) Identification of basic banking services, where the prime parameter for identifying the basic banking services relates to deposit accounts and remittance services. Telegraphic Transfer, ECS, NEFT and EFT are among the then identified basic remittance services, and would additionally include services considered appropriate towards basic services for deposit accounts and remittance services. Accordingly, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments), each fall under basic banking services. **When transactions occur in different delivery channels, for the purpose of pricing, they are to be treated on a separate footing. (This had been in breach.)**

ii) Offering basic banking services outside the scope of bundled products. Here, some of the banks do not levy charges on each individual product or service. Products and services are bundled and offered to a customer as a composite offering. The bank recovers the cost of these operations through net interest income. The bank achieves break-even levels through higher average balances in customer accounts which yield healthy interest margins or by imposing charges for keeping inadequate balances.

In so far as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices/charges and towards this, the basic services should be delivered outside the scope of the bundled products.

(This had been in breach.)

iii) Principles for ensuring reasonableness in fixing the service charges include

a. **For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals. (This had been in breach.)**

b. **For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason. (This had been in breach.)**

c. **For the basic services to individuals, the banks will levy service charges ad-valorem only to cover any incremental cost and subject to a cap.**

RBI has emphasised that banks have to adhere to these guidelines. Under the above principles mandated by RBI, as an illustration, when a bank imposes a charge of Rs. 20 for an unassisted online- and mobile-based digital transaction, the bank has to establish that such charges are not out of line with the average cost of providing the unassisted digital services. Moreover, if the bank charges the same Rs. 20 even for a cash withdrawal transaction carried out at an ATM, or microATM or over-the-counter, the question of ensuring the RBI's fundamentals on reasonableness of the charges towards digital transactions becomes more difficult to meet. More so, since it is well established that for banks, cash is an expensive mode to transact than the relatively cheaper digital transfer of funds. Also, the RBI's mandate had always been to encourage BSBDA customers (including PMJDY account holders) to adopt digital payment through the prescribed digital modes vis-à-vis the cash transactions.

The Board of Directors is vested with the responsibility to ensure the reasonableness of such service charges and are liable for the same. The board's dereliction, if any, in ensuring reasonableness of charges for debit transactions via digital means like NEFT, IMPS, UPI, BHIM-UPI, and debit cards (merchant payments) needs an in-depth understanding.

1.3. The theme of the present article

While defining the features of a BSBDA (for the period September 2013 through June 2019), the regulatory requirements made it amply clear that in addition to mandatory free banking services (that included four withdrawals per month), so long as the savings bank account is a BSBDA (rather than a non-BSBDA savings bank account), the banks cannot impose any charge even for value-added banking services that a bank may like to offer at their discretion; and RBI considers a withdrawal, beyond four a month, a value-added service.

There had been a systematic breach in the RBI regulations on BSBDA's by few banks, most notably by State Bank of India (SBI) that hosts the maximum number of BSBDA's, when it charged @ Rs. 17.70 for every debit transaction beyond four a month. Such transactions

comprised even the non-cash digital transactions done through NEFT, IMPS, UPI, BHIM-UPI and the debit card for merchant payments.

Such imposition of service charges resulted in undue collections to the tune of over Rs. 300 crore from among nearly 12 crore BSBDA customers of SBI during the period 2015-20, of which the period 2018-19 alone saw collection of Rs. 72 crore and the period 2019-20, Rs. 158 crore.

We assess the dereliction in SBI's duty towards the PMJDY when the BSBDA users were unduly (and against the extant regulations) forced to part with such high charges for their day-to-day (non-cash) digital debit transactions that the bank determinedly imposed.

The core contention that is highlighted here has no intention of disrupting or creating any hindrance towards the stability of SBI but rather to support those affected due to non-adherence of a technicality by SBI. This involves over 12 crore savings account holders of SBI who under the PMJDY were brought into the reach of financial inclusion. These relatively vulnerable, gullible and marginalized fellow-countrymen being thrust with charges @ Rs. 17.70, every time they transacted digitally (unassisted non-cash means), is shown to be grossly unreasonable, exploitative and unjust.

