

# Payment and settlement systems-RBI Vision document

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## Background

Payment and settlement systems are the backbones of any economy. The last decade has witnessed substantial developments in this area of activity across the country. The Reserve Bank of India (RBI), under powers from the Payment and Settlement Systems Act, 2007, has endeavoured to ensure that India has 'state-of-the-art' payment and settlement systems that are not just safe and secure but are also efficient, fast and affordable. Efforts in this direction has yielded handsome results. The planned development of the payment systems has been guided by RBI's vision document for the payment and settlement systems in India which is being put out in the public domain since the year 2002; the last in this series was the Payment Systems Vision 2018. The current Vision document outlines the road map for the three-year period spanning from 2019 to 2021.

## Payment Systems Vision-2021

### *Core Theme- Empowering Exceptional (E) Payment Experience*

**Vision Statement – Empower every Indian with access to a bouquet of e-payment options that is safe, secure, convenient, quick and affordable.**

Vision 2021 concentrates on a two-pronged approach of, (a) exceptional customer experience; and (b) enabling an eco-system which will result in this customer experience. **With this in view, the Vision aims towards;**

- Enhancing the experience of Customers

- Empowering payment System Operators and Service Providers
- Enabling the Eco-system and Infrastructure
- Putting in place a Forward-looking Regulation
- Supported by Risk-focussed Supervision.

**To achieve the above, the Vision envisages four goal-posts (4 Cs) Competition, Cost, Convenience and Confidence.**

- **For enhancement of Competition** in the payment systems landscape, specific thrust areas like creating a regulatory sandbox, authorizing new players, etc., have been incorporated
- This along with the presence of multiple players in the market is expected to achieve optimal Cost for the customers
- Free access with the availability of multiple payment system options anytime-anywhere should cater to the requirement of Convenience
- The 'no-compromise' approach towards safety of payment systems should address security vulnerabilities to retain customer confidence.

### **Expected Outcomes of Vision 2021**

- The Payment Systems Vision 2021 covers the period up to December 2021.
  - Vision 2021 focuses on further enhancements/improvements in all facets of payment systems.
  - With concerted efforts and involvement of all stakeholders, the four goal-posts of Vision 2021 with 36 specific action points over the 36-month timeframe will have the following **12 specific outcomes:**
1. Further decrease in the share of paper-based clearing as a percentage of retail payments, particularly in terms of the number of paper instruments processed. Given the current trend in cheque usage and the thrust to shift to digitized transactions it is expected that the volume of

cheque-based payments would be less than 2.0% of the retail electronic transactions by 2021.

2. Accelerated growth in individual retail electronic payment systems, both in terms of the number of transactions and increased availability. Payment systems like UPI / IMPS are likely to register average annualized growth of over 100% and NEFT at 40% over the vision period. The number of digital transactions is expected to increase more than four times from 2069 crore in December 2018 to 8707 crore in December 2021.
3. Measurably, the digital payment transaction turnover vis-à-vis GDP (at market prices-current price) is expected to further increase to 10.37 in 2019, 12.29 in 2020 and 14.80 in 2021. Payment transaction turnover, including CCIL transactions and paper, is expected to be 22.30 times the GDP (at market prices-current price) by December 2021.
4. Increase in use of digital modes of payment for the purchase of goods and services through an increase in debit card transactions at PoS (35% increase during the vision period) and continued growth in PPI transactions.
5. Usage of debit cards at PoS transactions is expected to be at least 44% of total debit card transactions (at PoS + ATM). In value terms, it is 15.2 percent in 2018-19 (5.2 percent in 2014-15) which is expected to be 22% by end 2021.
6. Increased deployment of card acceptance infrastructure across the country including at smaller centers with a substantial portion of the infrastructure taking care of processing contactless card payments. Given the current growth trend, it is expected to have 5 mn active PoS by end 2021; digital PoS (QR code) is also expected to increase substantially, and the total card acceptance infrastructure will be upscaled to six times present levels by end 2021. This is expected to support the aim of the cash-lite economy and also shift Cash on Delivery (CoD) transactions to digital modes for e-commerce.

7. While no specific target is considered for cash in circulation, the enhanced availability of PoS infrastructure is expected to reduce demand for cash and thus over time achieve a reduction in Cash in Circulation (CIC) as a percentage of GDP.
8. Further facilitation of mobile-based payment transactions as gauged on the basis of the registered customer base (expected increase of 50% considering the base effect).
9. Enhanced usage of electronic payment systems is expected to reduce the marginal cost given the additional volume. The pricing of such services to customers should, over the vision period, show a reduction of at least 100 bps from current levels. Plus a shift from ad valorem rates to per transaction rates is envisaged, as the usage of a system is irrespective of the value of a transaction.
10. Security of systems and customer-centricity as reflected by –
  1. Decrease in Technical Declines reported across various payment systems by 10% year-on-year.
  2. Reduction in Business Declines reported across various payment systems by 5% year-on-year. This will be achieved through targeted hand-holding of merchants and customers with customized campaigns by partnering with system operators and system participants.
  3. Improvement in Turn Around Time (TAT) for resolution of customer complaints by PSOs.
11. FTS [ $\text{Fraud to Sales} = (\text{Fraud value} / \text{Sales value}) \times 10000$ ] count for payment systems is expected to be less than 10 bps for most of the payment systems.
12. Enhanced healthy competition in the payments space and establishment of new PSOs during the Vision period is envisaged.