



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

INDIA : Electronic Payments

A historical perspective and current state

Vijay Chugh
RESERVE BANK OF INDIA

Banco de Mexico
The Evolving Landscape of Payment Systems
October 14 - 15, 2014, Mexico City

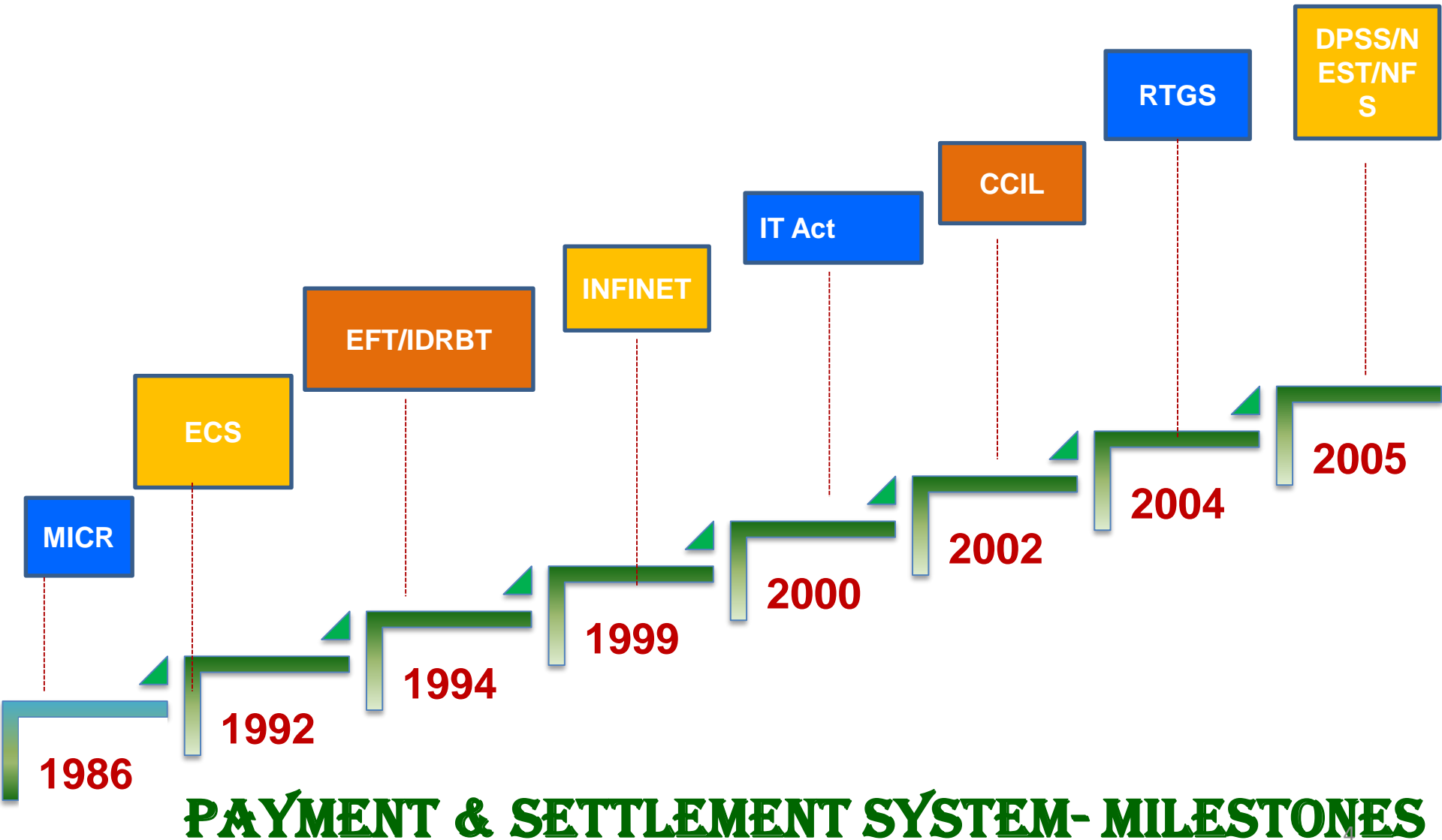
Presentation outline

- Payment Systems -vision
- Payments Systems- story so far
- Growing importance of e-payments –migration from cash
- Regulatory measures
- Payment systems-new initiatives
- Electronic payments – challenges

