



Nilekani Recommendations on Digital Payments

RBI appointed committee on digital payments, headed by **Nandan Nilekani**, has made recommendations for strengthening [digital payments ecosystem](#) in India.

Recommendations

- **Removal of transaction charges:** on digital payments made to government
 - There should be no convenience fee on consumers for digital payments made to state run entities and central departments.
- **Merchant Discount Rates (MDR) pricing structure:** 15 basis points (100 bps = 1% point) cut on the interchange rate on card payments which is borne by the merchants.
- **Removal of existing 18 %import duty** on POS (point of sale) machines for a period of three years.
- **Reduce the goods and services tax (GST)** on digital transactions so that the acceptance of digital payments can be improved among the customers.
- Mechanism to **monitor the digital payment systems:**
 - **Digital financial inclusion index** so that progress in an area can be measured along a common scale, indicating the evolution of the users and steps taken for correcting the imbalance.
 - Aggregated **information** based on **blocks** and **PIN codes**, must be available to all players on a monthly basis.
- **Reduce the overall cost to the consumers** such as KYC (Know your customer) process at multiple stages of the transaction and service charges for digital payments.
- **Protection from fraud and risk:** payment systems must rely on machine-driven, online dispute resolution systems to handle complaints.
- Setting up an **Acceptance development fund:** which will be used for developing new merchants in poorly served areas.
- **Reduce gap between “digital credits” and “digital debits”:** There is a need for improvement on demand or acceptance side of the ecosystem as, high-cost structures, including interchange fees, as well as limited financial service offerings, impede merchants from accepting digital payments.
- Target for additional growth of **volume of digital payments by 10 times in three years** and the growth will be driven by a shift from **high-value, low-volume, high-cost transactions to low-value, high-volume, low-cost transactions.**