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National Electronic Fund Transfer (NEFT)

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Why in News

The **Reserve Bank of India (RBI)** has operationalised **round-the-clock (24 X 7) availability of the National Electronic Fund Transfer (NEFT)**.

The RBI has also asked banks not to levy any charges from savings bank account holders for funds transfers done through NEFT system which are initiated online (internet banking and/ or mobile apps of the banks).

Key Points

- Through this move, the **RBI has joined an elite club of countries** having payment systems which enable round-the-clock fund transfer and settlement of any value.
- **Benefit to Customers:** Customers can now transfer money through NEFT without paying any charges any time of the day whereas banks charge a fee for fund transfer through cheques and Demand Draft (DD).

Background

- The NEFT system, **introduced in 2005**, has seen exponential growth in recent years reflecting its popularity as well as increasing customer acceptance. Despite such growth, many banks continued to levy the maximum permissible charges to their customers.
- It was desirable that the benefits accruing on account of increasing volume of transactions are passed on to the customers so as to **incentivise greater use of the electronic payment system** in place of cumbersome paper-based mechanism like cheques/DDs.

National Electronic Fund 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.
- NEFT is **different from Real Time Gross Settlement (RTGS)**. RTGS can be explained as a system where there is continuous and real-time settlement of fund-transfers, individually on a transaction by transaction basis.
 - NEFT settlements happen in batches, so there might be a slight delay for the actual transfer to take place RTGS transactions, on the other hand, happen in real time.
 - 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.
 - The minimum amount to be remitted through RTGS is ₹ 2,00,000/- with no upper or maximum ceiling.

Source: IE