

## ECS/NEFT/RTGS

### ELECTRONIC CLEARING SERVICE (ECS)

ECS is an electronics mode of payment/receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment or bulk collection of amounts. Essentially, ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa.

Primarily, there are two variants of ECS - ECS Credit and ECS Debit. ECS Credit is used by an institution for affording credit to a large number of beneficiaries having accounts with bank branches at various locations within the jurisdiction of a ECS Centre by raising a single debit to the bank account of the user institution. ECS Credit enables payment of amounts towards distribution of dividend, interest, salary, pension, etc., of the user institution.

ECS Debit is used by an institution for raising debits to a large number of accounts maintained with bank branches at various locations within the jurisdiction of an ECS Centre for single credit to the bank account of the user institution. ECS Debit is useful for payment of telephone / electricity / water bills, cess / tax collections, loan installment repayments, periodic investments in mutual funds, insurance premium etc., that are periodic or repetitive in nature and payable to the user institution by large number of customers etc.

Based on the geographical location of branches covered, there are three broad categories of ECS Schemes – Local ECS, Regional ECS and National ECS.

### **ECS Credit**

ECS Credit payments can be initiated by any institution (called ECS Credit User) which needs to make bulk or repetitive payments to a number of beneficiaries. The institutional User has to first register with an ECS Centre. The User has to also obtain the consent of beneficiaries (i.e., the recipients of salary, pension, dividend, interest etc.) and get their bank account particulars prior to participation in the ECS Credit scheme. The beneficiary account holders are required to give mandates to the user institutions to enable them to afford credit to their bank accounts through the ECS Credit mechanism. ECS can be used to transfer funds to NRE and NRO accounts in the country subject to FEMA and Wire Transfer guidelines.

### **Benefits**

#### **Beneficiary –**

- The beneficiary need not visit his / her bank for depositing the paper instruments which he would have otherwise received had he not opted for ECS Credit.
- The beneficiary need not be apprehensive of loss / theft of physical instruments or the likelihood of fraudulent encashment thereof.
- Cost effective.
- The beneficiary receives the funds right on the due date.

### **User Institutions –**

- Savings on administrative machinery and costs of printing, dispatch and reconciliation of paper/ instruments that would have been used had beneficiaries not opted for ECS Credit.
- Avoid chances of loss / theft of instruments in transit, likelihood of fraudulent encashment of paper instruments, etc. and subsequent correspondence / litigation.
- Efficient payment mode ensuring that the beneficiaries get credit on a designated date.
- Cost effective.

### **Banking system -**

- Freedom from paper handling and the resultant disadvantages of handling, presenting and monitoring paper instruments presented in clearing. Ease of processing and return for the destination bank branches.
- Smooth process of reconciliation for the sponsor banks.
- Cost effective.

### **ECS Debits**

ECS Debit transaction can be initiated by any institution (called ECS Debit User) which has to receive / collect amounts towards telephone / electricity / water dues, cess / tax collections, loan installment repayments, periodic investments in mutual funds, insurance premium etc. It is a Scheme under which an account holder with a bank branch can authorise an ECS User to recover an amount at a prescribed frequency by raising a debit to his / her bank account.

The User institution has to first register with an ECS Centre. The User institution has to also obtain the authorization (mandate) from its customers for debiting their account along with their bank account particulars prior to participation in the ECS Debit scheme. The mandate has to be duly verified by the beneficiary's bank.

### **Benefits**

#### **Customers -**

ECS Debit mandates will take care of automatic debit to customer accounts on the due dates without visiting bank branches / collection centres of utility service providers, etc.

- Customers need not keep track of due date for payments.
- The debits to customer accounts would be monitored by the ECS Users, and the customers alerted accordingly.
- Cost effective.

#### **User institutions -**

- Savings on administrative machinery and costs of collecting the cheques from customers, presenting in clearing, monitoring their realisation and reconciliation.
- Better cash management because of realisation / recovery of dues on due dates promptly and efficiently.
- Avoids chances of loss / theft of instruments in transit, likelihood of fraudulent access to the paper instruments and encashment thereof.
- Realisation of payments on a uniform date instead of fragmented receipts spread over many days.
- Cost effective.

