

## **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**



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