



Comments on the Report of the Giro Advisory Group on the Bills Payments System in India

1. Introduction

At present, the bill payment mechanism in India for utility services is either done through over the counter method by visiting the individual building or else by way of visiting the respective company's website. Despite the various modes applied it cannot be denied that on an average a family needs to pay several bills every month, the task more tedious owing to the cumbersome nature of the bill payment mechanism adopted by the utility or service provider. With the objective to ease this tedious task of paying bills to multiple places the Reserve Bank of India had proposed the idea of a single window system that would allow the consumers to pay all the utility related bills of the consumers.

The idea of uniting the payment of bills of utilities emanated from the manner the National Payment Corporation of India (NCPI) functioned. However, the objective of the NPCI and that of the Giro Advisory Group (GAG) was completely different.

The ideology behind the initiative no doubt is welcomed by CUTS especially since the objective behind the initiative is to allow the consumers to reduce the cumbersomeness associated with the payment of bills and also now the consumers can file their complaint in one window for bill related problems. However, we also are disappointed since the report of GAG does not explicitly draw a flowchart of working and functioning of the payment mechanism which was expected, given its terms of reference, and especially after the Padmanabhan Committee Report. CUTS comments on the Report of the GAG are as follows.

2. Nature of Payment Mechanism

Making BBPS non-profit entity

The Padmanabhan Committee report revolved around implementation of GIRO based payment system. The idea and intention of the RBI to create peripheral terminals for the purpose of payment is indubitably praiseworthy. However, the RBI must be dexterous to provide a detailed outline as to operation and functioning of the Bharat Bill Payment Services (BBPS). The present draft merely chalks down the nature of the body as a 'non-profit making' 'standardisation' body. Though the RBI has tried to achieve the standards and the mechanism suggested by the Padmanabhan Committee Report but it would not be an exaggeration to say that the attempt is nothing but a feeble one.

The report also states that the BBPS shall be a "not for profit" organisation while the Bharat Bill Payment Operating Units (BBPOUs) shall run on a commercial basis. Since the powers to set standards for functioning of the BBPOUs, the consumer grievance and dispute mechanism shall be dealt by the BBPS it stands imperative to question the nature of authority of the BBPS over the BBPOUs. We question here *firstly*, the "not-for-profit" status of the BBPS. *Secondly*, we challenge the relation between the BBPS and the BBPOUs.

By the plain reading of the Report it is understood that the BBPS and the BBPOUs shall act akin to a clearing corporations wherein the amount payable by the consumer shall merely change hands so that the payment of the bills can be made. Under the Settlement Model A provided in the report, the consumers pay their bill amount to the agent of BBPOU which would then be credited to the BBPOU account and then the amount shall be credited to the account of the biller. Settlement Model B and C provide for full and partial role for BBPS in the payment and settlement chain.

This system suggests that the amount shall merely change hands as in the case of clearing corporations in securities market. Multiple entities are involved in the transaction (viz. customer, BBPOU agent, BBPOU/BBPS, BBPOU/BBPS bank, biller bank, and biller), the transfer of risk and onus of payment in case of non-payment/incorrect payment has not been clearly laid down in the report.

To make these BBPOUs commercial suggests that the consumers shall be paying a commission to them in lieu of the services rendered by them, which might enable them to partially manage the risk involved in the transaction. But making the BBPS “not-for-profit” is of grave concern, given that the risk of payment might fall upon BBPS, which might not be able to manage the same, owing to its not-for-profit status.

Making the BBPS commercial with a minimum net worth, will allow the agency to have a pool of assets which will ensure smooth functioning of the payment system even when the amount is in due course of transfer.

Conflict of interest between BBPS and BBPOU

Another issue is with respect to the relation between the BBPS and the BBPOUs. It is understood that the BBPS would be an association of the BBPOUs’ representatives. Therefore independence and autonomy of the BBPS can be questioned. At a place where service providers would regulate themselves and would have regulatory powers of addressing grievances of consumer, it is very unlikely that the consumer may find redressal of their grievance and a fair deal.

