

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 21st June, 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,

As you are aware that this Department has been, time and again, constantly following up on measures to encourage e-payment channels so as to reduce the number of transactions through cheques and other expensive modes of transactions.

2. In this direction, during the last few years, Public Sector banks have invested significantly into technology as well as in developing various applications for electronic payment. It has, however, been noted that while the number of electronic transactions have increased, there has not been any significant reduction in the number of cheque based transactions.

3. Data compiled by the RBI shows that during 2001-12, the number and value of cheque transactions was 134 crore and Rs. 98,94,000 crore respectively. During the same period the number and value of electronic transactions was Rs. 1160 crore and Rs. 22,07,500 crore respectively. It would be seen that while the electronic transactions are witnessing a rapid increase, these account for only about 18% in value terms. The number of cheque transactions not only continue to be large but has shown a marginal decline of only about 4% in the last 4 years.. With the adoption of technology and promotion of electronic payments, it is expected that the number of cheques will show a sharper decline than has been witnessed in the recent past.

4. Studies have shown that the cost of handling cheque during its entire lifecycle, from printing till storage and destruction, is between Rs. 25 to Rs. 40 per cheque depending upon the size of the bank. The total cost of

handling cheques by the Public Sector banks is estimated to be Rs. 4,000 - Rs. 8,000 crore.

5. As the PSBs have a large number of transactions with their customers, it is imperative that Banks migrate totally to the electronic transactions for their transactions with customers. PSBs had been advised by the Department to use only electronic transactions for the following with their customers

- i. All payments to and from customers/staff
- ii. All payments to vendors and suppliers
- iii. Disbursement of loans and payments towards instalments and investments.
- iv. ECS advice instead of post dated cheques

PSBs need to ensure that w.e.f. 1st July, 2012 cheques are not issued/received by for any of the above transactions. This needs to be ensured at all levels and Zonal and Regional Offices must be assigned the direct responsibility. Bank need to undertake the audit of adoption of e-payment and action must be taken against the officers concerned in cases where the cheque based systems are found to be in use despite these instructions.

6. It is, therefore, necessary that concerted efforts are made by the PSBs and their sponsored RRBs for popularising e-payments and to bring down the number of transactions through cheques. The following strategy may be adopted in this regard:

- i. Banks must identify the branches accounting for highest share in business where a focussed attention to bring about reduction in number of transactions through customer education and pro-active measures be taken. To begin with top 20% branches in terms of business volume may be identified and action plan to bring the number of cheque based transactions by at least 20% in 2012-13 be worked out.
- ii. As 90% of the cheque transactions are for value below Rs. 100,000 with a share of just 21% in value, as per the decision taken in the Conference of CMDs of Public Sector banks on 12.6.2012, banks are advised to reduce the charges for NEFT transactions to zero for value up to Rs. 1 lakh. Any perceived loss of revenue on account of NEFT transactions in such cases would be more than made up by much higher savings on the cost of cheque or ATM transactions. Any shift

- from teller/Cheque/ATM transaction to electronic transaction will imply significant savings to the banks.
- iii. Banks must proactively encourage the customers to use electronic payment system. Banks need to provide for facilities for demonstration of electronic payments for the customers. Banks in particular need to focus attention on small and medium enterprises. The Department of Financial Services is simultaneously planning a major public awareness campaign on electronic payment.
 - iv. Banks also need to proactively encourage their customers to adopt e-transactions in their dealings, viz., payment to suppliers, staff. This will reduce their requirement of issuing cheques.
 - v. Banks would need to revisit their incentive schemes to include the migrant of transactions on electronic medium as one of the parameter for incentives to the Branch and Regional/Zonal level. The performance of the officers at the Branch/Zonal/Regional level should also be considered at the time of their performance appraisal.
 - vi. As the RRBs have recently migrated to Core banking, and have joined the payment system, there is a need to educating the staff of RRBs on electronic payment and to also undertake a more intensive customer awareness campaign.
 - vii. The Board of Directors of the banks must set the target for the shifting of transactions to electronic medium and also monitor the progress there under on at least a quarterly basis.

7. In the light of the above, all PSBs and RRBs are requested to take further action as per para-5 above. The PSBs/RRBs are also requested to inform this Department on the progress of electronic transactions and the reduction in cheque based transactions on a monthly basis, as per attached proforma. The information may only be sent through email at fi-dfs@nic.in and no hard copy should be sent to this Department.

8. This has the approval of Secretary(FS).

Yours faithfully

(Jitendar Kumar Mehan)
Under Secretary to the Government
of India
T.No.23748767
Email: fi-dfs@nic.in

Copy for information/necessary action to:-

1. Chairman, NABARD
2. CGM, RPCD, RBI
3. All SLBC convenors
4. CEO, IBA, Mumbai.
5. All Board Nominee Directors
6. NIC, DFS, for putting on the website of DFS under circulars section of DFS, "What's New" and FI Circular Section

Copy for information to:-

PPS to Secretary (FS), PS to AS (FS), PS to JS (BA), PA to Dir (FI)

Monitoring of e-payment channels over Cheque transactions in branches have highest share in Business

Name of Bank:						
Name of Sponsored Bank: (Applicable only in case of RRB)						
Month & Year: (MON-YYYY Format)						
S.No	Branch Name	No. of Chq. Trxns	Value of Chq. Trxns	No. of E-Channel Txns (i.e. thru NEFT, RTGS, NECS, ECS etc.)	Value of E-Channel Txns (i.e. thru NEFT, RTGS, NECS, ECS etc.)	%age wise reduction over previous month
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
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