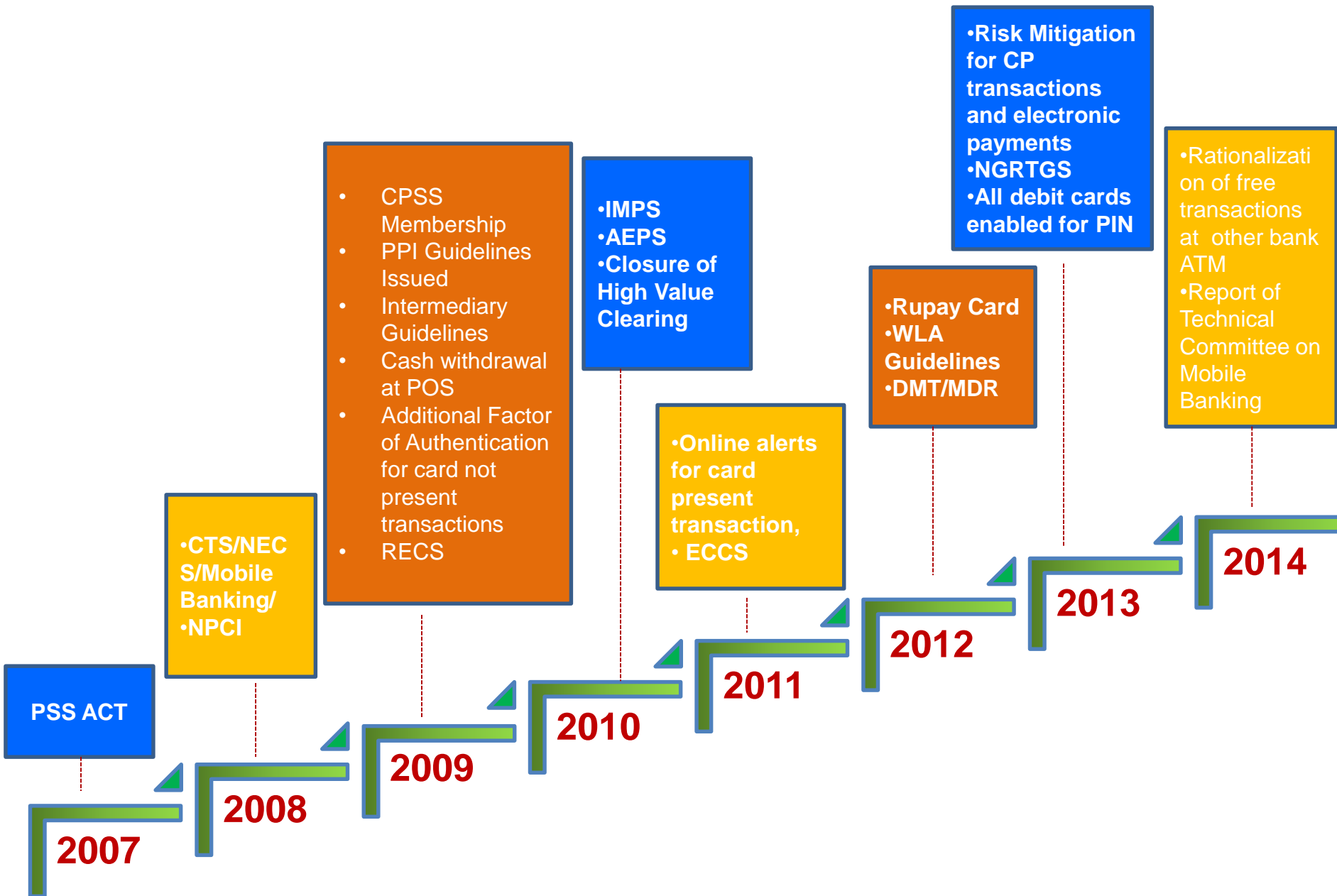
Payment Systems - vision

The vision document on payment systems (2012-2015) depicts twin objectives:

- *a commitment to proactively encourage electronic payment systems for ushering in a **less-cash society** in India , &*
- *to ensure payment and settlement systems in the country are safe, efficient, interoperable, authorised, **accessible, inclusive** and compliant with international standards.*