2. PMJDY Depositors – the Unprotected Prey

2.1. The contribution of Public Sector Banks towards PMJDY

The public sector banks (PSBs) have significantly contributed towards the Prime Minister's mission on financial inclusion. The PMJDY mission of the government, in their FAQs on PMJDY explains that PMJDY accounts are BSBDA's in nature with additional facility of RuPay Debit card with accident insurance coverage and an overdraft facility. As per DFS's weekly PMJDY data, at the end of calendar year 2020, of the PMJDY accounts opened, 97% is attributed to the 12 PSBs in India. The contribution from the 21 private sector banks is a bare minimum of 3% of the PMJDY accounts opened.

Among the 12 PSBs, SBI has significantly contributed in the financial inclusion drive of the PMJDY. The contribution towards opening of PMJDY accounts by SBI is over one-third of the PMJDY accounts opened by the PSBs. As of end-December 2020, SBI had 12.8 crore PMJDY accounts to their credit (**with average balances of Rs. 2700**), which contribute to about 39% accounts among PSBs and 31% among all banks. The four banks, Bank of Baroda, Punjab National Bank, Bank of India and Union Bank of India (henceforth called the *big four*) together have a total of 13.3 crore PMJDY accounts (just a bit more than SBI's tally of 12.8 crore).

RBI publishes the BSBDA data in their annual report, where they categorise such accounts as "through branches" and "through BCs". As of December 2020, data shows that 55% of the BSBDA's are categorised as "through BCs".

2.2. Overall collections toward service charges from BSBDA depositors by PSBs

In order to remain informed on the approach taken by PSBs towards extracting a fee for day-to-day debit transactions in a BSBDA, we collected information from the 12 PSBs. The specific queries related to the amount of service charges collected from BSBDA customers during the period 2014-20. In response to the specific queries, most of the PSBs responded, which is summarised in Table 1.

Among the 12 PSBs, seven major banks like Bank of Baroda, Bank of India, Union Bank of India, Central Bank of India, UCO Bank, Bank of Maharashtra and Punjab & Sind Bank, in compliance of the RBI regulation, *did not* impose any service charges on BSBDA and accordingly their service charge collection had been Nil. However, among the rest, the information prominently highlights that SBI collected over Rs. 300 crore (Rs. 265 crore) over the past five 2015-20 (three 2017-20) financial years. The four others banks collected bare minimum amounts.

Table 1: Service charges collected by PSBs in BSBDA

| Charges collected (Rs Cr) | 2014-20 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---------------------------|------------|---------|---------|---------|--------------|--------------|---------------|
| SBI | 308.32 | 4.73 | 12.44 | 26.31 | 34.74 | 72.07 | 158.03 |
| Bank of Baroda | Nil | | | | Nil | | |
| Punjab National Bank | 9.90 | 0.66 | 1.40 | 1.17 | 1.44 | 2.18 | 3.05 |
| Bank of India | Nil | | | | Nil | | |
| Union Bank of India | Nil | | | | Nil | | |
| Indian Bank | ? | | | | | | |
| Canara Bank | ? | | | | | | |
| Central Bank of India | Nil | | | | Nil | | |
| UCO Bank* | Nil | | | | Nil | | |
| Bank of Maharashtra | Nil | | | | Nil | | |
| Indian Overseas Bank | 5.28 | 0 | 0 | 0.01 | 0.42 | 2.46 | 2.39 |
| Punjab & Sind Bank | Nil | | | | Nil | | |

*There is a certain lack of clarity in UCO Bank's response

? Complete data not available

Source: Written response from banks based on RTI queries

Notes:

- SBI data pertains to PMJDY accounts. SBI did not provide data on BSBDA - branch channel accounts.
- Punjab National Bank data pertains to BSBDA other than PMJDY accounts. No charges were collected for accounts under PMJDY.
- Indian Bank data in explicit form not available for BSBDA. However, no charges were collected for accounts under PMJDY.
- Canara Bank data in explicit form not available.
- Before merger, Oriental Bank of Commerce had also responded as 'Nil'.
- Before merger, United Bank of India had also responded as 'Nil'.

