

## Digital-first economy? Bank transactions via cheques hit all-time low

Data from RBI shows that value of transactions via cheques as a proportion to the total number of transactions has come down to 3%

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With the move to demonetise 87 per cent of commercial notes, the government had aimed to push people's reliance from cash to electronic modes of payment. While mobile payment apps, e-wallets and netbanking transactions are up on average, the value of transactions through cheques has hit an all-time low.

Data from the Reserve Bank of India (RBI) shows that value of transactions via cheques as a proportion to the total number of transactions has come down to 3 per cent, from nearly 12 per cent in June 2011.

Banks traditionally received a sizeable portion of their fee income from processing cheques, in addition to providing customers with new cheque books for an additional charge, but with transactions shifting to digital platforms, the number of transactions via cheques has not declined. On the contrary, it is rising.

The average number of transactions every month via cheques in 2012 stood at 16.53 million and as of the June 2018, the number of cheque-based transactions has increased to 94.7 million a month on an average.

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Rajesh Mokashi, managing director and CEO of CARE Ratings, said, "The commission on cheques is one component of fee income, which gets affected on account of shift to electronic modes to the extent that there is no fee charged on them. But, there was already a largescale migration from cheques to RTGS/NEFT modes before demonetisation that reduced these physical clearing transactions."

In comparison, the total value of transactions on the RTGS (real-time gross settlement) network has come down from 75 per cent as of June 2014 to 57.8 per cent as of June 2018.

	Number of transactions (mn)	Total value of transactions (₹ bn)	Value of transactions as a proportion of total deals (%)		
			Cheque	RTGS	Mobile
2014-15	853.04	100,440.75	5.40	75.13	0.03
2015-16	1,040.09	144,093.18	5.00	55.33	0.09
2016-17	1,327.37	158,939.13	3.90	56.24	0.28
2017-18	1,742.71	196,535.39	3.50	55.41	0.71
2018-	2,044.65	219,593.29	3.06	57.75	0.54

Note: Data for other Payment networks like Electronic Clearing System, Forex Clearing, Clearing Corporation of India among others not included  
Source: RBI Database on Payment System Indicators

For the analysis, Business Standard calculated the 12-month average value and the volume of transactions across all payment methods. The data for other payment networks such as Electronic Clearing System, Forex Clearing, Clearing Corporation of India among others was not included in the analysis. Two payment networks came about post-2010, the NEFT (National Electronics Funds Transfer) and IMPS (Immediate Payment Service), both of which have only in recent years seen traction. The RBI data reveals that as of June 2017, the value of transactions on the IMPS network accounted for only 0.2 per cent of all payment transactions. As of June 2018, the value of transactions via IMPS has grown to 0.4 per

cent.

NEFT transactions as a proportion of the total value transactions stands at 7.1 per cent as of June 2018, growing from 5.6 per cent for the 12-month ending June 2017.

One explanation for this dichotomy is that while a sizeable number of banking customers have moved away from cash and cheques and are transacting via mobile phones, internet banking and other digital networks, new customers to the banking system are contributing to the growth in cheque transactions.

Today, according to a recent report from the Boston Consulting Group (BCG), more than 80 of every 100 Indians are financially included, whereas in 2011 only 35 of 100 Indians had active access to financial services.

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"The overall impact may not be very significant for the banking system on account of greater use of say mobile banking and e-wallets for example. The present increase in use of cards/ewallets is for transactions which were earlier done through cash, which strictly do not compete with cheques. Banks have however also increased their charges on various other banking transactions which provides some compensation," says Mokashi.

Despite a large push by banks, private and public, card transactions (debit and credit cards) account for 1.5 per cent of the value of payment transactions as in June 2018. The analysis shows that as of June 2014 card transactions accounted for 1.9 per cent of all payment transactions.

