

Prepaid Payment Instruments (PPIs) set to receive protection for their money

The RBI has started considering proposals for ensuring PPI custodians are safeguarded within the ambit of various DICGC policies. PPIs facilitate bill payments, e-tailing, etc. Popular examples include GPay, Paytm, and gift and transaction cards. They are categorized into 2 groups: - (a) minor PPIs that consist of operability up to Rs 10,000 on both cash holding and non-cash holding arrangements. The regulatory laws allow for Rs 50,000 of cash holding limit per month; (b) complete-KYC PPIs. Based on June 2023 data, around 60 banks and 33 non-bank PPI facilitators are permitted. Currently, PPI's strength stands at 16,200 lakhs (April 2023) and aggregate transactions come up to 74,700 lakhs.

RBI Panel Recommendations & the DICGC angle

The panel suggested studying the possibilities of bringing in DICGC cover for all its recently authorized bank and non-bank PPI facilitators. At present, only bank deposits are insured by the DICGC. The DICGC is an auxiliary arm managed under the aegis of the RBI. They specialize in providing deposit insurance which extends to safeguarding the deposits of commercial banks, cooperative banks, regional rural banks, and small finance banks. Since 2020, a depositor is well insured for up to Rs 5 lakhs for both the principal sum and interest maintained by them in the event of the bank getting dissolved. As of April 2023, the number of guaranteed banks operating under this scheme stands at 2027 of which commercial banks form 7% and cooperative banks take the lion's share by standing at 93%.

Terms Expanded

DICGC – Deposit Insurance and Credit Guarantee Corporation

KYC – Know Your Customer

RBI – Reserve Bank of India

