



## Indian Digital Payment System Outside India

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### Why in News

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The **Reserve Bank of India (RBI)** is exploring the possibility of expanding its payment system abroad, following the requests from several countries.

### Key Points

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- **Requests for Payment System:**

The RBI has received requests from abroad for implementing its payment systems like Cheque Truncation System (CTS), National Electronic Fund Transfer (NEFT), Unified Payments Interface (UPI) and messaging solutions.

- **Reason:**

The availability of low cost innovative digital payment products in India has led to many countries expressing their interest in Indian payment system.

- **Availability of Payment System Outside India:**

- Currently, there are no RBI authorised payment system operators providing payment services outside India.
- However, there is cross-country cooperation with Bhutan with respect to CTS, National Automated Clearing House (NACH) and NEFT. NEFT is also available for one-way transfers from India to Nepal.

- **Scope of Payment System Outside India:**

- According to RBI there is scope for enhancing global outreach of its payment systems, including remittances, through active participation and co-operation in international and regional fora by collaborating and contributing to standard setting.
- Efforts have been made to increase and widen the scope, coverage and usage of **RuPay card scheme** and **UPI to enhance their brand value internationally.**

- **Issues Involved:**

- Overdependence on the foreign funds (through digital payments) may lead to possible liquidity risk issues in India.
- Different time zones may pose a risk in digital payments.

- **Digital Payments and India:**

- India's growing use of retail digital payments, indicates a shift in the relationship with cash.
- According to the RBI, the digital payments in the country have witnessed a growth of 61% and 19% in terms of volume and value, respectively.
- The value of digital payments to **Gross Domestic Product** (GDP) has also increased from 660% in 2014-15 to 862% in 2018-19.
- The Point of sale (PoS) terminals grew at a high pace of 35%, contrastingly the deployment of ATMs has grown at a low pace (4%).

### **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.

### **National Electronic Funds Transfer**

- **National Electronic Funds Transfer (NEFT)** is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.
- There is no limit – either minimum or maximum – on the amount of funds that could be transferred using NEFT.
- However, the maximum amount per transaction is limited to ₹ 50,000/- for cash-based remittances within India and also for remittances to Nepal under the Indo-Nepal Remittance Facility Scheme.

### **RuPay Card Scheme**

- RuPay is the first-of-its-kind domestic Debit and Credit Card payment network of India.

- The name, derived from the words 'Rupee and 'Payment', emphasises that it is India's very own initiative for Debit and Credit Card payments.
- The card can also be used for transactions in Singapore, Bhutan, UAE, Bahrain and Saudi Arabia.

### **Cheque Truncation System**

**Cheque Truncation System (CTS)** is an online image-based cheque clearing system undertaken by the RBI for faster clearing of cheques. It eliminates the associated cost of movement of physical cheques.

### **National Automated Clearing House**

**National Automated Clearing House (NACH)** is a service offered by NPCI to banks which aims at facilitating interbank high volume, low value debit/credit transactions, which are repetitive and electronic in nature.

**Source: IE**