

Draft Proposals For Facilitating Electronic Transactions

1. Objectives

- Improve the ease of conducting transactions for an individual
- Build a transactions history to enable improved credit access and financial inclusion.
- Reduce the risks and costs of carrying cash at the individual level.
- Reduce costs of managing cash in the economy.
- Reduce tax avoidance
- Reduce the impact of counterfeit money.

2. Scope

- Provide access to financial services to every citizen along with ability to conduct non cash transactions
- Electronification of Government Collections by equipping each collection desk with a method to accept non cash receipts
- Migrate payment transactions from cash dominated to non-cash through incentivization of electronic and disincentivization of cash based transactions
- Enhance acceptance infrastructure in the country to promote electronification of transactions
- Encourage Government, Corporates, Institutions and merchant establishments to facilitate non cash payments

3. Definition

E-transactions are defined as transactions in which the customer authorizes the transfer of money through electronic means, and the funds flow directly from one account to another. These accounts could be held in banks, or with prepaid instrument providers. These transfers could be done through means of cards (debit / credit), mobile wallets, mobile apps, net banking, Electronic Clearing Service (ECS), National Electronic Fund Transfer(NEFT), Immediate Payment Service (IMPS), or other similar means.

4. Goal

The goal of the proposed policy is to provide the necessary incentives to use E-transactions to replace the use of cash - either in government transactions, or in regular commerce over a period of time through policy intervention.

5. Way Forward

The draft proposals detailed in this section, have been prepared after due deliberations and consultations with various stakeholders which includes RBI, NPCI, NIBM, public and private sector banks, card service providers, mobile service providers, research institutions, organizations working in this area and various government departments.

5.1 Enabling policy for E-transactions in Government Collections

- At present, Government Departments/Central Public Sector Undertakings/Organizations levy a convenience fee/service charge/surcharge for making E-transactions (card payments) to essential commodities, utility service providers, petrol pumps, gas agencies, railway ticket counter/IRCTC etc. The feasibility of removing the charges will be examined.
- Utility service providers could be advised to give a discount to users for small ticket payments through E-payments, on the lines of BSNL, which provides an incentive of 1 per cent of the billed amount if the payment is done through electronic mode.
- Government Departments to introduce appropriate acceptance infrastructure or adopt national E-payment gateway 'PayGov India' for collection of revenue, fee, penalties etc.

5.2 Measures to promote wider adoption of E-transactions

- At present, there is a Merchant Discount Rate (MDR) of 0.75% on Debit Card transactions upto Rs.2000 and 1% on all transactions above Rs.2000. The possibility of reduction in the MDR and the rationalization of the distribution of the MDR across different stakeholders will be examined.
- The existing inter-change fee on Debit/Credit Card transactions are not uniform and need to be standardized/rationalized to encourage both issuing and acquiring banks to establish and utilize acceptance infrastructure.
- Tax benefits could be provided to merchants for accepting electronic payments, e.g. an appropriate tax rebate can be extended to a merchant if at least say 50% value of the transactions is through electronic means. Alternatively, 1-2% reduction in value added tax could be considered on all electronic transactions by the merchants.
- Tax benefits in terms of income tax rebates to be considered to consumers for paying a certain proportion of their expenditure through electronic means.
- The authentication requirements for different classes of transactions could be re-examined based on the risk profile and safety requirements.
- Consider a levy of a nominal cash handling charge on transactions greater than a specified level.
- Mandating settling of high value transactions of, say, more than Rs. 1 lakh, only by electronic means.
- At present, banks have to report the aggregate of all the payments made by a credit cardholder as one transaction, if such an amount is Rs. 2 lakhs in a year. To facilitate high value transactions, the ceiling of Rs. 2 lakhs could be increased to say Rs. 5 lakhs or more.

5.3 Creating enabling environment / acceptance infrastructure

- It has been observed that acceptance infrastructure, particularly Point of Sale (PoS) / Mobile PoS terminals as a percentage of the total number of Debit/Credit Cards is very low. Therefore, mandating banks issuing cards to deploy POS terminals in a prescribed ratio could be considered.
- Like in ATMs, non-banks could be authorized to install white label POS terminals.
- Improve broad band connectivity to enable mobile based payments on a wider scale.

5.4 Encouraging mobile banking/payments channels

- Currently, the telecom companies are levying an Unstructured Supplementary Service Data (USSD) charge of Rs. 1.50 per transaction for mobile banking/payments. To enhance adoption of mobile banking/payment, the USSD charges could be examined and rationalized.
- Appropriate changes in the regulatory structure, if required, to promote mobile based payment systems.

5.5 Awareness and grievance redressal

- Assurance mechanisms for fraudulent transactions to be created wherein, in case of a fraudulent transaction, the money will be credited back to customer's account and blocked and subsequently released after the investigation is complete/ limited to say a maximum of 3 months.

6. Other Issues

While the Payments and Settlement Systems (PSS) Act, 2007 governs this area, changes in the regulatory mechanisms could be examined to ensure that innovations in the payments ecosystem continue to happen. The linkages with Aadhaar based identification for authentication could also be strengthened.