The text of the Report also indicates that the BBPS shall act as a quasi-regulatory body. The question though is whether the said body would also act as a regulator for all the Bill payment units? If such regulatory powers are ought to be given to the BBPS then another question is raised as to whether such regulator will possess quasi-judicial powers, and if so whether consumers in case of a grievance against the BBPS go to the BBPS or will they be allowed to move to the consumer court? Most of the regulatory agencies have a consumer grievance redressal cell which has an expertise on the matters and issues that emanate out of the payment mechanism. Therefore, the consumer has a choice in terms of forums where they can take their grievance, this stands as an alternative to consumer courts that could be time consuming especially for the consumer, and bereft of expertise.

Despite the attempt made by the RBI to ensure that the consumer may receive a timely redressal of any issue arising out of the BBPS or BBPOUs; the fact that the BBPS is nothing but an association of BBPOUs cannot be ignored. On one hand the consumer may be aggrieved by the treatment or action of a BBPOU, while on the other the representative of such BBPOU shall be part of the BBPS that will look after the consumer grievance matters. This raises question of the integrity of such agency.

Accountability of BBPOUs

However, we do praise the manner and nature of the BBPS and BBPOUs would operate, this will not just create more accountability of the BBPOUs but will also make these units more efficient owing to their profit making motive. What we demand though is a draft as to how the BBPOUs would operate and a comprehensive standardisation of accountability set by the BBPS and the RBI.

In the present scenario it is well understood that there are many such bill payment operators that procure bills and the amount to be paid from the consumers and then accordingly pay such bills on a commission basis. The question is whether the BBPOUs run on the same line, will the consumer be required to pay for the services of the BBPOUs or else will the BBPS ensure such commission to the BBPOUs? In case of former what shall be difference between the BBPOUs and the present commission agents? In ambiguity of this proposition, the consumer might suffer either by way of high commission charges through unscrupulous way to earn profit by the BBPOUs or by way of low level of services in lack of funds with the BBPOUs.

Models of Payment

The GAG report forwards three models of settlement. We are of the opinion that the best suited model for the settlement of payment can be achieved by Model B. The manner in which Model B works makes it clear that there is a need to conclude Memorandum of Understanding (MoU) between the BBPS and the respective banks of the Billers as well as the billers. The fact that the BBPS would have concluded the MoUs with the respective banks would make transactions between the BBPOUs easier and less cumbersome for consumers. Else the BBPOUs would have to sign innumerable MoUs just so that a single payment can be made. The fact that Model A allows BBPOUs to make ON-US transaction with the billers' bank but does not allow them to make an OFF-US transaction unless so advised by the BBPS makes the transaction time consuming and does not allow the consumers to make a quick payment, thereby creating unnecessary delay. Model C on the other hand is nothing but the combination of model A and Model B which would again create futile confusion and delay without any appropriate reason. Thus Model B is one that can provide optimum customer experience in terms of speed and accuracy for the settlement of payments.

The Model B in our opinion would require the BBPS to maintain a certain capital reserve since signing a MoU with different banks would increase the risk on the BBPS especially in case of a defaulting customer. Therefore, it is advised by us that the BBPS shall be created as a commercial unit and not as a "not-for-profit" entity. While allowing setting up of the BBPS, the RBI may direct that the said association may have a certain capital reserve as a qualification to form a BBPS, as in the case of stock exchanges.

Nature of Payment Mode

In India, the payments of the bills are primarily done either at the Bill Owners' Customer Point, online or by procuring the services of the agent. The faith of the customer is not much on the services of the agents and most of the masses are yet not fully conversant with the usage of online payment modes, especially in the rural areas. Therefore, most of the people have to resort to the services of the Customer Points. The result of this is that the consumers of utility services have to pay multiple bills at multiple points.

We appreciate the effort taken by the RBI and the Giro Advisory Group towards easing the payment of bills by consolidating such payments under one roof. Since the bills could now be paid to the BBPOUs at a single outlet, the consumer ease is not just increased but also the expenditure incurred on collection of bills and payments by the billers too is decreased considerably. However, we do suggest that before setting off the option of online mode of payment, the RBI must consider the fact that comfort when married with safety completes the task of enhancing consumer experience. Many issues are raised on the safety and accuracy of the online bill payment mechanism; therefore, more deliberations are required to be made before providing the option of online payment of consolidated bills.