While the *big four* together served more PMJDY accounts (13.3 crore) than what SBI did (just about 12.8 crore), in terms of service charge collections, SBI collected over Rs. 300 crore against near nil collections by the *big four*. In Table 2, the columns corresponding to

‘Proportion relative to SBI’, SBI is 100%. For other 11 PSBs, the revenue collected (in %) is negligible, if not zero, whereas the number of accounts served (in %) is significantly large. Therefore, it transpires that there exists a significant bias to the disadvantage of the 11 PSBs (vis-à-vis SBI), just because, unlike SBI, majority of the PSBs had been compliant to the BSBDA regulations that prohibited imposition of service charges.

Table 2: Service charges collected by PSBs in BSBDA relative to SBI

| Public Sector Banks | Revenue collected 2014-20 (Rs Cr) | Proportion relative to SBI revenue (%) | No. of Accounts (Cr) | Proportion relative to SBI Accounts (%) |
|-----------------------|-----------------------------------|--|----------------------|---|
| SBI | 308.32 | - | 12.8 | - |
| Bank of Baroda | Nil | 0 | 4.8 | 37.6 |
| Punjab National Bank | 9.90 | 3.2 | 3.9 | 30.9 |
| Bank of India | Nil | 0 | 2.5 | 19.5 |
| Union Bank of India | Nil | 0 | 2.0 | 16.0 |
| Indian Bank | ? | ? | 1.8 | 13.9 |
| Canara Bank | ? | ? | 1.4 | 10.7 |
| Central Bank of India | Nil | 0 | 1.4 | 11.0 |
| UCO Bank* | Nil | 0 | 1.0 | 7.6 |
| Bank of Maharashtra | Nil | 0 | 0.7 | 5.2 |
| Indian Overseas Bank | 5.28 | 1.7 | 0.5 | 4.1 |
| Punjab & Sind Bank | Nil | 0 | 0.1 | 1.0 |

Source: DFS's weekly PMJDY data as of 30/12/2020 and Table 1

3. Unreasonable and Undue Charges Imposed by SBI

Among the PSBs, SBI is credited to be the major contributor towards the country's financial inclusion mission. SBI's contribution in the country's drive towards financial inclusion is noteworthy – SBI did a commendable job. Alongside, it is also pertinent to keep track of issues surrounding customer centricity and protection of such a vulnerable group against acts not in line with the letter and spirit behind regulations framed for this very group of bank depositors.

As of June 2019, SBI had about 11.2 crore BSBDA under the PMJDY. SBI currently has over 12 crore BSBDA categorized as “through BCs”, which are mostly the PMJDY accounts. Additionally, SBI has nearly two crore BSBDA categorised as “through branches”.

Given the size of such BSBDA opened by SBI, our primary focus is on how SBI mishandled such accounts in breach of the fundamentals laid down by RBI to protect people brought under the ambit of the government's and the Prime Minister's financial inclusion drive.

In breach of RBI's extant regulations framed under the Banking Regulation Act, 1949, SBI charged the gullible lot – the BSBDA customers. This imposition of service charges resulted in undue collections to the tune of over Rs. 300 crore from among nearly 12 crore BSBDA customers of SBI during the period 2015-20, of which the period 2018-19 alone saw collection of Rs. 72 crore and the period 2019-20, Rs. 158 crore.

To begin with, a regulation had clearly been set (August 2012) that a monthly maximum of 4 debit transactions are allowed in a BSBDA, which are to be provided free of any charge. Thereafter, just to accommodate the bank's desire to offer more than 4 debits in a month, RBI

refined the regulation (September 2013) and provided for a minimum of 4 free debits in a month for a BSBDA. This allowed the banks, if they so desired, to allow more than 4 free debits in a month. That become the definition of a BSBDA, which inherently intends to protect such accounts against being charged for debit transactions. It was only from July 2019 that RBI allowed banks to reasonably charge a BSBDA beyond four free debits in a month.

