

Banks seek funding support to sustain digitisation drive

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Banks are incurring costs to incentivise e-payments



The government wants banks to collectively install 10 lakh additional PoS terminals by March-end 2017 Nagara Gopal

Mumbai, January 4:

With the government scrapping old, high-value Rs.500 and Rs. 1,000 banknotes and placing special emphasis on increasing digital transactions in the economy, banks want the government to announce a fund for incentivising digital payments and spreading awareness about the same in the upcoming Union Budget.

During the course of the demonetisation exercise between November 9 and December 30, the Reserve Bank of India had asked banks to roll out a host of special measures to incentivise electronic payments, including waiving levy of ATM charges for all transactions (irrespective of the number); cutting merchant discount rate for debit card transactions up to Rs. 2,000; and not levying any charges on customers for transactions up to Rs. 1,000 settled through mobile-based payments.

Banks had to absorb the costs on account of rolling out these special measures. Now, in order to sustain some of these measures in the post-demonetisation period and ensure that more people embrace digital banking transactions, bankers say a fund is needed to bankroll this effort.

Further, funding support will also be required to spread awareness about digital transactions, alternative banking delivery channels and cyber-security.

State Bank of India Chairman Arundhati Bhattacharya, in a recent media interaction, emphasised the need to incentivise digital transactions and disincentivise cash transactions.

A senior public sector bank official said banks had earlier sought contributions from the government and the RBI to the proposed Acceptance Development Fund (ADF) for expanding the card acceptance (point-of-sale or POS terminal) infrastructure. However, they have not yet heard from both sides.

A PoS terminal is an electronic device which processes card (debit and credit) payments at merchant locations.

In a bid to expand the digital payments eco-system and facilitate the move towards cashless transactions in the wake of the old Rs. 500 and Rs. 1,000 bank notes being scrapped, the government had asked banks last month to ramp up installation of PoS terminals .

While the government wants banks to collectively install 10 lakh additional PoS terminals by March-end 2017, a senior SBI official underscored the twin burden involved, with the latter having to incur expenditure for setting up the PoS terminals and also contributing to the ADF. This, the official said, has been brought to the notice of the regulator.