

RBI NORMS ON FLEET SIZE, NET WORTH HARMING CASH LOGISTICS COMPANIES: CAPSI

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

NEW DELHI: The RBI's net worth and fleet size stipulations for [cash management companies](#) pose a grave security as well as financial threat, an industry body said Monday. Cash logistics is a business agreement between a bank and the service provider and the [RBI](#) has no reason to get involved in this area of banking services and management, the Central Association of Private Security Industry (CAPSI) said here.

In April, the Reserve Bank had set criteria for banks for outsourcing the services of cash management logistics. It said the cash handler and its sub-contractors should have a minimum net worth of Rs 100 crore and a fleet of minimum 300 specifically fabricated cash vans (owned/leased).

The net worth requirement came into immediate effect for future outsourcing contracts. For existing contracts, banks were required to ensure that the criterion was met by March 31, 2019.

On the physical security infrastructure there are a number of stipulations laid down by the RBI, including no movement of cash with armed guards, vans should be GPS enabled and have tubeless tyres, wireless mobile communication and hooters, discouraging night movement of vehicles and adequately trained staff associated with cash handling.

CAPSI Chairman Kunwar Vikram Singh said it is an organisation of small scale cash management companies and it is not possible for them to meet such stipulations.

"This decision has resulted in sudden death to more than 2,000 medium and small enterprises (MSMEs) servicing banks for the last 20 years. Thousands of ex-servicemen have lost their means of livelihood and are now facing acute financial crisis," Singh said.

Singh also said till now there has not been even a single case where banks have faced any loss due to theft or robbery as the money they handle is fully insured and the security system is robust.

"The decision to hand over all cash management operations to foreign companies is baffling. It is unthinkable to trust these foreign companies with our national cash," CAPSI said.

The prominent names in the cash logistics business such as [CMS Infosystems](#) (CMS), SIS Prosegur and Brinks Arya have foreign holdings.

Singh said the foreign companies cannot be trusted with handling the Indian cash system.

"One such company is presently owned by a foreign based private equity firm which can sell this company to anyone who can pay more for takeover. Even front companies of China or Pakistan can take over these companies. It is a serious matter related to India's internal and financial security," Singh said.

The umbrella body has already written to the Prime Minister's Office, the National Security Advisor and the Finance Minister to seek their intervention to analyse the potential "national risk" created by the "arbitrary" RBI order.

CAPSI also said it has brought the matter to the notice of the [Competition Commission](#) of India (CCI) as the RBI directive promotes monopoly.

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