

RBI tells banks not to charge transaction fees for NEFT from Jan 2020

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Banks will not be able to charge their savings account customers for online transactions done via the National Electronic Funds Transfer (NEFT) system from next year. Mandate banks not to charge savings bank account customers for online transactions in the NEFT system with effect from January 2020, the Reserve Bank of India (RBI) said in a release on Friday.

NEFT can be done by bank customers either online or offline through bank branches. While several major banks, including State Bank of India (SBI), ICICI Bank, Axis Bank, HDFC Bank, and YES Bank, do not charge for online NEFT transactions, Bank of Baroda and Union Bank of India charge Rs 2.25, excluding the goods and services tax (GST), for such transfers up to Rs 10,000.

The RBI earlier this year had waived the charges it levied on banks for transactions routed through NEFT and the Real-Time Gross Settlement System (RTGS), which is used for large fund transfers.

It had asked banks to pass on the benefit to customers to provide an impetus to the digital funds movement.

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- In June, RBI waived off NEFT/RTGS charges levied on banks
- It asked banks to pass on the benefits to customers by July 1
- RBI has now mandated banks to stop charging savings account customers for online NEFT transactions
- SBI, PNB, HDFC Bank, Axis Bank, ICICI Bank, and YES Bank don't charge customers
- Bank of Baroda, Union Bank of India, Central Bank of India charge customers for the service

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According to the RBI, in the period between October 2018 and September 2019, digital payments constituted 96 per cent of the non-cash retail payments, said the RBI. NEFT and Unified Payments Interface (UPI) in the same period handled 2.5 billion and 8.7 billion transactions with year-on-year growth of 20 per cent and 263 per cent, respectively.

To further promote digital payments, the RBI has decided to operationalise the acceptance development fund with effect from January 1, 2020.

The fund was created to improve the payments infrastructure in small towns and villages with the help of various stakeholders, including banks, card payment networks, and the government.

The Nandan Nilekani committee on digital payments had recommended the RBI to consider the setting up of an acceptance development fund, which would be used to develop new merchants in poorly served areas.

This, the panel recommended, could be funded by the market.

The RBI will also constitute a committee to assess the need for plurality of Quick Response (QR) codes and merits of their co-existence or convergence from both systemic and consumer viewpoints.

Furthermore, the central bank has permitted all authorised payment systems and instruments, including non-bank prepaid payment instruments (PPIs), cards and UPI for linking with National Electronic Toll Collection FASTags. This will facilitate the use of FASTags for parking, fuel, etc., payments in an interoperable environment, the RBI said. The RBI also said it would enable the processing of e-mandates for transactions through UPI.