3.1. SBI's reasonableness in fixing a charge of Rs. 17.70 for every digital transaction

Even if we keep aside the technicalities involving RBI's September 2013 circular, the question still remains as to how SBI could have been compliant with respect to the RBI's August 2012 and July 2015 mandates on "Principles for ensuring reasonableness in fixing the service charges"? Such reasonableness of charges was to be ensured by the banks' Board of Directors based on the regulatory principles as mandated by RBI (see, Section 1.2). Under such principles mandated by RBI, when SBI imposes a charge of Rs. 17.70 for every unassisted debit card-, online- and mobile-based digital transaction, are such charges just? **The charge of Rs. 17.70 for an unassisted digital debit transaction, is neither reasonable nor just.**

3.2. Government makes SBI liable to refund over Rs. 90 crore for charges imposed

Effective January 1, 2020, the Payment and Settlement Systems (PSS) Act, 2007, prohibited SBI to charge on any debit transaction done using UPI (BHIM-UPI) and RuPay debit card (for merchant payments). In breach of this law, SBI charged @ Rs. 17.70 for UPI and RuPay debit card digital transactions from the gullible BSBDA-BC channel account holders during the period January-September 2020. NPCI disseminates monthly UPI and RuPay POS/eCom digital transaction volumes.

Table 3 provides the number of monthly UPI transactions, with SBI as the remitter bank. In the year 2020, there were 1888.08 crore overall UPI transactions, of which a total of 533.55 crore UPI debit-transactions were carried out by SBI alone. This indicates that 28.26% of UPI transactions in the year 2020 can be attributed to UPI debit-transactions of SBI. The monthly % contribution of SBI Volume is provided for 12 months in Table 3. The monthly average % Volume is 28.27%, with a standard deviation σ of 1.14%.

Table 3: UPI Transactions – Overall and SBI (Remitter Bank)

| Month | Total Volume (Crore) | SBI Volume (Crore) | % SBI Volume |
|-----------------|----------------------|--------------------|--------------|
| Jan-20 | 130.50 | 34.75 | 26.62 |
| Feb-20 | 132.57 | 34.98 | 26.39 |
| Mar-20 | 124.68 | 33.82 | 27.12 |
| Apr-20 | 99.96 | 29.85 | 29.86 |
| May-20 | 123.45 | 36.56 | 29.62 |
| Jun-20 | 133.69 | 39.06 | 29.22 |
| Jul-20 | 149.74 | 43.93 | 29.34 |
| Aug-20 | 161.88 | 44.70 | 27.61 |
| Sep-20 | 180.01 | 51.02 | 28.34 |
| Oct-20 | 207.16 | 59.92 | 28.93 |
| Nov-20 | 221.02 | 60.79 | 27.50 |
| Dec-20 | 223.42 | 64.16 | 28.72 |
| Monthly AVERAGE | 157.34 | 44.46 | 28.27 |
| Year 2020 | 1888.09 | 533.55 | 28.26 |

Source: NPCI and author's computation

Similarly, Table 4 provides the number of monthly RuPay POS and eCom transactions. The share of SBI in the overall RuPay transaction figures is taken a 10%. Accordingly, in Table 4, for the year 2020, we have derived a column representing the monthly contribution of SBI Volume towards RuPay POS and eCom transactions.

