

# Payment Infrastructure Development Fund (PIDF) scheme

January 13, 2021

## In news

Recently, the Reserve bank of India announced the operationalization of the payment infrastructure development fund (PIDF) scheme

## Key features of the scheme

The regulator prescribed details of contribution to the fund and sought to incentivise the usage of payment devices.

## Aim

The PIDF scheme is intended **to subsidise deployment of payment acceptance infrastructure in tier-3 to tier-6 centres**, with a special focus on the north-eastern states of the country.

## Management of the fund

An advisory council (AC) under the chairmanship of RBI deputy governor BP Kanungo has been constituted for managing the PIDF.

## Duration of the fund:

PIDF will be operational for three years effective from January 1, 2021 and may be extended for two more years

## Current status

The PIDF presently has a corpus of Rs 345 crore, with Rs 250 crore contributed by the RBI and Rs 95 crore by the major authorised card networks in the country.

## Contribution to the corpus

- RBI has stated that the authorised card networks shall contribute in all Rs 100 crore.
- The card issuing banks shall also contribute to the corpus based on the card issuance volume covering both debit and credit cards at the rate of `1 and `3 per debit and credit card issued by them, respectively.
- It also mentioned that any new entrant to the card payment ecosystem shall contribute an appropriate amount to the PIDF.
- The PIDF shall also receive annual contributions from card networks and card issuing banks. Card networks will have to chip in with one basis point (bps), or 0.01 paisa per rupee of transaction.
- Card issuing banks will have to contribute one bps and two bps 0.01 paisa and 0.02 paisa per rupee of transaction for debit and credit cards respectively.
- They must also contribute Rs 1 and Rs 3 for every new debit and credit card issued by them during the year.
- The RBI shall contribute to yearly shortfalls, if any.

## Parameters for utilization of funds

- RBI in its notification has said that the **focus shall be to target those merchants who are yet to be terminalized (merchants who do not have any payment acceptance device)**
- **Merchants engaged in services such as transport and hospitality, government payments, fuel pumps, public distribution system (PDS) shops, healthcare and kirana shops may be included, especially in the targeted geographies**
- The AC shall devise a transparent mechanism for allocation of targets to acquiring banks and non-banks in different segments and locations.

## Allocation of funds

- Tentatively, tier-3 and tier-4 centres will be allocated 30% of the acceptance devices, tier-5 and tier-6 centres will get 60% and the north eastern states will be given 10%.
- Multiple payment acceptance devices and infrastructure supporting underlying card payments, such as physical PoS, mPoS, GPRS , public switched telephone network (PSTN) and QR code-based payments will be funded under the scheme.

## Subsidy

- As per the RBI notification, as the cost structure of acceptance devices vary, subsidy amounts shall accordingly differ by the type of payment acceptance device deployed.
- A subsidy of 30% to 50% of cost of physical PoS and 50% to 75% subsidy for Digital PoS shall be offered
- Payment methods that are not interoperable shall not be considered under the PIDF.
- **The subsidy shall not be claimed by applicants from other sources like the National Bank for Agriculture and Rural Development (Nabard), etc.**
- In case other mechanisms exist for providing subsidy or reimbursing cost of deployment of acceptance infrastructure, no reimbursement shall be claimed from PIDF.
- The subsidy shall be granted on a half-yearly basis, after ensuring that performance parameters are achieved, including conditions for 'active' status of the acceptance device and 'minimum usage' criteria, as defined by the AC.
- The minimum usage shall be termed as 50 transactions over a period of 90 days and active status shall be minimum usage for 10 days over the 90-day period.
- The subsidy claims shall be processed on a half-yearly

- basis and 75% of the subsidy amount shall be released.
- The balance 25% shall be released later subject to the status of the device being active in three out of the four quarters of the ensuing year.
  - The scheme is on reimbursement basis; accordingly, the claim shall be submitted only after making payment to the vendor.
  - **The maximum cost of physical acceptance devices eligible for the subsidy will be Rs 10,000**, including one-time operating costs up to Rs 500.
  - **The maximum cost of digital acceptance devices eligible for subsidy will be Rs 300**, including a one-time operating cost up to Rs 200.

### **Who will monitor the implementation targets?**

It shall be monitored by the RBI with assistance from card networks, the Indian Banks' Association (IBA) and the Payments Council of India (PCI).

### **Incentives**

- Acquirers shall submit quarterly reports on the achievement of targets to the RBI.
- Acquirers meeting or exceeding their targets well in time and/or ensuring greater utilisation of acceptance devices in terms of transactions shall be incentivised.
- Those who do not achieve their targets shall be disincentivised, by scaling up or down the extent of reimbursement of subsidy.