### **Banking system –**

- Freedom from paper handling and the resultant disadvantages of handling, receiving and monitoring paper instruments presented in clearing.
- Ease of processing and return for the destination bank branches.
- Smooth process of reconciliation for the sponsor banks.
- Cost effective.

### **MICR code**

MICR is an acronym for Magnetic Ink Character Recognition. The MICR Code is a numeric code that uniquely identifies a bank-branch participating in the ECS Credit scheme. This is a 9 digit code to identify the location of the bank branch; the first 3 characters represent the city, the next 3 the bank and the last 3 the branch. The MICR Code allotted to a bank branch is printed on the MICR band of cheques issued by bank branches.

### **NATIONAL ELECTRONIC FUND TRANSFER (NEFT)**

National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporate can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme. Individuals who do not have a bank account (walk-in customers) can also deposit cash (Max. Rs. 50,000/-) at the NEFT-enabled branches with instructions to transfer funds using NEFT. The NEFT system also facilitates one-way cross-border transfer of funds from India to Nepal. This is known as the Indo-Nepal Remittance Facility Scheme.

There is no limit on the amount to be transferred either minimum or maximum (except cash based transaction restricted to Rs. 50,000/and remittance to Nepal). There is no restriction of centres or of any geographical area within the country. The NEFT system takes advantage of the core banking system in banks. Presently, NEFT operates in hourly batches - there are **eleven settlements** from 9 am to 7 pm on week days (Monday through Friday) and **five settlements** from 9 am to 1 pm on Saturdays. The beneficiary can expect to get credit for the first nine batches on week days (i.e., transactions from 9 am to 5 pm) and the first four batches on Saturdays (i.e., transactions from 9 am to 12 noon) on the same day.

IFSC or **Indian Financial System Code** is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system. This is an **11 digit code** with the first 4 alpha characters representing the bank, and the last 6 characters representing the branch. The 5th character is 0 (zero). IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches.

Transaction	Charges
Inward transaction at destination branches	Free – no charges to be levied from beneficiaries
Outward transactions at originating bank branches	
@ Up to Rs. 1 Lakh	Not exceeding Rs. 5/- plus Service Tax
@ Rs.1 Lakh and up to Rs.2 Lakh	Not exceeding Rs. 15/- plus Service Tax

@ Above Rs. 2 Lakh

Not exceeding Rs. 25/- plus Service Tax

In case of non-credit or delay in credit to the beneficiary account, the NEFT Customer Facilitation Centre (CFC) of the respective bank can be contacted (the remitter can contact his bank's CFC; the beneficiary may contact the CFC of his bank). NEFT can be used to transfer funds from or to NRE and NRO accounts in the country subject to FEMA Guidelines. NEFT cannot be used for remittance to abroad except to Nepal under Indo Nepal Remittance Scheme.

### **Benefits**

- The remitter need not send the physical cheque or Demand Draft to the beneficiary.
- The beneficiary need not visit his / her bank for depositing the paper instruments.
- The beneficiary need not be apprehensive of loss / theft of physical instruments or the likelihood of fraudulent encashment thereof.
- Cost effective.
- Credit confirmation of the remittances sent by SMS or email.
- Remitter can initiate the remittances from his home / place of work using the internet banking also.
- Near real time transfer of the funds to the beneficiary account in a secure manner.

### **REAL TIME GROSS SETTLEMENT (RTGS)**

The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place with all transactions received till the particular cut-off time. These transactions are netted (payable and receivables) in NEFT whereas in RTGS the transactions are settled **individually**. The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is **Rs. 2 Lakh. There is no upper ceiling for RTGS transactions.**

The RTGS service window for customer's transactions is available from 9.00 hours to 16.30 hours on week days and from 9.00 hours to 13.30 hours on Saturdays for settlement at the RBI end.

Transactions	Charges
Inward remittances	Free
Outward remittances @Rs. 2 Lakh to Rs. 5 Lakh	Not exceeding Rs. 30/- Per /Tran.
@Above Rs. 5 Lakh	Not exceeding Rs. 55/- Per /Tran.

(Updated up to 31.10.12)

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