Table 4: RuPay POS and eCom Transactions – Overall and SBI (Issuer Bank)

| Month | Total Volume (Crore) | SBI Volume (Crore) | % SBI Volume |
|-----------------|----------------------|--------------------|--------------|
| Jan-20 | 14.04 | 1.40 | 10 |
| Feb-20 | 13.16 | 1.32 | 10 |
| Mar-20 | 11.67 | 1.17 | 10 |
| Apr-20 | 7.25 | 0.73 | 10 |
| May-20 | 9.11 | 0.91 | 10 |
| Jun-20 | 10.09 | 1.01 | 10 |
| Jul-20 | 10.71 | 1.07 | 10 |
| Aug-20 | 11.54 | 1.15 | 10 |
| Sep-20 | 12.21 | 1.22 | 10 |
| Oct-20 | 13.36 | 1.34 | 10 |
| Nov-20 | 12.79 | 1.28 | 10 |
| Dec-20 | 12.91 | 1.29 | 10 |
| Monthly AVERAGE | 11.57 | 1.16 | 10 |
| Year 2020 | 138.84 | 13.88 | 10 |

Source: NPCI and author's computation

Central Board of Direct Taxes (CBDT) during August 2020, advised banks to refund the charges collected, if any, on or after January 1, 2020 on transactions carried out using the prescribed digital mode and not to impose charges on future transactions carried out through such modes. In terms of CBDT directives, starting February 17, 2021, SBI initiated the refunds @ Rs. 17.70 in respect of UPI and RuPay debit card digital transactions to the BSBDA customers. The refund process was completed on March 31, 2021. **SBI refunded the charges imposed during January-September 2020 for 5.1 crore UPI and RuPay debit card digital transactions, amounting to Rs. 90.2 crore.**¹

Irrespective of what CBDT invoked under the PSS Act, 2007, SBI is still silent on the question of ensuring reasonableness in fixing a charge @ Rs. 17.70 for every digital transaction, as per RBI's July 2015 mandates. The board of directors of SBI, who is supposed to have ensured the reasonableness in fixing the service charges found it appropriate to consider an ATM/microATM cash withdrawal cost for the bank to be at par with an unassisted digital transfer through means like UPI, BHIM-UPI, RuPay debit card, NEFT, etc. This is sheer oversight in assessing reasonableness.

3.3. Extent of SBI's undue interest gains from charges imposed on UPI/ RuPay debit card digital transactions

The marginalized section of the BSBDA-BC Channel account customers of the bank have been charged in a discriminatory fashion. SBI charged for nearly six months in 2020, i.e.,

¹ As provided by SBI, the exact figure of refunds for service charges imposed on 5,09,53,806 UPI and RuPay debit card digital transactions is Rs. 90,19,04,466.

during January 1 - April 6, 2020 and during July 1 - September 14, 2020. We work out the enrichment derived by SBI due to the charges imposed and subsequent delayed refund of the same. SBI enriched themselves by depriving the customers of the savings rate of interest on the undue collections made and the advantage taken by SBI in form of interest earned of the collected funds at Reverse Repo (bare minimum). The extent of this enrichment alone is Rs. 4.65 crore. Table 5 provides the corresponding calculations, considering (5a) the Reverse Repo and the Savings Bank rates, (5b) the number of days that generated interest at the various rates, and finally (5c) the interest gains from the undue UPI/ RuPay debit card digital charges collected during January-September 2020. **SBI has not passed on the undue interest gains of Rs. 4.65 crore to their depositors.**

Table 5: SBI's gains through interest from undue charges imposed during Jan-Sep 2020

5a: Reverse Repo and the Savings Bank rates

| R Repo Rate in 2020-21 | | SBI's Savings Bank Rate in 2020-21 | |
|------------------------|------|------------------------------------|------|
| Rate prevailing until | | Rate prevailing until | |
| 26 March 2020 | 4.9 | 13 March 2020 | 3.25 |
| 16 April 2020 | 4 | 18 April 2020 | 3 |
| 21 May 2020 | 3.75 | 30 May 2020 | 2.75 |
| 31 March 2021 | 3.35 | 31 March 2021 | 2.7 |

