Indian Banks Association and RTI

Why in news?

Recently, Indian Banks Association said that government cannot exercise control over its functioning.

What is Indian Banks Association (IBA)?

- It is a representative body of management of banking in India and an association of Indian banks and financial institutions.
- Currently, it has members from public and private sector, foreign and urban co-operative banks, asset reconstruction companies, credit rating companies, credit guarantee funds etc.

What are the functions of IBA?

- Its major objectives are rendering assistance and providing common services to the banking industry; developing and implementing new ideas and innovations in banking services etc.
- It covers broad range of services in the banking industry and banks follow its advice in addition to RBI's regulatory guidance.
- It also makes various recommendations to the government and the RBI over various banking-related matters like treatment of non-performing assets, formation of Bad Bank, etc.
- It conducts wage negotiation with workers' and officers' unions, and signs a wage pact called Bipartite Settlements and Joint Notes which IBA claims as authorised by banks.

What is the issue with IBA now?

- IBA claims it to be a voluntary association of member banks which is neither a governmental entity nor a regulatory authority.
- It says that it is not compliant to the writ jurisdictions of courts and not subjected to Right to Information Act, 2005.
- It has not designated any Central Public Information Officer (CPIO) till now.
- But IBA is financed by member banks and public does not know the financial status of IBA though all PSBs and listed private banks contribute to its functioning.

What does Central Information Commission (CIC) say about this?

- In RK **Jain versus Indian Banks' Association case**, CIC said that IBA qualifies to be a public authority under the RTI Act, 2005.
- This is because it performs functions as state agency and majority of its control vests in Government of India-appointed Managing Directors of public sector banks.
- Therefore it directed IBA to designate an official of the IBA as the CPIO and to comply with Section 4 of the RTI Act, 2005.
- But IBA filed a writ petition before the Delhi High Court & the Court stayed the CIC order.
- The court observed that IBA is an association of banks which has 241 members and only nine members are from public sector banks.
- It also said that case is yet to be decided whether IBA comes under RTI or not.

What are the takeaways from this?

- The number of PSBs mentioned is factually wrong as there were 16 PSBs before the merger of 10 PSBs into 4 banks which was effective from April 1, 2020.
- Moreover, it is not be appropriate to compare the number of public sector and private banks.
- Ideally, how the positions are held or who controls the IBA should have been considered and also the financial contribution to run the IBA.
- More than 50 % of IBA's management committee members are from PSBs & the amount of money that flows from PSBs to IBA is not available in public domain.
- Transparency and accountability in administration is precondition for a participatory democracy.
- Hence government must instruct PSBs that are in the Managing Committee of the IBA to ensure that IBA comes under the RTI Act.

Source: Business Line



SHANKAR
IAS PARLIAMENT
Information is Empowering