



GPI

Global Partnership
for Financial Inclusion

G20 National Remittances Plan

India 2023

Biennial Update

GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

TEMPLATE FOR G20 NATIONAL REMITTANCE PLANS

ANNUAL PROGRESS MONITORING - India

Annex 2: Drafting the Country Plans

Call to Action on Remittances

- Cost structure of the foreign outward remittances is deregulated in India and has been left to the banks. This promotes competition in the market in terms of cost of remittances and thus enables better price discovery to the customers. However, keeping in mind the United Nations Sustainable Development Goals for reducing inequality in terms of cross border remittances (10.c), it has been the regulatory endeavour of RBI to harmonise the cost structure with the targeted limit of 3% for a sample size of USD 200 remittance.
- With a view to enable convenient, safe, instant, and cost-effective cross-border funds transfers between India and Singapore, the linkage between the Fast Payment Systems viz. Unified Payments Interface (UPI) and PayNow was launched in February 2023. Using the linkage, funds held in bank accounts or e-wallets can be transferred to / from India using just the UPI-id, mobile number, or Virtual Payment Address (VPA).
- As on date, the upper ceiling of per day per transaction limit of remittances through the UPI PayNow linkage is SGD 1000 (or its INR equivalent). For remittances from India to Singapore through the arrangement, the cost of remittances for ticket size of USD 200 (SGD equivalent) is as low as 1.42% for some banks. Going forward, with the inclusion of more banks in the arrangement, the competition in the market may further reduce the remittance costs. Furthermore, there are no charges for Foreign Inward Remittances through the linkage corridor.

Current State of the Market for International Remittances

Country remittance profile

- India mainly being a remittance receiving country, saw an increase in foreign inflow of 24.6% to US \$ 1,07,541 million in FY 2022 from US \$ 86,334 million in FY 2021. As per the RBI remittance survey 2020-21, the main corridors of India's inward remittances are the United States, the United Arab Emirates, the United Kingdom, Singapore, Saudi Arabia, Kuwait, Oman, Qatar, Hong Kong SAR of China, and Australia.
- As per the latest report (Q2 2023) of World Bank on Remittance Prices Worldwide (RPW),
 - a) the average cost of sending USD 200 to India stands at 4.77%, which is second lowest among G20 countries, with global average for G20 standing at 5.58% in Q2 2023.

The average cost of sending USD 200 to India has declined from 5.38% in Q3 2019 to 4.77% in Q2 2023.

- b) the average cost of sending USD 500 to India stands at 2.96% as on Q2 2023, which is the lowest in the G20 countries, with global average for G20 standing at 3.73%. The average cost of sending USD 200 to India has declined from 3.31% in Q3 2019 to 2.96% in Q2 2023., which is inline with Sustainable developemnt Goal of reducing the remittance cost to less than 3 percent.

Regulatory Environment

- India in its pursuit of ushering innovative payment modes, has dedicated a theme on 'Cross Border Payments' under RBI regulatory sandbox, wherein various products were tested including products based on Blockchain-based Cross border payment system, innovative use of UPI in forex transactions digitisation of the cross border remittance process including KYC/AML verification, use of Aadhaar number as virtual account for inward remittances and cross border payment platform to facilitate the purchase of assets listed on foreign exchanges.

Consumer Protection

- Currently, in India, Reserve Bank - Integrated Ombudsman Scheme, 2021 is in place which aims at resolving customer grievances in relation to services provided by entities regulated by Reserve Bank of India in an expeditious and cost-effective manner. The grounds of complaint as per Chapter 4 Para 9 of the RB-IOs 2021 includes 'an act or omission of a Regulated Entity resulting in deficiency in service' in which, the term "Deficiency in service" means a shortcoming or an inadequacy in any financial service or such other services related thereto, which the Regulated Entity is required to provide statutorily or otherwise, which may or may not result in financial loss or damage to the customer.
- The complaint against a Regulated Entity may be lodged online and through electronic or physical mode. The term "Regulated Entity" means a bank or a Non-Banking Financial Company, or a System Participant or a Credit Information Company as defined in the Scheme, or any other entity as may be specified by the Reserve Bank from time to time; to the extent not excluded under the Scheme.
- Further, for any consequential loss suffered by the complainant, the scheme provides for a compensation up to Rupees 20 lakhs (INR 2 million), in addition to, up to Rupees one lakh

(INR 0.1 million) for the loss of the complainant's time, expenses incurred and for harassment/mental anguish suffered by the complainant.