Source: RBI and SBI

5b: Number of days that generated interest at the various rates

| Month | Savings Bank Rate | Reverse Repo Rate | SB Days | R Repo Days | Savings Bank Rate | Reverse Repo Rate | SB Days | R Repo Days | Savings Bank Rate | Reverse Repo Rate | SB Days | R Repo Days | Savings Bank Rate | Reverse Repo Rate | SB Days | R Repo Days |
|---------------|-------------------|-------------------|---------|-------------|-------------------|-------------------|---------|-------------|-------------------|-------------------|---------|-------------|-------------------|-------------------|---------|-------------|
| Jan-20 | 3.25 | 4.9 | 58 | 71 | 3 | 4 | 36 | 21 | 2.75 | 3.75 | 42 | 35 | 2.7 | 3.35 | 285 | 294 |
| Feb-20 | 3.25 | 4.9 | 28 | 41 | 3 | 4 | 36 | 21 | 2.75 | 3.75 | 42 | 35 | 2.7 | 3.35 | 285 | 294 |
| Mar-20 | 3.25 | 4.9 | 7 | 13 | 3 | 4 | 27 | 19 | 2.75 | 3.75 | 42 | 35 | 2.7 | 3.35 | 285 | 294 |
| 1-6 Apr 2020 | - | - | - | - | 3 | 4 | 15 | 13 | 2.75 | 3.75 | 42 | 35 | 2.7 | 3.35 | 285 | 294 |
| Jul-20 | - | - | - | - | - | - | - | - | - | - | - | - | 2.7 | 3.35 | 239 | 239 |
| Aug-20 | - | - | - | - | - | - | - | - | - | - | - | - | 2.7 | 3.35 | 208 | 208 |
| 1-14 Sep 2020 | - | - | - | - | - | - | - | - | - | - | - | - | 2.7 | 3.35 | 185 | 185 |

5c: Interest gains from the undue UPI/ RuPay debit card digital transaction charges collected

| Month | No. UPI Debit Txn (Crore) | No. RuPay Digital Txn (Crore) | No. UPI/RuPay Txn (Crore) | Total amount refunded (Rs Crore) | Savings interest (Rs Crore) | R Repo interest (Rs Crore) | Total enrichment (Rs Crore) |
|-----------------------------|---------------------------|-------------------------------|---------------------------|----------------------------------|-----------------------------|----------------------------|-----------------------------|
| Jan-20 | 34.75 | 1.40 | 36.15 | 14.25 | 0.46 | 0.60 | 1.07 |
| Feb-20 | 34.98 | 1.32 | 36.30 | 14.31 | 0.42 | 0.55 | 0.97 |
| Mar-20 | 33.82 | 1.17 | 34.99 | 13.79 | 0.37 | 0.47 | 0.85 |
| 1-6 Apr 2020 | 5.97 | 0.15 | 6.11 | 2.41 | 0.06 | 0.08 | 0.14 |
| Jul-20 | 43.93 | 1.07 | 45.00 | 17.74 | 0.31 | 0.39 | 0.70 |
| Aug-20 | 44.70 | 1.15 | 45.86 | 18.08 | 0.28 | 0.35 | 0.62 |
| 1-14 Sep 2020 | 23.81 | 0.57 | 24.38 | 9.61 | 0.13 | 0.16 | 0.29 |
| Total Txns | 221.96 | 6.83 | 228.79 | 90.19 | 2.04 | 2.60 | 4.65 |
| Charges imposed on | 5.10 | | | | | | |
| % of Txns charged on | 2.23 | | | | | | |
| Charges per Txn | Rs 17.70 | | | | | | |

Source: Tables 3, 4 and author's computation

Though 5.1 crore is the number of UPI and RuPay debit card digital transactions on which SBI imposed charges during January-September 2020, and subsequently refunded @ Rs. 17.70 per transaction, SBI could not provide the breakup for each of UPI and RuPay debit card digital transactions separately. In 2020, SBI attributed to about 222 crore UPI transactions and about

6.8 crore RuPay (POS and eCom) debit card digital transactions during the periods when SBI had imposed the charges. Of these UPI and RuPay debit card digital transactions, only 5.1 crore transactions, i.e., 2.23% of the SBI's UPI/ RuPay debit card digital transactions were charged by SBI @ Rs. 17.70.

