

REGIONAL ELECTRONIC CLEARING SERVICE (R-ECS) IN PENSION PAYMENT SYSTEM: Ensuring Efficient Payment to Pensioners

The payment system is one of the most important elements of a financial system and Government always looks for innovative ways of making hassle-free payments to individuals. Since electronic means of payment are both safer and more efficient, efforts are being made continuously to effect a change in the mode of payment from paper to electronic. For the benefit of pensioners in the state of Manipur, the State Government in consultation with RBI, Guwahati contemplated introducing the Regional Electronic Clearing Service (R-ECS) in the existing Pension Payment System from August 1, 2013.



L. DHANESHWAR SINGH
Principal Systems Analyst
dhan@nic.in



O. TOMBI SINGH
Systems Analyst
tombi@nic.in

Edited by
RUBAIYAT ALI

BACKGROUND

The Reserve Bank of India (RBI) is doing its best to encourage electronic payment which will bring security and efficiency to payment systems thus rendering the whole process easier for banks. RBI has also encouraged all banks and individuals to embrace e-payment.

There are around 43,700 pensioners in Manipur whose saving accounts have been opened and are being operated in 10 banks with 48 branches. Payment of monthly pension to pensioners has been automated in Manipur from April 2007, and all the treasuries are crediting pension to the pensioners' account on monthly basis by generating a monthly advice list in soft copy (EXCEL format) and hard copy for the bank concerned. However, there has always been some delay in the disbursement of pension in the pensioners' bank account as there is a need for obtaining clearance from the sponsor bank (SBI, Imphal) by the destination banks. This process is slow and inefficient and there is always

inordinate delay at the destination banks in crediting the money into the pensioner's savings account.

It was against this background that the State Government of Manipur, in consultation with RBI, Guwahati contemplated introducing the Regional Electronic Clearing Service (R-ECS) in the existing Pension Payment System of Manipur with effect from August 1, 2013.

OVERVIEW OF REGIONAL ELECTRONIC CLEARING SERVICE (R-ECS)

R-ECS is a region-wise mode of electronic funds transfer introduced by RBI. R-ECS facilitates bulk transfer of money from one bank account to many bank accounts or vice versa using the services of a Regional Clearing House. There are two types of R-ECS i.e R-ECS (credit) and R-ECS (debit). The turnaround time for data submission by the user is two days prior to settlement date. Returns are provided on the next working day of the settlement date. R-ECS facilitates the coverage of all core-banking-enabled branches in a state or group of states and can be used by

117953001IMPHAL TREASURY		Pension Mar 14		79500200210929179284	0000027333000002633264900140382014
2279500200410	30802619437	MD. NIZAMUDDIN		7950020027953001IMPHAL TREASURY	111300424
2279502750310	0256010370585	KSH. GOURAHARI SINGH		7950020027953001IMPHAL TREASURY	111300073
2279500200510	20110107326	SMT. KH. (O) JAMUNA DEVI		7950020027953001IMPHAL TREASURY	5F15333
2279500200210	33227312824	MD. ABDUR RAHIM		7950020027953001IMPHAL TREASURY	111300691
2279502750810	0353010711982	SHRI. T. CHANDRA SINGH		7950020027953001IMPHAL TREASURY	111300108
2279502700510	0652011110757	S. (O) KHINU		7950020027953001IMPHAL TREASURY	111300797
2279500200310	30788413092	SHRI. S. MANGI SINGH		7950020027953001IMPHAL TREASURY	111300185
2279500251110	30398267906	SHRI. Y. NABA SINGH		7950020027953001IMPHAL TREASURY	111300549
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2279500251210	30461271542	S. ACHHUBI DEVI		7950020027953001IMPHAL TREASURY	111300110
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2279500200410	10383431317	A. TOMBA SINGH		7950020027953001IMPHAL TREASURY	111300635
2279502750310	0256010107588	Y. KENGBA SINGH		7950020027953001IMPHAL TREASURY	111300250
2279500200510	30959004900	R. K. (O) MANTOMBI DEVI		7950020027953001IMPHAL TREASURY	SM27389
2279500200210	30397479938	H. GILHARI SINGH		7950020027953001IMPHAL TREASURY	SM27679
2279500200410	30400787226	MD. SHAKKAMALUDDIN		7950020027953001IMPHAL TREASURY	111300786
2279502750310	0256010110997	N. YADMA SINGH		7950020027953001IMPHAL TREASURY	111300251
2279502750810	0353010113857	KH. SHAPUNGOU SINGH		7950020027953001IMPHAL TREASURY	111300162
2279500200310	10329810579	TH. HAITIABU SINGH		7950020027953001IMPHAL TREASURY	0000001257300
2279500251210	11746727786	TH. SHAKMACHA DEVI		7950020027953001IMPHAL TREASURY	111300117
2279500200510	33001695441	L. GOURAKTISHORE SINGH		7950020027953001IMPHAL TREASURY	SM30541
2279500200510	30428180642	Y. KONDUM SINGH		7950020027953001IMPHAL TREASURY	SM30908
2279500200410	30179324417	MD. FALLUR RAHAMAN		7950020027953001IMPHAL TREASURY	111300866
2279502750810	10624	N. DORENDRO SINGH		7950020027953001IMPHAL TREASURY	111300178
2279500200310	20060199403	SMT. M (O) ASHANGBI DEVI		7950020027953001IMPHAL TREASURY	SF14502
2279500251210	11746732956	MD. JALLALUDDIN		7950020027953001IMPHAL TREASURY	111300197

