

# NACH and ECS

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## National Automated Clearing House (NACH)

- NACH is a part of NCPI that was started in the year 2007.
- The National Automated Clearing House, regulated and supervised by RBI, is a web-based payment solution for bulk money transactions.
- Small retailers, government, corporate sectors, NBFCs, Banks and such are encouraged for core banking and interbank transactions via online and mobile banking with the help of NACH.
- NACH is the centralised web-based payment solution that helps the banks, corporate sectors, government and other financial institutions to handle bulk payments.
- High volume transactions such as dividend and salary pay by the corporate, subsidies and pensions payment by the government and such can be easily done through NACH.
- The system will also assist the financial institutions and corporate to receive high volume payments as well.
- High volume payments that consist of water, electricity, telephone bills, loan amounts, EMIs, mutual fund investments payments can be received through NACH solution.
- The solution will facilitate all kinds of interbank, electronic transfers for bulk volume payments in easy ways.

## NACH Credit

- Through NACH Credit any organisation that is authorised under RBI guidelines can make huge payments to the multiple beneficiaries directly to their personal bank accounts.
- Salary from the corporate, dividends, pension, interest

and subsidies are provided through NACH Credit system by using a single system.

### **Key features of NACH Credit the system are:**

- The system is capable of engaging 10 million transactions in a single day.
- There is a provision of multiple file processing that can be done in single settlement.
- Direct Corporate Access for the corporate organisations.
- There are systems ACK/NACK that help the organisations to track their payments easily.
- NACH Credits are closed on Sundays and holidays that RTGS follows.

### **NACH Debit**

- NACH debit is similar to NACH Credit.
- It is a system in NACH through which banks and other financial institutions can accept payments in large volume without interference / barriers of the third party.
- Through NACH Debit bulk payments like utility charges can be collected through single settlements.
- The banks, NBFCs, corporate sectors and government can easily accept large amounts of payment like EMI, loans, electricity bills, water, tax and other payments.

### **The Key Features of NACH Debit System are:**

- Online Dispute Management System
- Unique Mandate Reference Number available that helps the customer to track multiple payments.
- Safe and secure transaction between the organisation and parties. Confidential information security.

### **Why NACH better than the ECS ?**

Electronic Clearing System is the method of online payment and money transaction and NACH was initiated to solve the issues

that ECS encounters regarding payment process.

- The most common problem in ECS is it needs a lot of paperwork unlike NACH. The latter has a smoother workflow so no need to have bulk paperwork for it.
- Due to a lot of paperwork the process under ECS can be rejected many times. Online ECS this happens rarely in NACH.
- ECS is time consuming. ECS takes 3-4 days for the settlement whereas settlement is done within 24 hours under NACH.
- There is no Unique Mandate Registration Reference Number in ECS but it has in NACH. This number can be used for future transactions under NACH.
- NACH has an online dispute management system that ECS does not have.

### **National Payments Corporation of India**

- National Payment Corporation of India incorporated in the year 2005.
- The organisation was set up in the supervision of the central bank of India that is Reserve Bank of India.
- RBI has initiated the idea of setting up the NPCI with the objective of encouraging Retail Payment System in the nation.
- NPCI has formed to facilitate all the financial institutions, government, corporate sectors and Banks along with NBFCs to access the Retail Payment System easily. This also helps one to engage in a high volume of money transaction at a single go.
- There are 10 prominent nationalised and private banks that are said to be the promoters of NPCI. These banks are State Bank of India, Union Bank of India, HSBC, HDFC, ICICI Bank, Canara Bank, Citibank, Bank of Baroda, Punjab National Bank and Bank of India.
- ICICI, HSBC, HDFC and Citibank are the private banks that are involved in promoting NCPI.

- The online transaction through NCPI has climbed up to 20 million per day from mere 2 million per day in the last few years.
- The RBI has set up the organisation to encourage Retail Payment System which is growing at an increasing rate in India