3.4. Extent of SBI's exploitation from UPI/ RuPay debit card digital transactions

SBI's imposition of Rs. 17.70 for an unassisted digital debit transaction cannot be considered reasonable, and thus is in breach of the RBI's July 2015 mandates. Accordingly, SBI should technically refund such charges recovered in respect of digital debit transactions to the BSBDA customers with effect from April 1, 2017, rather than only for the period January 1, 2020 to September 14, 2020, for which SBI has already refunded Rs. 90.2 crore.

We assess the amount of money collected by SBI during financial years FY18, FY19 and FY20, towards charges imposed on UPI and RuPay debit card digital transactions. To derive the same, we use the fact that the monthly average percentage of SBI volumes for UPI transactions is 28.27% of the overall UPI volumes, with a standard deviation σ of 1.14% (Table 4). Thus, the 2σ lower bound for the monthly average percentage of SBI volumes for UPI transactions is 25.99%. Similarly, for RuPay debit card digital transactions, as a conservative estimate, we have taken the SBI's share of transaction volume for POS and eCom combine as 10% of the overall RuPay debit card digital transaction volume. We use these statistics to arrive at the amount of service charges collected by SBI of UPI transactions from the BSBDA customers during the three financial years 2017-20.

Table 6 shows the workout of the undue and unreasonable UPI/ RuPay debit card digital transaction charges collected by SBI that has still not been refunded. In FY18, FY19 and FY20, SBI collected an undue sum of about Rs. 10.1 crore, Rs. 60.1 crore and Rs. 137.1 crore respectively, when they charged @ Rs. 17.70 per UPI transaction. Of the UPI charges collected in FY20, SBI refunded Rs. 40.8 crore only, while retaining nearly Rs. 96.3 crore. Thus, SBI did not refund Rs. 166.5 crore, which is the undue sum collected for the three financial years 2017-2020. Even if we give a benefit of doubt to SBI and consider the 2σ lower limits of 25.99% as the SBI's UPI contribution, then too the withheld undue amount is at least Rs. 153 crore. In order words, we can say with more than 95% confidence that SBI has collected more than Rs. 153 crore towards charges collected for UPI transactions that it has still not returned back to our marginalized countrymen while they used their accounts to transact digitally.

The bottom half of Table 6 derives the undue collections of RuPay debit card digital transactions carried out during FY18, FY19 and FY20, as Rs. 2.4 crore, Rs. 4.4 crore and Rs. 5.8 crore respectively. Of the RuPay debit card digital transaction charges collected in FY20, SBI refunded Rs. 1.5 crore only, while retaining nearly Rs. 4.3 crore. It may be noted that charges imposed for transacting digitally using a RuPay card is a gross violation in several aspects. More so, since for every RuPay transaction, SBI as an issuer bank earned payment card interchange in the range of 0.15% - 0.65% of the transaction amount.

From Table 6, we see that during the 33 months April 2017 through December 2019, SBI has collected anywhere between Rs. 164 crore and Rs. 177 crore towards charges imposed on at least 9 crore UPI and RuPay debit card digital transactions done by BSBDA customers. SBI has still not refunded this improperly collected amount to the BSBDA customers.

Table 6: Extent of charges imposed for UPI/ RuPay debit card digital transactions

