

F. No. 15/2/2012-FI
Government of India
Ministry of Finance
Department of Financial Services

3rd Floor, Jeevan Deep Building,
New Delhi, dated the 7th September, 2012

To

All CMDs of PSBs
All Chairmen of RRBs (Through Sponsor Banks)

Sub: Measures to popularise e-payments for bringing down the number of transactions through cheques – regarding

Sir,

I am directed to refer to this Department's letter of even number dated 14.06.2012 and 10.07.2012 wherein all banks were requested to encourage transactions through e-payment channels so as to reduce the number of transactions through cheques and other expensive modes of transactions. It was also inter alia requested to identify **top 20% branches in terms of business volume** to bring down the number of cheque based transactions by at least 20% in 2012-13 and take action to **reduce the NEFT charges to zero for value up to Rs. 1 lakh.**

2. Replies have been received from some of the banks. On a perusal of the same, it is observed that:

- i. Some Banks have still not intimated about the action taken to reduce the NEFT charges
- ii. Information was required to be furnished in respect of top 20% branches in terms of business volume. The data for business volumes could be taken for the year 2011-12. The branches once decided should be fixed and should **not** be changed on a monthly basis, based on business of previous month. However, a few banks have given details of only 20 branches, and some banks are furnishing details of different branches in different months.

3. It may also be recalled that, physical (paper based) instruments are currently used in following:

- i. Cheques or other paper instruments (like Demand Draft, Pay Order) issued by bank branches towards payments made to vendor, Saving account closure or on maturity of FDR accounts, payment of interest or for settlement of any other transaction etc.
- ii. Cheques taken by the bank towards initiation of the electronic transactions like RTGS, NEFT or setting up standing Instructions, ECS, SIP etc.
- iii. Cheques issued by the bank customers for:
 - a) Cash withdrawal (Self / Bearer)
 - b) Clearing transactions (Inter Bank transactions)

c) Transfer transactions (Intra Bank transactions)

4. To ensure that e-payment mode gets the attention it deserves, it is considered imperative for banks to take following minimum steps:

- i. Executive Director dealing with the subject should be assigned the responsibility of supervising e-payment drive in the bank. Name of the concerned Executive Director be conveyed to this Department.
- ii. Identification of top 20% branches in terms of business volume (2011-12)
- iii. It needs to be ensured that all payments and disbursements by the banks, except sundry payments, are made only electronically.
- iv. Bank officials also need to be sensitised about promoting e-payments and to educate and motivate the customers.
- v. Progress at branch and zonal level need to be closely monitored. Specific responsibilities and monitoring formats should be developed. This needs to be verified during field visits.
- vi. Banks must devise suitable monitoring parameters to judge the effectiveness of the e-payment drive.

It is expected that successful implementation of the e-payment drive should result in significant reduction in the volume as well as value of transactions using cheques and pay orders.

5. It is accordingly requested that after identification of top 20% branches as per business volume (2011-12), banks may furnish consolidated information for the identified 20% branches in the revised simplified Excel format annexed herewith (though they must in turn continue to ascertain and monitor the details of the identified branches at individual level for the transactions stated at Para. 3 (iii) above. The information for the month of July, 2012 may accordingly be furnished immediately and for succeeding months be furnished by 15th of the succeeding month. The format attached with the letter of even number dated 14th June, 2012, stands modified accordingly.

Yours faithfully

(Jitendar Kumar Mehan)

Under Secretary to the Government of India

T.No.23748767

Email: fi-dfs@nic.in

Copy for information to: - PPS to Secretary (FS), PS to AS (FS), PS to JS (BA), PA to DIR (FI)