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Reserve Bank sets up a Rs.500 crore digital payments infra fund

BY ASHWIN MANIKANDAN, ET BUREAU | JUN 05, 2020, 01.59 PM IST

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MUMBAI: The [Reserve Bank of India](#) on Friday announced that it has setup a Rs.500 crore Payment Infrastructure Development Fund (PIFD) to support and improve the development of [digital payments ecosystem](#) in the rural and north east districts of the country.

The central bank has made an initial seed contribution of Rs.250 crore to the PIFD with the other half of the fund expected to be contributed by all card issuing banks and network operators, the central bank said.

“Over the years, payments ecosystem in the country has evolved with a wide range of options such as bank accounts, mobile phones, cards, etc,” [RBI](#) said in a press release. “To provide further fillip to digitisation of payment systems, it is necessary to give impetus to acceptance infrastructure across the country, more so in underserved areas.”

Additionally, the PIFD will also receive annual recurring contributions to cover operational expenses from card issuing banks and card networks, while RBI will also make contributions time to time to cover for yearly shortfalls. The Fund will be governed through an advisory council and managed and administered by Reserve Bank.

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The primary objective of PIFD, as stated by the central bank, is to encourage acquirers to deploy Points of Sale (PoS) infrastructure in both physical and digital modes in tier-3 to tier-6 centres and north eastern states.

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physical and digital modes in tier-3 to tier-6 centres and north eastern states.

This assumes importance as payment companies and ecosystem players had earlier raised concerns following Finance Ministry's decision to waive off [Merchant Discount Rate](#) on UPI and RuPay instrument the deployment of POS machines would take a hit.

They claimed that that without any monetary incentives, banks and payment companies would be reluctant to deploy their machines and acquire merchants in rural zones as the costs of maintenance are higher.

MDR or Merchant Discount Rate is the fee charged by acquiring bank from merchants for providing payment service. This fee was waived off for select National Payments Corporation of India operated instruments in January 2020.

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