PAYMENT & SETTLEMENT SYSTEM- MILESTONES



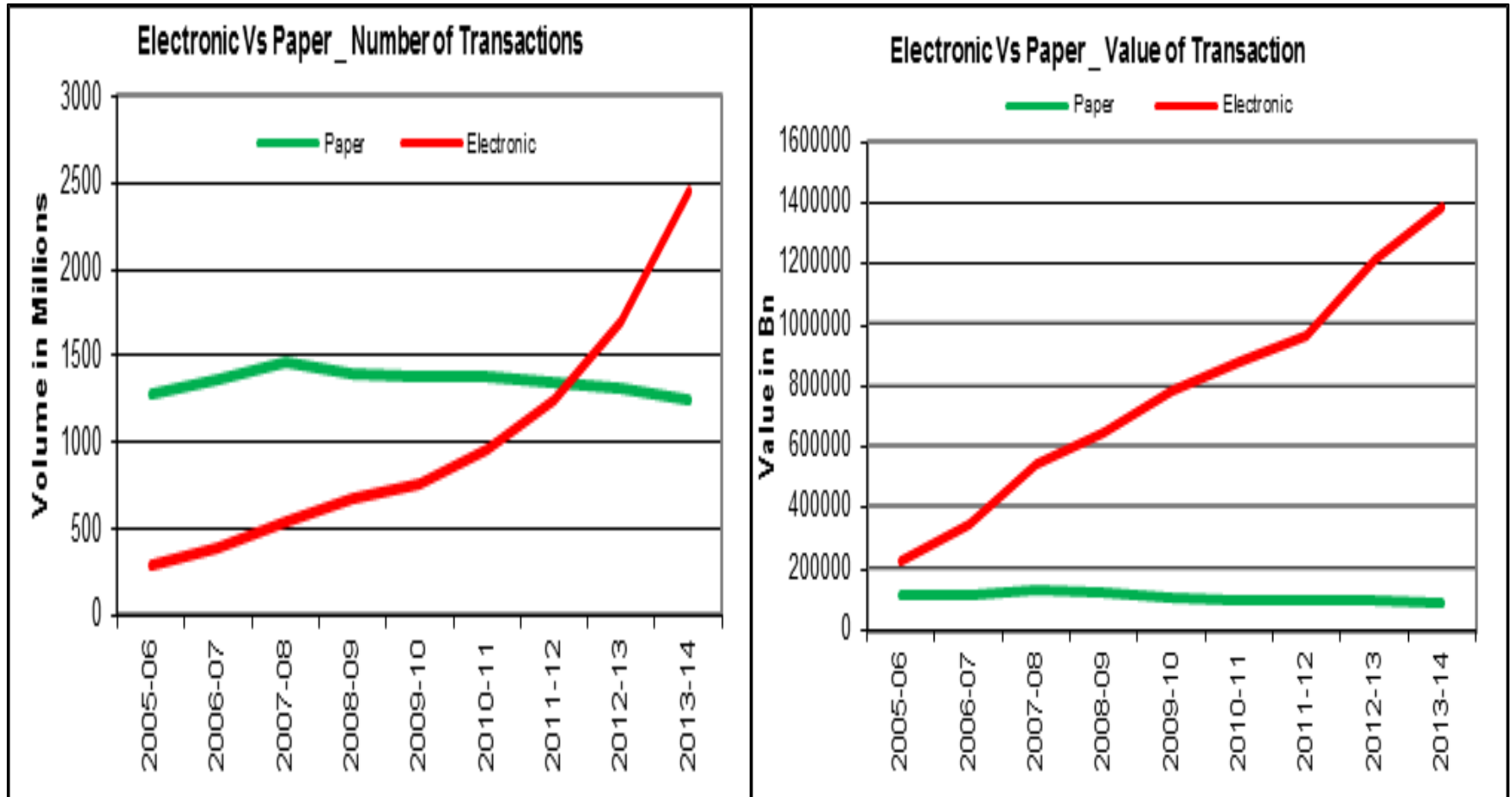
PAYMENT & SETTLEMENT SYSTEM- MILESTONES

PS: Performance Indicators – Summary

Categories	Volume (in million)			2012-13 over 2011-12	2013-14 over 2012-13	Value (Rs in billion)			2012-13 over 2011-12	2013-14 over 2012-13
	2011-12	2012-13	2013-14			2011-12	2012-13	2013-14		
Large Value	56.91	70.77	83.66	24.35%	18.22%	945378.6	1178439.5	1355822.0	24.65%	15.05%
Retail - Electronic	1190.55	1625.31	2283.36	36.52%	40.49%	22137.7	33913.0	50194.1	53.19%	48.01%
Retail – Paper *	1341.87	1314.14	1257.84	-2.07%	-4.28%	99012.0	100201.3	93339.7	1.20%	-6.85%
Grand Total	2589.32	3010.22	3624.85	16.26%	20.42%	1066528.5	1312553.9	1499355.8	23.07%	14.23%

