

Item No.13 : Centralized Payment System through single Nodal Bank using NPCI.

EPFO proposes to move towards the Centralized Payment System through single Nodal Bank using NPCI (National Payments Corporation of India) platform to facilitate Aadhaar based payments to members. The benefits of proposed centralized payment through NPCI are:

- Availability of the facility of AADHAAR enabled transfer of funds
- Funds will be transferred on same day to beneficiaries through NPCI platform.
- The information on transaction details shall be available on T+0 basis. This will result in early recredit in the accounts of beneficiaries in the case of failed transactions
- Reduced transaction cost by way of bank charges.

The above proposal was placed before 219th meeting of the CBT held on 23.11.2017. The CBT gave in principle approval for proposed centralized payment system through a nationalized bank quoting lowest charges.

Accordingly rates were invited from all the nationalized banks in contract with EPFO for collection. IDBI bank submitted the lowest financial commitment to EPFO for centralized payment system through NPCI platform.

The above information was placed before the 137th FIAC meeting held on 08.02.2018, wherein members voiced concern over financial stability of IDBI bank, which is currently running huge losses and has large NPA ratio. Shri J P Chowdhary suggested that in the backdrop of constant innovations in technology, EPFO may explore the option of adopting a better model/product for centralized payment by inviting banks to a system wherein EPFO will not maintain any FD or Overdraft facility for payment to beneficiaries.

The proposed new model will not only facilitate savings on OD charges, but also provide opportunity for leveraging technology for a secure, robust and effective mechanism for centralized payment to beneficiaries. Further, widening the participation to all the banks of EPFO receipt portal, is likely to bring down the rates.

Accordingly a meeting with fifteen banks who are already in contract with EPFO for collection of contributions was convened on 16.02.2018. During the meeting, a centralized payment system suggested in FIAC was proposed where EPFO will provide an advance amount based on average monthly payments to banks on 15th of every month for making payment to beneficiaries. Banks are required to make all payments for one month and settlement of the account with the bank will be completed on 14th of succeeding month. Banks will not claim any interest for the amount disbursed over and above advance amount given by EPFO. Further EPFO will also not claim any interest on amount advanced to bank. Banks will be paid only for payment to beneficiaries through NPCI platform based on a competitive per transaction cost. Some of the banks requested for data regarding quantum of payments to beneficiaries and number of transactions. It was assured to provide last three years payment details to all the banks. The bank quoting lowest rate of payment per transaction will be chosen from among all the participating banks for EPFO contribution collection in the ECR portal.

The modification as above, to be made to the centralized payment system approved in the 219th meeting of the CBT, is submitted for approval of CBT.

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