Payments Infrastructure Development Fund

Why in News

Recently, the **Reserve Bank of India (RBI)** has announced the creation of a Rs. 500-crore Payments Infrastructure Development Fund (PIDF).

Key Points

- **Aim:** PIDF has been created to **encourage deployment of Point of Sale (PoS) infrastructure,** both physical and digital, in **tier-3 to tier-6 centres** and **north eastern states.**
  - The setting of PIDF is in line with the measures proposed by the **vision document on payment and settlement systems in India 2019-2021**.
  - It is also in line with the **RBI's proposal to set up an Acceptance Development Fund** which will be used to develop card acceptance infrastructure across small towns and cities.
- **Corpus:** It has a corpus of Rs. 500 crore in which **the RBI has made an initial contribution of Rs. 250 crore.** The remaining will come from the card-issuing banks and card networks operating in the country.
- **Recurring contributions:** The PIDF will also receive recurring contributions to cover operational expenses from card-issuing banks and card networks. RBI will also contribute to yearly shortfalls, if necessary.
- **Governance:** The fund will be **governed through an advisory council** but will be managed and administered by the RBI.
- **Need:** Most of the PoS terminals in the country are concentrated in tier 1 and 2 cities because of the high cost of merchant acquisition and merchant terminalisation.
  - The **merchant onboarding** and **training** is a key challenge for enhancing the reach of digital payments in smaller towns and cities.
  - Merchant onboarding means adding the new merchant in a payment gateway system.
- **Benefit:** It will give a push to digital payments across India.

  Reduce demand for cash over time.

Source: TH