* PPI paper vouchers data is included in the Retail – Paper sub-head

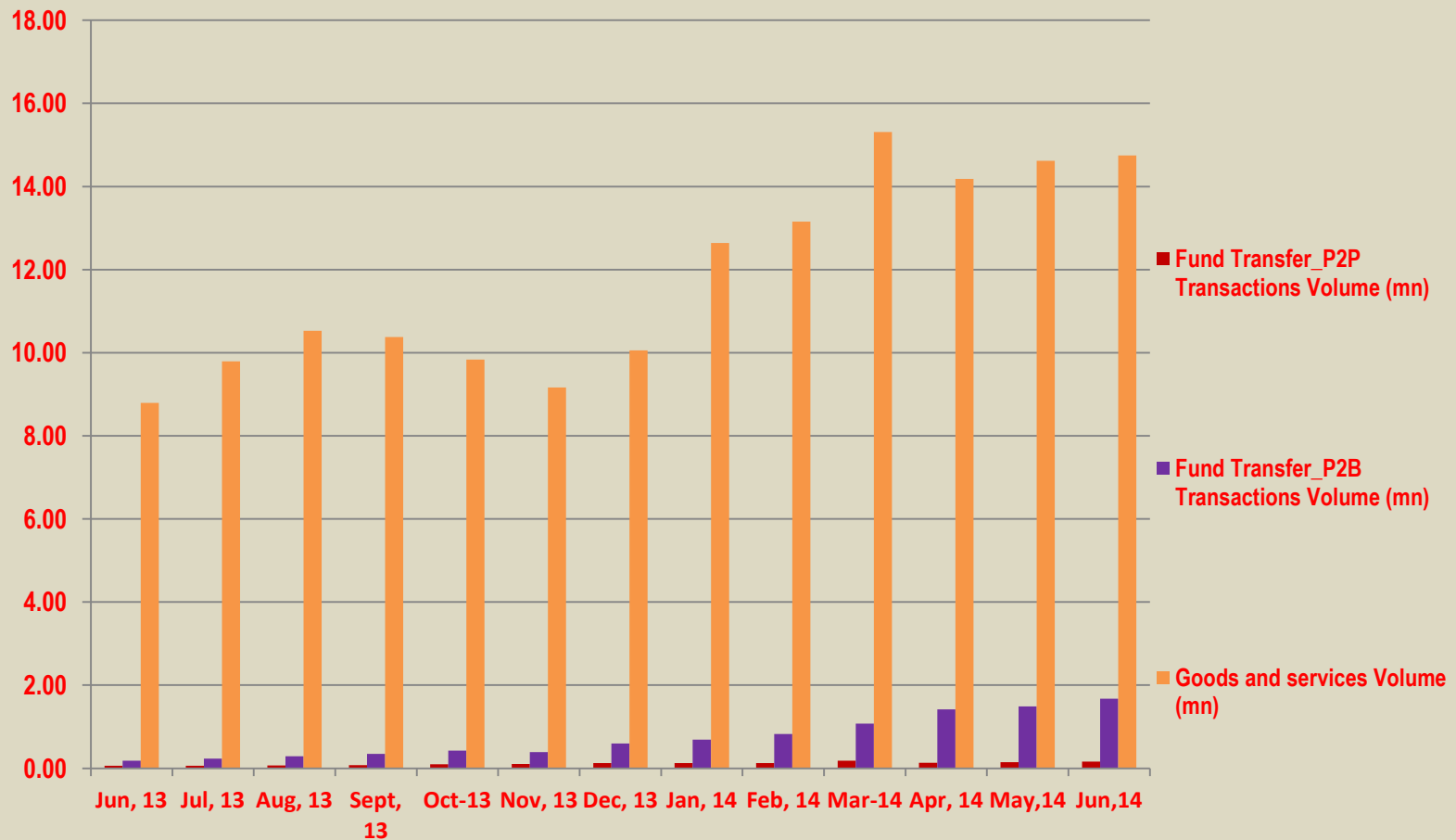
Paper versus Electronic Transactions (Volume and Value)



Usage of cards at POS and ATMs

		Volume (million)			Value (Rs billion)		
		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
POS	Debit cards	327.54	469.05	619.08	534.32	743.36	954.09
			(43.21)	(31.98)		(39.12)	(28.35)
	Credit cards	319.96	396.61	509.08	966.13	1229.51	1539.85
			(23.96)	(28.36)		(27.26)	(25.24)
ATMs	Debit cards	5081.92	5530.16	6088.02	13997.73	16650.08	19634.54
			(8.82)	(10.09)		(18.95)	(17.92)
	Credit cards	2.19	2.52	2.96	12.60	14.42	16.87
			(15.17)	(17.29)		(14.43)	(16.97)

