



## Non-Bank PSPs to Join Centralised Payment System

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### Why in News

Recently, the **Reserve Bank of India (RBI)** allowed non-bank Payment System Providers (**PSPs**) to participate in **Centralised Payment Systems (CPS - RTGS and NEFT)**, as direct members.

### Key Points

- **Allowed in a Phased Manner:**
  - In the first phase, PSPs such as **Prepaid Payment Instruments (PPIs)**, **card networks** and **White Label ATM (WLA) operators** will be allowed access.  
ATMs set up, owned and operated by non-banks are called **WLAs**.
  - Presently, **only banks and select non-banks** such as **NABARD** (National Bank for Agriculture and Rural Development) and **Exim Bank** (Export-Import Bank of India) are allowed access to CPS owned by RBI – NEFT and RTGS.
- **Separate IFSC to Non-Banks:**
  - It means allotment of a separate **Indian Financial System Code (IFSC)** to **non-banks**, opening a current account with the RBI in its **core banking system (e-Kuber)** and maintaining a settlement account with the RBI.
    - **IFSC** represents the 11 digit character code that helps identify the individual bank branches that participate in the various online money transfer options like NEFT and RTGS.
    - **Core Banking System** is a solution that enables banks to offer a multitude of customer-centric services on a 24x7 basis.
  - It will also mean **membership of Indian Financial Network (INFINET)** and **use of Structured Financial Messaging System (SFMS)** to communicate with CPS.
    - **INFINET** is a membership-only Closed User Group (CUG) Network that comprises the RBI, Member Banks and Financial Institutions.
    - **SFMS** is India's backbone for inter-bank financial messaging & CPS.

- **Significance:**
  - **Minimizing risk of payment ecosystem:**  
Direct access for non-banks to CPS lowers the overall risk in the payments ecosystem.
  - **Reduction in cost of payments:**  
It also brings advantages to non-banks like reduction in cost of payments, minimising dependence on banks, reducing the time taken for completing payments.
  - **Mitigating failure or delay in fund execution:**  
Risk of failure or delay in execution of fund transfers can also be avoided when the transactions are **directly initiated and processed by the non-bank entities.**
  - **Increasing efficiency and better risk management:**
    - Non-bank entities shall transfer funds from their Current Account to RTGS Settlement Account and vice versa during the operating hours.
    - It will increase efficiency, innovations, improve standards of data security as well as better risk management.

## Centralised & Decentralised Payment Systems

- CPS in India are **Real Time Gross Settlement (RTGS)** and **National Electronic Funds Transfer (NEFT)** systems, both owned and operated by the Reserve Bank.
- **RTGS:** It enables **real-time transfer of funds to a beneficiary's account** and is **primarily meant for large-value transactions.**  
Real time means the processing of instructions at the time they are received and gross settlement implies that settlement of funds transfer instructions occurs individually.
- **NEFT:** It is **an electronic fund transfer system in which the transactions received up to a particular time are processed in batches.**  
It is generally used for fund transfers of up to Rs. 2 lakh.
- The **decentralised payment systems** will include **clearing houses managed by RBI (Cheque Truncation System (CTS) centres)** as well as **other banks (Express Cheque Clearing System (ECCS) centres)** and any other system as decided by RBI from time to time.

## E-Kuber

- e-Kuber is the **Core Banking Solution of the Reserve Bank of India** which was introduced in 2012.
- The centralisation thus makes a **“one-stop” shop for financial services a reality.** Using CBS, customers can access their accounts from any branch, anywhere, irrespective of where they have physically opened their accounts.
- Almost **all branches of commercial banks**, including the Regional Rural Banks (RRBs), are brought into the core-banking fold.

- The e-kuber system can be accessed either **through INFINET or Internet.**

**Source: IE**