

Recently, an inter-ministerial committee on payment & settlement system has recommended creating a separate regulation for the payment systems in India instead of present RBI. Discuss how far such suggestions are valid?

Payment & Settlement system is a technology based substitute for the currency that is paper or electronic currency. In India, it is regulated by the Reserve Bank of India [RBI] under 2007 act.

A new proposal to create a separate regulation for payment systems by the government is validated ~~and~~ as follows —

⇒ Payment systems in India have an underlying bank accounts & these accounts are regulated by RBI. Unless the payment systems are de-linked with bank accounts, the proposal ~~is~~ for separate regulation will create overlapping regulation powers.

⇒ The government has banned the use of cryptocurrencies. In such a situation, payment systems will have to be dependent on banks regulated by RBI. A separate regulator will be of no value-addition.

⇒ Payment systems are sub-sets of currency & for which the monetary policy is decided by RBI at large. Hence, a separate regulator ~~will~~ may not be efficient for ~~but transfer of monetary policy targets~~ managing the impacts of monetary policy.

