

# Digital payment to weed out corruption, new schemes on anvil: FM

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While presenting Budget Finance Minister Arun Jaitley on Wednesday said promotion of digital economy would clean up the system, weed out corruption and black money, and the Government will soon launch an Aadhaar-based payment system to promote digital transactions for people living in hinterlands.

"A merchant enabled Aadhaar payment system will be launched shortly. This will specially be beneficial to those who do not have debit cards, mobile wallets or mobile phones," Jaitley said while reading out the Budget in Parliament.

Promotion of digital economy is an integral part of the Government's strategy, Jaitley said, adding it has a transformational impact in terms of greater formalisation of the economy and mainstreaming the financial system into the budget system.

"This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now at the cusp of a massive digital revolution. A shift to digital platform has huge benefits to the common man," Jaitley said.

The Finance Minister said that the BHIM app will unleash the power of mobile phones for making digital payments and financial inclusion.

"125 lakh people have adopt-

ed the BHIM app so far, the Government will launch two new schemes to promote the use of BHIM. These are referral bonus schemes for individuals and a cashless schemes for merchants," Jaitley said.

He said that the Government's earlier initiatives to promote financial inclusion and JAM trinity were precursors to the current push for digital transactions.

Already, there is evidence for increased digital transactions, Jaitley said.

Further, a mission will be set up with a target of over 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhaar Pay, IMPS and debit cards.

Also, banks have targeted to introduce additional 10 lakh point-of-sale terminal by March 2017, he said.

"Banks will be encouraged to introduce 20 lakh Aadhaar based POS by September 2017," he said. Jaitley said an increased digital transaction will encourage small and micro enterprises to access formal credit.

Government will encourage SIDBI to refinance credit institutions which provide unsecured loans at reasonable rates to borrowers based on their transaction history, he said.

The digital payment infrastructure and grievances handling system will be strengthened, he added.



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FINANCE MINISTER ARUN JAITLEY

"The focus will be rural and semi-urban areas through post offices, fair price shops and banking correspondents. Steps would be taken to promote and possibly mandate petrol pumps, fertiliser depots, municipalities, block offices, road transport offices, universities, colleges, hospitals, and other institutions to have facilities for digital payments including the BHIM app," said the Finance Minister.

A proposal to mandate all the government receipts through digital means beyond a prescribed limit is under consideration, besides the financial inclusion fund will be strengthened to augment resources for taking up the initiative, he said.

"Government will consider and work with various stakeholders for early implementation of the interim recommendations of the Committee of the Chief Ministers on Digital Transactions," the Budget said.

Based on recommendations for structural reforms in the payments ecosystem, including amendments to the Payments and Settlement System Act 2007, by a Committee under the Department of Economic Affairs will undertake a comprehensive review and bring about appropriate amendment.

He also proposed creation of a six-member Payments Regulatory Board in the RBI, headed by its Governor, as part of

bringing about structural reforms in the payment eco-system.

For the purpose, necessary amendments are proposed in the Finance Bill 2017 to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.

In his Budget Speech, Jaitley said a Committee on Digital Payments constituted by Department of Economic Affairs has recommended structural reforms in the payment eco system, including amendments to the Payment and Settlement Systems Act, 2007.

He said Government will undertake a comprehensive review of this Act and bring about appropriate amendments.

"To begin with, it is proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems," the Finance Minister said.

As per the Finance Bill, the Reserve Bank will be the designated authority for the regulation and supervision of payment systems.

The RBI Governor will be Chairperson, ex officio. The Deputy Governor who is in-charge of the Payment and Settlement Systems—Member, and one officer of the Reserve Bank to be nominated by its

Central Board will be its members.

The Central Government will also nominate three members to the Board.

Meanwhile payments industry hailed Budget proposals to cap cash transactions at ₹3 lakh and reduce the levies on digital payment equipment, saying the moves will fasten the less-cash drive.

"We welcome various measures to promote digital economy announced in the new Budget," ItzCash head and Chairman of the industry lobby Payments Council of India said in a statement.

The industry is particularly enthused by the removal of import duty for point of sales (PoS) machines-- which will be doubled in 20 lakh by June -- and removing service charges on rail bookings on the country's largest e-commerce site IRCTC.

The National Payments Corporation also welcomed the moves and affirmed its support to achieve the targets. "NPCI will continue to innovate and introduce new payments mechanism to support the ecosystem," said Managing Director and Chief Executive A P Hota .

He said the Corporation will support the mission of achieving 2,500 crore digital transactions for 2017-18 through UPI, USSD \*99#, IMPS, Aadhaar Pay, RuPay cards and other upcoming products.