

Various Modes of Electronic Funds Transfers in India – NEFT, RTGS and IMPS



Gone are the days when the payment and funds transfer sources were limited to physical methods such as direct currency exchange or a written cheque method. With the emergence of internet and mobile banking and the emerging e-commerce opportunities, banks too have marched ahead with introducing the concept of electronic funds transfer, which is much more convenient and hassle free.

Today, electronic funds transfer allows you to exchange funds between individuals as well as organizations via electronic gateways which can be accessed using internet, computers and smart phones. Funds can be transferred instantly from one account to another, either within the same bank or to a different bank network at any given time.

Why is electronic transfer preferred?

Electronic funds transfer is a much more preferred money transfer options it allows customers to make money transfers at the comfort of their homes using integrated banking tools such as internet and mobile banking.

Besides being convenient, electronic transfer modes are considered to be safe, secure and make transferring money much simpler. Electronic transfers are processed immediately with the transferred amount being deducted from one account and credited to the other in real time, thus saving time and effort involved in physically transferring a sum of money. Opting for electronic transferring system also reduces the possibilities of any mistakes as a transaction is only authorized with complete details which include the correct account number of the beneficiary and the target bank's specific IFSC code.

How do you transfer funds?

Transferring funds via electronic gateway is much simpler than the conventional methods. You can choose to:-

- Transfer funds into your own linked accounts of the same bank network.
- Transfer funds into different account of the same bank.
- Transfer funds into different bank's accounts using NEFT.
- Transfer funds into other bank accounts using RTGS
- Transfer funds into various accounts using IMPS.

Types of electronic funds transfer?

- NEFT or National Electronics Funds Transfer
- RTGS or Real Time Gross Settlement
- IMPS or Immediate Payment Service.

NEFT

The National Electronic Funds Transfer is a nation-wide money transfer system which allows customers with the facility to electronically transfer funds from their respective bank accounts to any other account of the same bank or of any other bank network. Not just individuals but also firms and corporate organizations may use the NEFT system to transfer funds to and fro.

Funds transfer through NEFT requires a transferring bank and a destination bank. With the RBI organizing the records of all the bank branches at a centralized database, almost all the banks are enabled to carry out an NEFT transaction. Before transferring funds via NEFT you register the beneficiary, receiving funds. For this you must possess information such as name of the recipient, recipient's bank name, a valid account number belonging to the recipient and his respective bank's IFSC code. These fields are mandatory for a funds transfer to be authorized and processed.

Any sum of money can be transferred using the NEFT system with a maximum of Rs. 10, 00, 000/-

NEFT transactions can be ordered anytime you want, even on holidays except for Sundays which are designated bank holidays. However, the transactions are settled in batches defined by the Reserve Bank of India depending upon specific time slots. There are 12 settlement batches operating at present between the time slot of 8am to 7 pm on weekdays and from 8 am to 1pm on Saturdays with 6 settlement batches.

RTGS

Real Time Gross Settlement as the name suggests is a real time funds transfer system which facilitates you to transfer funds from one bank to another in real time or on a gross basis. The transaction isn't put on a waiting list and cleared out instantly. RTGS payment gateway, maintained by the Reserve Bank of India makes transactions between banks electronically. The transferred amount is instantly deducted from the account of one banks and credited to the other bank's account.

Users such as individuals, companies or firms can transfer large sums using the RTGS system. The minimum value that can be transferred using RTGS is Rs. 2 Lakhs and above. However there is no upper cap on the amount that can be transacted.

The remitting customer needs to add the beneficiary and his bank account details prior to transacting funds via RTGS. A beneficiary can be registered through your internet banking portal. The details required while transferring funds would be the beneficiary's name; his/her account number, receiver's bank address and the IFSC code of the respective bank.

On successful transfer the Reserve Bank of India acknowledges the receiver bank and based on this the both the remitting bank as well as the receiving bank may/ may not notify the customers.

IMPS

Majority of the funds transferred using electronic channels are processed via NEFT or RTGS. But as the funds could only be cleared in batches using these transfer gateways, the National Payments Corporation of India introduced a pilot mobile payment project also known as the Immediate Payment Service (IMPS). Available to Indian public, IMPS offers instant electronic transfer service using mobile phones. IMPS interbank transfer service is available 24X7 and allows you to use your mobile phones to access your account and to authorize transfer of funds between accounts and banks. The IMPS service also features a secure transfer gateway and an immediate confirmation on fulfilled orders.

IMPS are offered on all the cellular devices via Mobile Banking or through SMS facility.

To be able to transfer money via IMPS route you must first register for the immediate payment services with your bank. On obtaining the Mobile Money Identifier (MMID) and MPIN from the bank you can login or make a request via SMS to transfer a certain amount to a beneficiary. Meanwhile the beneficiary must link his/her mobile number with his/her respective account and obtain the MMID from the bank to be able to receive money.

To initiate a transfer you must enter the beneficiary's mobile number, beneficiary MMID, the transfer amount and your MPIN while requesting the fund transfer. As soon as the transaction is cleared, you receive a confirmation SMS on deduction from your account and the money credited into the beneficiary's account. The transaction reference number can be noted for future reference.

Thus IMPS enables customers to use mobile instruments as an instant money transfer gateway, facilitating user convenience and saving time and effort involved in other modes of transfer.

The differences

There is no cap on the minimum value that can be transacted via NEFT. RTGS system however only process transactions of a value starting from Rs. 2 Lakhs and above as it caters to gross settlements.

While the NEFT system settles transactions in batches, RTGS option transfer funds in real time. Using NEFT if a transfer order is received after the defined cut-off time, the transaction will have to wait until the next clearance to be fulfilled whereas RTGS transactions are processed continuously throughout the RTGS business hours.

IMPS stands out as the most convenient and instant mode of money transfer, allowing transfer of money across various accounts and banks on the go using a mobile device.

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