



Rise in Digital Transactions

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Why in News

According to the recent **Reserve Bank of India (RBI)** data, the month of March 2020 (when **Covid-19** lockdown began) saw a sharp rise in digital financial transactions countrywide.

Key Points

- The total value of **Real Time Gross Settlement (RTGS)** transactions rose by 34% across banks.
 - It is the biggest **online payment method** offered by RBI.
- The **National Payments Corporation of India (NPCI)**-run **Unified Payments Interface (UPI)**, registered more than 125 crore transactions in March.
 - The numbers, however, dipped slightly compared to February as there was a dip in economic activity due to lockdown.
- **Recharges and bill payments** as well as retail **banking transactions**, accounted for the majority of the volume of all the transactions.
 - NPCI-run **Bharat Bill Pay** was one of the beneficiaries, as it recorded 1.58 crore transactions in March as against 1.49 crore in February.
- According to the data, the usage of cash and other cash-based services dipped during the period.
 - Cash withdrawals from ATMs as well as usage of various cards (debit, credit) have also gone down significantly.
 - This could be because people's requirements for cash have fallen since the spending is mainly on essentials and necessities.
- The government's **Aadhaar Enabled Payment System (AePS)** also saw a decline of 16.1 % in the number of transactions, in March.
 - The government uses AePS mostly for direct benefit transfer schemes.

Real Time Gross Settlement

- RTGS is an **electronic fund transfer method** through which money is sent on a **‘real time’** basis without any delays.
- RTGS allows the money sent by the remitter to immediately reach the beneficiary as and when the money transfer transaction is initiated.
- ‘Gross Settlement’ refers to the processing of transactions on an **individual basis** and not in a batch wise system.
- Minimum amount that can be sent via RTGS mode is **Rs.2 lakh** and has no maximum limit.
- **RTGS is not a 24x7 facility** and is available only during **working hours of banks.**

Unified Payments Interface

- It is an advanced version of **Immediate Payment Service (IMPS)**- round-the-clock funds transfer service to make cashless payments **faster, easier and smoother.**
- UPI is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- **National Payments Corporation of India (NPCI)** launched UPI with 21 member banks in 2016.

Bharat Bill Payment System

- The Bharat bill payment system is driven by National Payments Corporation of India (NPCI).
- It is a **one-stop ecosystem for payment of all bills** providing an interoperable and accessible **“Anytime Anywhere” bill payment service** to all customers across India with certainty, reliability and safety of transactions.

Aadhaar enabled Payment System

- AePS is developed by the **National Payments Corporation of India (NPCI)** that **allows people to carry out financial transactions on a Micro-ATM** by furnishing just their **Aadhaar number** and verifying it with the help of their fingerprint/iris scan.
- With the help of this payment system, funds can be transferred from one bank account to another simply through their Aadhaar numbers.
- This system adds another layer of security to financial transactions as **bank details would no longer be required** to be furnished while carrying out these transactions.

National Payments Corporation of India

- NPCI is an **umbrella organization** for all **retail payments systems** in India.
- It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA).
- NPCI was established with following **objectives** -
 - To **consolidate and integrate the existing multiple systems into a nation-wide uniform** and standard business process **for all retail payment systems.**
 - To **facilitate an affordable payment mechanism** to benefit the common man across the country and propel financial inclusion.

Source: IE