Payment Infrastructure Development Fund Scheme

Why in News

Recently, the **Reserve Bank of India** (RBI) has announced the operationalisation of the **Payment Infrastructure Development Fund (PIDF) scheme**.

Key Points

- **Objective:**
    - Develop **payment acceptance infrastructure in tier-3 to tier-6 cities** (centres), with a special focus on the **north-eastern states** of **the country**.
- **Time Period:**
    - The fund will be operational for **three years** effective from **1st January, 2021** and may be extended for **two more years**.
- **Management:**
    - An **Advisory Council** (AC) under the chairmanship of RBI **deputy governor BP Kanungo** has been constituted for managing the PIDF.
- **Fund Allocated:**
    - 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.** The **authorised card networks** shall contribute in all **Rs. 100 crore**.
    - Besides the initial corpus, PIDF shall also receive annual contributions from **card networks and card issuing banks**.
        - For example, Card networks will have to chip in **0.01 paisa per rupee of transaction**.
        - The role of a **card network** is to facilitate transactions between merchants and card issuers. E.g. Mastercard, Visa.
- **Implementation:**
    - The focus shall be to target those merchants who are yet to be **terminalised (merchants who do not have any payment acceptance device).**
        - Merchants engaged in services such as **transport and hospitality, government payments, fuel pumps, public distribution system (PDS) shops, healthcare and kirana shops** may be included, especially in the targeted geographies.
    - The fund will be used to **subsidize banks and non-banks for deploying payment infrastructure**, which will be contingent upon specific targets being achieved.
    - The **Advisory Council will devise a transparent mechanism for allocation of targets** to acquiring banks and non-banks in different segments and locations.
        - The **implementation of targets shall be monitored by the RBI** with assistance from card networks, the Indian Banks' Association (IBA) and the Payments Council

of India (PCI).
        - **Acquiring banks** (also **acquirers or merchant banks**) are financial institutions processing debit and credit card transactions on behalf of a merchant or business.
    - Tentatively, **tier-3 and tier-4 centres** will be allocated **30%** of the acceptance devices, **tier-5 and tier-6 centres** will get **60%** and the **north eastern states will be given 10%.**
    - Multiple payment acceptance devices and infrastructure supporting underlying card payments, such as **physical Point of Sale, mobile Point of Sale, General Packet Radio Service (GPRS) , Public Switched Telephone Network (PSTN) and QR code-based payments** will be funded under the scheme.
- **Breakup of Subsidy:**
    - A subsidy of **30% to 50% of cost of physical PoS and 50% to 75% subsidy for Digital PoS** shall be offered.
    - The subsidy shall be granted on a **half-yearly basis**, after ensuring that performance parameters are achieved, including conditions for **'active'** status of the acceptance device and **'minimum usage'** criteria, as defined.
- **Fixing Accountability:**
    - Acquirers of the subsidy shall submit **quarterly reports** on the **achievement of targets to the RBI.**
- **Other Related Steps:**
    - The setting of PIDF is in line with the measures proposed by the **vision document on payment and settlement systems in India 2019-2021.**
    - Reserve Bank of India (RBI) has constructed a composite **Digital Payments Index** (DPI) to capture the extent of digitisation of payments across the country.

Source:FE