We also suggest that the consumers be given an option of which bills they are comfortable in paying at a particular point of time. For instance, a consumer may be paying electricity, water, gas or phone bills. The consumer in payment of such bills must have the control as to which bills they would prefer to pay. When the bills are bundled together into a single unit, the payment mechanism must ensure that the bundling is such that the various bills can be separated as well as can be integrated back to pay the amount together.

Consumer Experience

The consumer experience is enhanced not just by the payment method but also by the fact that the present proposition allows them to choose for interoperability of the utility services, giving them wide spectrum of choices by which the increases the consumer experience and makes the tedious task of payment of bills easier for the consumers *per se*. The Indian consumer has the ubiquitous tendency of assuring visibility of payment of any nature, this is assured by the Bill Owner's Customer Point. It is also needs to be understood that the since most of the bills need to be paid in either cash or cheque and the billers' location most of the rural masses cannot get the benefit of the same especially because most of the bill payment centres are not present in the remote vicinity. With the operation of the BBPOUs, the consumers will have the ease of visibility by way of payment and receipt of the payment of made immediately.

In order to enhance consumer experience, we suggest that the RBI may allow the BBPS to issue chip embedded cards to the consumers that would store the various account numbers and other details such as AADHAR number allowing the BBPOUs to identify the consumers, to provide the accurate details of the utilities and the bills to be paid or accrued by the consumer. Such card would not just make the payment mechanism more systematic but also allow proper storage of information such as last transactions; it would also allow steadfast action in case of change in address or other such details.

It is understood that most of the urban masses prefer to make payment through plastic money and thus have reduced the usage of the paper currency. In tune with this idea, the BBPS must ensure that various BBPOUs must have access to the Debit or Credit Card Reader. This would ensure that reduction of paper currency is made, which is one of the objective of the RBI in past few years. It would also aid the consumers to facilitate paper free transactions.

Moreover, payment of bills online for individual is difficult, since it calls for the need to remember online password and username, bank account details, debit or credit card details. Furnishing these details to multiple billers increases the risk of phishing. With the new initiative the bills could be paid at one site with a single username and password.

Consumer Grievance Cell and Customer Care

The report of the Giro Advisory Group allows the consumers to resort to the Consumer Grievance Cell and also provides a dispute redressal forum for the quick and prompt conclusion of the consumer problem. This in our opinion is a holistic approach taken by the Group to ensure consumer satisfaction. However, we also recommend operation of customer care for the said services that may allow the consumers to resolve any difficulty in paying the bills or to satiate any queries with respect to the bill payment system over the phone.

3. Overall CUTS Reaction

CUTS International, being a consumer welfare civil society organisation is devoted towards the cause of enhancing consumer ease and satisfaction. The move by the RBI and the report of the Giro Advisory Group is no doubt more technologically sound and is systematic and would definitely ensure consumer ease and comfort. Such customer satisfaction was envisioned in the Payment Systems Vision.

On the positive side the mechanism developed by the GAG report is commendable, however, is unsatisfactory bearing in mind that the Padmanabhan Report read with the Payment and Settlement Act has already laid the path for the GIRO payment system which has been poorly executed by the GAG. The report should have been more detailed and comprehensive in nature since it just deals with the critical issue of payment and settlement of bills superficially.

The positive aspect of the initiative is that all the bills would be listed in one place and if the consumer is willing, they can pay the billing amount either in one go or selectively pay the bills they want to. Further, the intention to decrease consumer hassle in payment of bills becomes apparent and later the inclusion of other types of bills can be made possible for the consumers.

In sum total, the GIRO payment and settlement system would have a direct effect on the enhanced levels of consumer satisfaction and would make the payment of bills much easier task.

About CUTS

CUTS International, established in 1983, is a leading economic policy research, advocacy and networking, non-governmental group in India, with offices in Nairobi, Lusaka, Accra, Hanoi and Geneva. Over the past thirty years, CUTS has led reform agendas in the areas of regulation, competition, consumer protection, and international trade.

CUTS has long experience of working in financial sector, specifically financial consumer protection and competition in financial sector. For more information, see www.cuts-international.org