Innovative Payment Service/Measures

- Improving cross-border payments efficiency is considered a significant motivation for the issuance of CBDCs. Cross-border CBDCs could offer the opportunity to start with a “clean slate” and address the frictions inherent in existing cross-border payment systems due to legacy technological and process related issue. It is envisaged that Cross-border CBDCs could offer secure settlement, reduce costly and lengthy intermediation chains and eliminate operating hour mismatches, on account of being available 24/7. Thus, the coordination of CBDC designs among jurisdictions could lead to more efficient cross-border payments system. In this regard, bilateral and multilateral collaboration is required to agree on design principles which will be a key for the success of such cross-border payments system and also help to address concerns of central banks like currency substitution risk, capital flow volatility etc.

2022-2023 Country Plan for Reducing Remittance Transfer Costs

i. Help reduce the cost of remittances

- Interoperable digital payment systems with respect to cross-border payments can significantly reduce costs and risks, thus ensuring resilient non-disruptive payment systems. It is important to encourage digital channels, innovative payment methods and interoperable payment systems for sending and receiving remittances faster, cheaper and safer.
- In light of the above, the linkage between the Fast Payment Systems viz. UPI and PayNow was operationalised in February 2023. Further, the Reserve Bank is actively pursuing the outreach of UPI to interface with similar fast payment systems in other jurisdictions to facilitate cross-border transactions. This kind of interoperable payment systems will further reduce the cost of remittance. Moreover, UPI acceptance, through QR codes is already facilitated for cross-border payments in Bhutan, Nepal, Singapore and UAE.
- The use of Application Programming Interfaces (APIs), data automation and digital public infrastructure (DPI) in linkage arrangement has also significantly reduced the operational

costs of the banks and thus the linkage provides an alternative for fast, accessible, transparent and low-cost remittances. The charges structure is standardised, and is likely to induce reduction in the cost of remittance across various other modes of fund transfers.

ii. Improve availability of remittance services

- In India, various initiatives have been undertaken to facilitate cross-border payments, especially personal remittances. To help Nepali migrant workers send remittances back home, the Indo Nepal Remittance Scheme was introduced that used NEFT to facilitate one-way transfer of funds from India to Nepal in partnership with State Bank of India (SBI). Efforts shall be undertaken to extend such remittance facilities to other countries depending on feasibility.
- In addition to cross border wire transfer through banking channel, following channels are available to remit money into India from abroad which are administered under the contours of FEMA, 1999:
 - a) The Money Transfer Service Scheme (MTSS) is available through a tie-up between reputed money transfer companies abroad known as Overseas Principal and agents in India where the service is connected to digital and / or mobile platform enabling customers to undertake cross-border remittances.
 - b) Cross border inward remittance through the Rupee Drawing Arrangement (RDA) channel.
- To facilitate payments to and from other jurisdictions through Centralised Payment System, the feasibility of other central banks maintaining current account and settlement accounts with RBI in INR (₹) shall be explored. Similarly, RBI shall examine maintaining accounts with other central banks for the purpose of facilitating direct remittances in foreign currencies. This could be expected to increase acceptance of INR in other jurisdictions and making cross-border transactions cost effective and timely.
- An operating framework for facilitating outward remittance services by Authorised Dealers (AD) Category-I banks through tie-up with non-bank remittance entities for facilitating small value current account transactions by resident individuals.

iii. Ensure quality of remittance services

- With the operationalisation of UPI-PayNow interlinkage, which is first cross border interlinkage of UPI with a Fast Payment System of other country, the comfort of making

a domestic UPI transaction is now available for remitting or receiving money from Singapore. Now, domestic or overseas, the transaction experience is the same.

- The service is available round the clock throughout the year on all days (24x7x365). The Singapore dollar (S\$) or INR (₹) equivalent of the transfer amount is displayed upfront on a real-time basis along with the applicable charges. The money is remitted across the border in near real-time, it generally takes less than thirty seconds for the completion of the transaction. The system also provides for debit and credit confirmation upon completion of a transaction.
- The payments through the interlinkage are secured with two factor authentication. There is no need for the recipient to share her / his bank details to the sender to send money. The transaction can happen by inputting just one field for customer identification of the recipient.
- The linkage also takes care of customer consent through opt-in / opt-out feature for sharing his personally identifiable information with the International Remittance Partners, thus protecting the customer digital data protection rights. Going forward, the linkage shall be expanded to more participating entities on either side.