Pvt banks can now get govt business

Embargo lifted; move to spur competition

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The Centre has lifted the restrictions on the grant of government business to private banks, Finance Minister Nirmala Sitharaman announced on Wednesday. All private sector banks now will be allowed to conduct government-related banking transactions such as tax and pension payments.

Sitharaman in a tweet said that private banks can now be equal partners in the development of the Indian economy, furthering government social sector initiatives, and enhancing customer convenience.

“Embargo lifted on grant of government business to private banks. All banks can now participate,” she tweeted.

The move to lift embargo will spur competition and promote greater efficiency in the standards of customer services, the Department of Financial Services said.

<table>
<thead>
<tr>
<th>Type of transaction</th>
<th>Revised rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts (physical mode)</td>
<td>₹40 per transaction</td>
</tr>
<tr>
<td>Receipts (e-mode)</td>
<td>₹9 per transaction</td>
</tr>
<tr>
<td>Pension payments</td>
<td>₹75 per transaction</td>
</tr>
<tr>
<td>Payments other than pension</td>
<td>6.5 paise per ₹100</td>
</tr>
</tbody>
</table>

Source: RBI

PRIVATE BANKS CAN NOW BE EQUAL PARTNERS IN DEVELOPMENT OF THE INDIAN ECONOMY

NIRMALA SITHARAMAN
Finance Minister
Several market players slammed NSE for the last-minute announcement. However, sources said regulatory approvals for extending trading hours took time.

Both the finance ministry and the Securities and Exchange Board of India (Sebi) sought a detailed report from the NSE as trading was halted for several hours.

Private banks...

In a statement, the finance ministry said the government has conveyed its decision to the Reserve Bank of India (RBI). “With the lifting of the embargo, there is now no bar on the RBI for authorisation of private banks for government business, including government agency business,” the statement added.

Government-related banking transactions include taxes and other revenue payments, pension payments, and small savings schemes.

In 2012, the finance ministry had not allowed private banks, barring some, to undertake government business for three years. In 2015, the government had continued with the embargo, and allowed the private sector with existing government agency business to continue without any fresh authorisation to private banks.

For undertaking government agency business, the RBI pays a commission to banks. The central bank carries out the general banking business of the central and state governments through agency banks appointed under Section 45 of the RBI Act, 1934. The government transactions eligible to commission are revenue receipts, payments on behalf of the central and state governments, pension payments, and any other item specified by the RBI. The current directive relates to the central government’s business.

“Private banks will get a level playing field, and get more room for government business,” said Prashant Kumar, managing director and chief executive officer, YES Bank.

This will also benefit customers in specific instances like businesses and firms maintaining accounts with public sector banks (PSBs) for paying tax, added Kumar. Now, this can be done through private banks as well, he added.

The social sector programmes of the government can be conducted through private banks as well, said Kumar. When private banks get government business, they will be obliged to perform, he added. “Private banks are competent to handle mandates for public benefit with a robust digital backbone.”

The development underscores the importance of private banks and their technological prowess, said Prakash Agrawal, head-financial institutions at India Ratings and Research. This will improve the flow of current account savings account, along with pension accounts, improving both their funding and fee income, said Agrawal. To give an estimate on the size of the government funds routed through agency banks, R K Thakkar, former chairman of UCO Bank, said taxes worth ₹2-2.5 trillion are routed through agency banks every month. Calling it a “good” decision, former banking secretary D K Mittal said the RBI will now have to work out the modalities.

Start-ups...

For instance, food tech platform Swiggy, which handed pink slips to over 1,400 employees after the pandemic broke out last year, has gone back to the 2019 hiring plans for the March quarter, with an increased focus on technology and product functions.

“Attracting the right talent in engineering, product, data science & ML is our primary focus while also strengthening our business category and supply chain teams for our new initiatives. This would be a mix of both entry-level roles (15-20 per cent) and lateral hires,” said Girish Menon, head of HR at Swiggy. The need to hire aggressively also comes on the back of fundraising that start-ups have seen amid rising demand. Walmart-backed PhonePe has managed to reach the milestone of 1 billion monthly payment transactions. PhonePe has about 700 positions to close in 2021. “Despite the lockdown, our headcount grew by 700 since the end of February 2020, taking our employee strength to 2,240,” said a spokesperson for PhonePe.

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