

Reserve Bank of India

RBI has rolled out Payment Infrastructure Development Fund Scheme

January 6, 2021

Relevant to all Mahindra Businesses

Background

- RBI had said, "The Reserve Bank will make an initial contribution of `250 crores to the PIDF covering half the fund and remaining contribution will be from card issuing banks and card networks operating in the country.
- The PIDF will also receive recurring contributions to cover operational expenses from card issuing banks and card networks. The Reserve Bank will also contribute to yearly shortfalls, if necessary."

Benefits

- Given the high cost of merchant acquisition and merchant terminalization, much of the POS terminals in the country are concentrated in tier 1 and 2 cities and towns and other regions have been left out.
- This move will make the economics more favourable and will significantly increase the merchant base accepting digital payments and in line with the vision of a digital India of blanketing the country with a digital payments acceptance infrastructure according to Deepak Chandnani, Managing Director, Worldline South Asia and Middle East

Operations

- The Reserve Bank of India (RBI) announced the operationalisation of the payment infrastructure development fund (PIDF) scheme, which is intended to subsidise deployment of payment acceptance infrastructure in tier-3 to tier-6 centres, with a special focus on the north-eastern states of the country

- The regulator prescribed details of contribution to the fund and sought to incentivise the usage of payment devices

Management and break-up of funds

- An advisory council (AC) under the chairmanship of RBI deputy governor BP Kanungo has been constituted for managing the PIDF.
- The fund will be operational for three years effective from January 1, 2021 and may be extended for two more years.
- The PIDF presently has a corpus of Rs 345 crore, with Rs 250 crore contributed by the RBI and Rs 95 crore by the major authorised card networks in the country.

For Further Reading

1. <https://bfsi.economictimes.indiatimes.com/news/banking/rbi-to-set-up-payments-infrastructure-development-fund/76209964>
2. <https://www.drishtias.com/daily-updates/daily-news-analysis/payment-infrastructure-development-fund-scheme>
3. <https://www.financialexpress.com/economy/rbi-operationalises-payment-infra-development-fund/2165068/>