Usage of Prepaid instruments by non banks (volume)



Growing importance of e-payments – migration from cash

Trends in pattern of payments

- Share of paper-based instruments in the volume of total non-cash transactions declined to 34.56% during the year
- Retail electronic segment has registered a growth of 59.68% in volume and 50.11% in value during the year
- NEFT volumes and values grew by 67.71% and 50.87%, respectively, during the year
- Debit card usage has registered a growth rate of 28.35% against the growth rate of credit card usage at 25.24 %
- in terms of volume and value, the overall trend shows that PPIs (issued by non banks) are used more for purchase of goods and services than remittance services.

Regulatory measures

- Reserve Bank nurtures innovation but ensures that there is a balance between the convenience factor with suitable safeguards for protecting or limiting customer liability
- Focus is on Availability, Affordability & Acceptability yet with an Assurance about Safety & Security
- Policy measures of RBI are proactive with focus on safety concerns
 - (a) mandating online alerts for card transactions
 - (b) mandating PIN entry for every transaction at ATM
 - (c) mandating the need for additional factor of authentication for card transactions
 - (d) strengthening the security of internet banking transactions including beneficiary management, velocity checks, etc.
 - (e) migration from magstripe to CHIP and PIN cards
 - (f) strengthening the security of card processing infrastructure
 - (g) reducing the turnaround time for handling customer grievances with mandate for payment of compensation for failed ATM transactions

PS : new initiatives - BBPS

Bharat Bill Payment System (BBPS)

- The BBPS is proposed to be a pan-India system for running the bills payment system in the country.
- The entire system will be operating on a single brand image so as to enjoin the confidence and trust of the customers.
- The BBPS is aimed to provide
 - convenience of 'anytime anywhere' bill payment
 - an interoperable bill payments for millions of customers in the country
 - replace the segmented bill payments taking place in silos at present
- The proposed system will function as a tiered structure under the standards (technical and operational) set by the centralized unit.
 - standards will also address the need for uniformity in handling customer grievances, settlement procedures and timelines, etc.
- The operating units will link up the billers and the collection agents and provide the interoperability which is lacking today

PS : new initiatives - TReDS

- Trade Receivables Discounting System (TReDS)

The TReDS aims at addressing concerns related to efficient financing options for the MSME segment

- eligible invoices and bills of MSMEs will be placed on the system for acceptance by the buyers
- financed by financiers so as to ensure financing

The TReDS will centrally on-board the various stakeholders – buyers, sellers and financiers, handle KYC and documentation related matters, ensure that master agreements are in place, standardize turnaround time for various activities involved in stages from uploading of invoices / bills to final payments on due dates

PS : new initiatives – mobile banking

Mobile Banking Facilitation

It is understood that the real success of the bank led model for mobile payments will unfold if;

- banks take up mobile banking in a big way and propagate to their existing customers
- with 900 million mobile subscribers base in India , and an adult population of 800 million , 45% of the adult population is unbanked-these have to be brought under the ambit of financial inclusion and provided with bank accounts with mobile as a delivery channel;
- most importantly, the acceptance ecosystem (banks and merchants) develops parallelly, to enable transfer of funds for person to person (P2P) and person to business (P2B) with the use of mobile by debit to such accounts.
- With active collaboration between banks and telcos irrespective of the channel through which such services are provided, such as, SMS, applications, USSD

Regulatory measures

- – TRAI has set the ceiling tariff for USSD-based mobile banking services
- – RBI has taken steps to provide accessible, convenient as well as cost effective services to mobile banking customers by forming a Committee to look into these matters and suggest a roadmap.

Electronic payments – challenges

- Active informal corridors
- KYC / AML guidelines
- High fee for transfers
- Slow growth of acceptance infrastructure (ATMs and POS) specially in the rural areas and the lower value chain (taxis, grocery and other stores, small restaurants)
- Issuance and usage of prepaid cards – not quite what it can be
- Safety of card present (CP) and card not present transactions (CNP) transactions – continuing concerns
- Slow progress in migration of government payments to e-mode
- No concerted action – advertising, educating, popularising

Electronic payments – challenges

- Moving settlements to central bank money, including stock market settlement
- Application and adherence to the PFMI
 - Governance
 - Liquidity risks
 - Segregation and portability
 - Recovery and resolution
- Supervising the non banks

Thank you