

Electronic Fund Transfer

Electronic Fund Transfer (Ern) is another payment system product meant for retail and non-repetitive payments. A bank customer (i.e. sender or originator) willing to avail of the remittance facilities has to submit an "EFT Application Form" authorizing the sending bank to debit the sender's account and transfer funds to the beneficiary specified in the EFT Application Form. The sending bank would arrange to send the funds to the beneficiary through National Clearing Cell. At present, the facility is available at 15 RBI offices and the beneficiary's account is credited on the same day.

NEFT

Besides EFT, NEFT (National Electronic Fund Transfer) scheme is also available at Mumbai. Under the scheme, centralized fund transfer takes place between banks in a secured communication network and the participating banks take the responsibility of crediting the destination account beneficiaries across the country through their internal network. At present NEFT facility is available at more than 32000 bank branches across the country.

Inter-City Clearing and Cheque Truncation System

National Clearing Cell also facilitates faster collection of cheques drawn on 16 RBI centers without collecting any extra service charge from presenting banks under the Inter-City clearing service. This reduces the time span for collection of

instruments almost by 50 %. Under the present clearing system, there is physical movement of instrument between banks before final credit to the account of the beneficiary. If this physical movement of payment instrument is curtailed or truncated, its realization would be much faster. Therefore, Reserve Bank of India has already initiated steps to introduce Cheque Truncation System shortly in India which will mark the beginning of a new era in cheque clearing system. Cheque Truncation is the system of settlement of clearing transactions based on images and electronic data without physical movement of the instruments. The Clearing Cheque is truncated at the Presenting bank itself and only the images would be provided to the drawee banks and settlement will be arrived at on the basis of the image. The Cheque Truncation System (CTS) will revolutionise the clearing system in India.



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Role of RBI in Payment System

Payment Systems are a key component of the financial sector infrastructure of a country. Inefficiencies and high transaction cost in these systems are burdens on individuals, enterprises and the whole economy. Responding to these challenges, Reserve Bank of India created the Department of Payment and Settlement Systems (DPSS) in March 2005 to ensure a safe, sound, secure and efficient payment system in the country. At the regional level, National Clearing Cell (N.C.C.) acts as an arm of DPSS. The entire machinery looks after the smooth functioning of the payment and settlement system for ensuring financial stability in the country.

It has been the endeavour of the Reserve Bank to reduce the risks associated with payment and settlement systems. At macro level, it has taken several measures to develop the payment and settlement system along sound lines. Enhancing usage of the Real Time Gross Settlement (RTGS) as the large value payment system and National Electronic Fund Transfer (NEFT) as the retail payment system, minimising transaction costs, strengthening legal infrastructure for the payment system, introducing nation wide payment system for retail payment, improving international remittance services and facilitating newer channels of payment and settlement are some of the steps taken by the Bank in this direction. More than 36000 bank branches spread over the country are providing RTGS facility to customers fund transfers.

Cheque Clearing

The efficiency of an economy is rated on the speed at which payment obligations are settled. The manual processing of cheques in the country underwent a sea change with the introduction of mechanized processing of cheques using Magnetic Ink Character Recognition (MICR) technology. This technology which facilitates quicker realization of cheques, improved customer service and effective house keeping at banks, was first introduced through National Clearing Cells in 1986 with sophisticated computer systems at the four metropolitan cities. In the course of time, this technology was extended to 59 commercially important cities across the country with the latest state-of-the-art technology which facilitates capturing the image of the cheques while processing.

Under the MICR Clearing System, if a customer presents a cheque drawn on another bank on day one, his/her bank is credited on the next working day after completion of the related return clearing i.e. T+1 day, T being the day of presentation.

RBI has automated all other non-MICR clearing houses at 80 centres in Tamil Nadu and Puducherry by introduction of MMBCS package thereby making the process faster. Further, all district head quarters have been provided with a clearing house in the state and clearing services are also made available at places with more than 5 bank branches.

Electronic Clearing Service

In addition to MICR clearing, National Clearing Cell also conducts paperless Electronic Clearing Service (ECS) and Electronic Fund Transfer (EFT). There are two types of Electronic Clearing Service viz. Credit and Debit. The Credit Clearing (single debit and multiple credits) is used by Corporates and Government Departments for making bulk and repetitive payments like interest, dividend, salary, pension etc. without involvement of any paper instruments. Utility Service Providers like Telephone Companies, Banks, Insurance Companies, Schools, and Clubs etc use the Debit Clearing (single credit with multiple debits) for receiving their dues at periodic intervals without involvement of any paper instruments. Under both the schemes, one time exercising of the option for the facility is sufficient. This facility is available at 67 centers in the country including 7 cities in this region besides Chennai. They are Madurai, Coimbatore, Tirupur, Erode, Salem, Tiruchirapalli and Puducherry. Government of Tamilnadu, Railways, Port Trust, Transport Corporation, L.I.C., B.S.N.L are some of the prominent organizations, which make use of ECS facility in Chennai. N.C.C. Chennai processes one and a half million transactions per month (approx) without collecting any service charge for the services rendered by it.