| Period → | Jan-Mar 2020 | Apr-Dec 2019 | FY19 | FY18 | FY18-FY20 Undue Collections (Rs Cr) |
|--|--------------|--------------|--------|-------|--|
| Overall UPI Txn (Cr) | 387.76 | 864.11 | 539.15 | 91.52 | |
| SBI's UPI Txn @ 28.27% of overall Txn (Cr) | 103.55 | 244.31 | 152.44 | 25.88 | |
| SBI's UPI Txn @ 25.99% of overall Txn (Cr) | 103.55 | 224.61 | 140.14 | 23.79 | |
| 2.23% of SBI's UPI Txn @ 28.27% (Cr) | 2.31 | 5.44 | 3.39 | 0.58 | |
| Average : SBI's UPI Txn charges collected (Rs Cr) | 40.82 | 96.31 | 60.09 | 10.08 | 166.47 |
| 2.23% of SBI's UPI Txn @ 25.99% (Cr) | 2.31 | 5.00 | 3.12 | 0.53 | |
| 2σ Lower Limit : SBI's UPI Txn charges collected (Rs Cr) | 40.82 | 88.54 | 55.24 | 9.26 | 153.05 |
| Overall RuPay POS and eCom Txn (Cr) | 38.87 | 109.20 | 112.71 | 66.77 | |
| SBI's RuPay Txn @ 10% of overall Txn (Cr) | 3.89 | 10.92 | 11.27 | 6.68 | |
| 2.23% of SBI's RuPay Txn @ 10% (Cr) | 0.09 | 0.24 | 0.25 | 0.15 | |
| Average : SBI's RuPay POS and eCom Txn charges collected (Rs Cr) | 1.53 | 4.30 | 4.44 | 2.41 | 11.15 |
| SBI's Overall Charges collected (Rs Cr) | | 158.03 | 72.07 | 34.74 | |

Source: NPCI and author's computation

4. Concluding Remarks

The Board of Directors of SBI have been vested with the responsibility to ensure that charging Rs. 17.70 for every UPI and RuPay debit card digital transaction is reasonable as per principles laid down by RBI. Given that it costs a bank disproportionately more to provide an ATM cash withdrawal service than to provide the UPI/ RuPay debit card digital transaction facility, SBI's imposition of a uniform charge of Rs. 17.70 for both ATM cash withdrawal and UPI transaction is grossly unreasonable and in breach of RBI regulations.

Though on the one hand the country envisages a less-cash society while on the other hand the BSBDA customers had been disincentivised in their digital transactions for day-to-day payments. While having embraced digital means for transacting, the BSBDA customers remained an unprotected lot since SBI's actions amounted to exploitation of this marginalized section of the society through imposition of usurious service charges.

References

- Annual Report of the RBI for the Year 2020-21. RBI, May 27, 2021.
- Basic Statistical Return (BSR-2) – *Deposits with Scheduled Commercial Banks in India* - March 2020. RBI, October 14, 2020.
- Das, A. (2021b). *Statement of Facts - Relating to SBI's 'Statement of clarification on media reports based on the IIT Bombay Study'*. IIT Bombay, April 18, 2021.
- Das, A. (2021a). *Regulating Basic Savings Bank Deposit Accounts - Do we need to care for these marginalized depositors?* IIT Bombay Technical Report, April 11, 2021.
- Das, A. (2020). *Deviating from the BHIM-UPI Law*. IIT Bombay Technical Report, August 24, 2020.
- Das, A. (2018). *Can BSBDA Depositors have Long Innings? – Be Aware and Remain Vigilant*. IIT Bombay Technical Report, May 26, 2018.
- Das, A. (2017). *Basic Savings Bank Deposit Account – Complex Design, Faulty Implementation*. IIT Bombay Technical Report, June 26, 2017.

Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA). RBI/2018-19/206 DBR.LEG.BC.No.47/09.07.005/2018-19 dated June 10, 2019.

Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA) – FAQs. DBOD.No. Leg.BC.52/09.07.005/2013-14 dated September 11, 2013.

Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account. DBOD.No. Leg. BC.35/09.07.005/2012-13 dated August 10, 2012.

Financial Inclusion. DBOD.No.Leg.BC. 44/09.07.005/2005-06 dated November 11, 2005.

Master Circular on Customer Service in Banks. RBI/2015-16/59 DBR No. Leg. BC. 21/09.07.006/2015-16 dated July 1, 2015.

Statement on Developmental and Regulatory Policies - October 4, 2017- Banking Facility for Senior Citizens and Differently abled Persons. RBI/2017-18/89 DBR.No.Leg.BC.96/09.07.005/ 2017-18 dated November 9, 2017.