Indian Economy · GS - III

How do RBI's customer protection measures in ATM transactions promote transparency and accountability in India's banking system?

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
10	~150 words

Answer Hint

ATM transaction limits, customer awareness, banking transparency, service charges, failed transactions, consumer protection, financial inclusion

Model Answer

The Reserve Bank of India (RBI) regulates ATM transaction charges to balance banks' operational interests with customers' rights. Its directions on free transactions, applicable charges and customer notifications strengthen transparency in retail banking.

Key customer protection measures include:

1. **Free transaction entitlements:** Customers are entitled to five free transactions per month at their own bank's ATMs. At other banks' ATMs, the limit is three in metropolitan centres and five in non-metropolitan centres.

2. **Transparent charges:** Banks may levy charges of up to ₹23 per transaction, plus applicable taxes, after the prescribed free limits are exhausted.

3. **Transaction alerts:** Banks must inform customers about their monthly free transactions used and the charges applicable thereafter.

4. **Protection against technical failures:** Qualifying failed transactions caused by technical issues are excluded from the free transaction count.

5. **Point-of-Sale withdrawals:** Cash withdrawals through eligible PoS terminals are subject to a prescribed per-transaction limit, currently ₹2,000.

These measures help prevent unexpected deductions, improve customer awareness and strengthen accountability in banking services. However, effective implementation also requires accessible grievance redressal, clear communication and monitoring of compliance by banks.

Conclusion

Transparent transaction policies are essential for building trust in digital and conventional banking. RBI's regulatory oversight can make banking services more predictable, accountable and consumer-oriented.

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