Sample R-ECS file

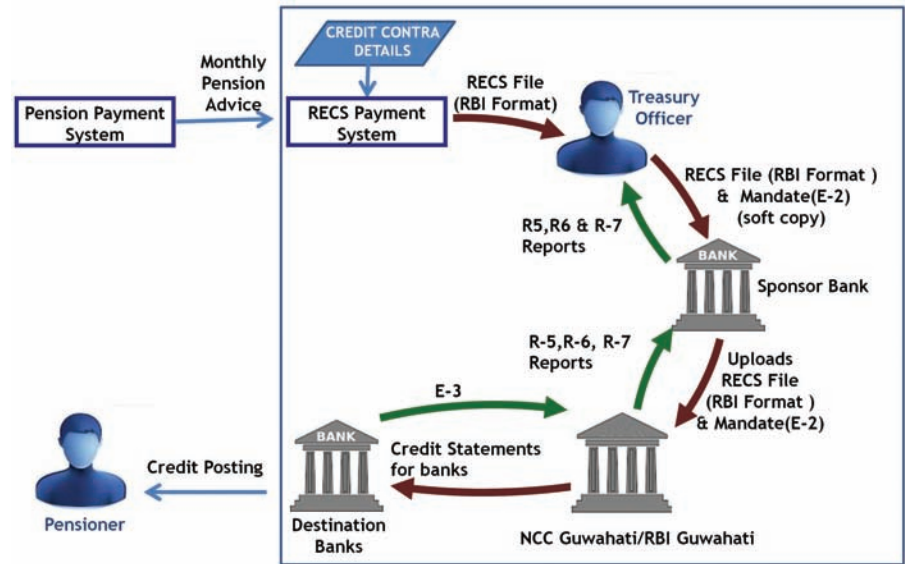
organizations within the state or group of states. The system takes advantage of the core banking system in banks. Accordingly, even though inter-bank settlements takes place centrally at one location in the state, the actual customers under R-ECS may have their accounts at various bank branches across the length and breadth of the state or group of states.

R-ECS PAYMENT SYSTEM

The R-ECS Payment System is a client-server-based software developed by NIC Manipur as an add-on to the Pension Payment System already implemented at all the pension processing treasuries of Manipur. Certain key information pertaining to Treasury Officer such as user number, user name, sponsor-bank branch sort code, etc. are collected from RBI using E-1 mandate and captured in the R-ECS Payment System.

The Electronic Pension Advice generated by Pension Payment System is ported to the R-ECS Payment System to generate a 156 column sequential file in RBI format containing header/credit contra and credit records. The credit contra is the first record in the file and contains the details of the user such as user number, user name, sponsor-bank sort code, the upper limit of the individual credit entry, the total value of all the credit items, etc., which acts as control information while processing the credit records. Certain key information in the credit contra record are repeated in all the credit records to make each credit record self contained with both credit and debit particulars of the transaction. Sample R-ECS file generated by R-ECS Payment System is as follows:-

This sequential file along with mandate E-2 is sent by the Treasury Officer to the sponsor bank (SBI Imphal) by email. The sponsor bank



Basic workflow of R-ECS Payment System

uploads this validated file through the secured web server of RBI. The National Clearing Center (NCC) of RBI, Guwahati retains the mandate (E-2), processes the data, arrives at the settlement, generates destination bank wise data/reports and makes available the data/reports through secured web-server to the destination banks.

The destination banks carries out posting to the individual accounts maintained on their different CBS-enabled branches on the same settlement date through CBS. The destination banks generate a file E-3 for returning the uncredited items to the NCC, RBI, Guwahati, which in turn generates a combined list of uncredited items for each branch (R-7). Item-wise Destination Ledger Report (R-5), Initial Sponsor Bank Settlement Report (R-6) and R-7 are forwarded by NCC, RBI, Guwahati to the sponsor bank for further submission to the Treasury Officer concerned as well as for reconciliation with the AG office.

IMPACT OF R-ECS

- No more enquiry at treasury and banks regarding credit of monthly pensions

- **Cost-effective** – Enormous savings in Treasury Office for printing, dispatch and reconciliation of paper documents
- Efficient payment mode ensuring that the pensioners get credit on the settlement date irrespective of the location of the bank in which the account is available
- Pensioner need not make frequent visits to the bank
- Banks running R-ECS practically converts to paperless handling
- Eliminates the need for customers to go to the collection centres/banks and stand in long queues for payment

CONCLUSION

With the adoption of the R-ECS Payment System, the monthly pensions are credited to the pensioners' saving account on the first working day in 29 CBS (Core Banking Solution) enabled bank branches (Participating Branches) in Manipur and other North-eastern states.

FOR FURTHER INFORMATION:

L. Dhaneshwar Singh
Principal Systems Analyst
Email: dhane@nic.in