



STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*

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Theme 282

GIRO

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Theme No: 282 :GIRO

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. The Reserve Bank of India (RBI), on its website for public comments released the report of GIRO (Government Internal Revenue order) advisory group. In October 2013, RBI constituted GIRO advisory group (GAG) under the chairmanship of Prof. Umesh Bellur, IIT Mumbai, to implement a national GIRO based Indian bill payment system. This month we discuss regarding GIRO.

What is GIRO?

A GIRO transfer is a transfer payment, initiated by the payer, from one bank account to another bank account. GIRO is an automated electronic payment service which allow a person to make monthly payment of bills by debiting the account directly. Every month sufficient balance should be provided in the designated bank account of the person who wants to make use of GIRO facility.

What is the benefit of using GIRO?

GIRO is a very easy, convenient cashless and paper less method of payment. It enables monthly payments through particular bank accounts.

How can we set up a GIRO arrangement?

A person can choose a GIRO arrangement for selected Billing Organization (BO) via DBS i-banking, AXS Station. Once the application is approved the GIRO arrangement can be used for making payment. The arrangement will be cancelled only after getting a specific request / Instruction from the applicant to terminate the arrangement.

How do we know whether my GIRO application is successful or not?

The submitted GIRO application will be sent to the BO to update their records. The BO will advise the date of first deductions. They will take 4 to 5 days to update their systems and to start the GIRO collections or to inform the customer about the status of the GIRO application.

Usually it takes 14 working days from the date of application for the processing of paper application. The customer should continue to pay the bills till GIRO approval communication is received by the person.

What fees/charges do customers have to pay, to apply or terminate the GIRO arrangement?

For setting up or terminating GIRO arrangement the bank doesn't charge any fees. But, some billing organization charge for unsuccessful GIRO payment. The BO's may be contacted for their fees/charges.

When will GIRO payment commences?

The BO will inform starting of deductions.

How do we terminate a GIRO arrangement?

The person must notify the BO as well as the bank so, that the bank will not accept further requests from the BO to debit the account for payment.

How to confirm that GIRO payments have been terminated?

Some BO's send confirmation that the termination request is effected. Customer's service center of BO's may also be contacted to confirm the termination.

What are the major bill payments in India?

Major bill payments in India include utility services such as government payment, school/university fees, prepaid payment instrument, examination fees, top ups, mobile phone recharge etc.

How are Bill payments at present done in India?

At present, customers make bill payments at **Bill Owners Customer Point (BOCP)**, bank branches, agent outlets, cheque drop boxes and via electronic modes. Options available include:

1. **Bill Pay Agents** – Collection Points, Business Correspondents.
2. **Aggregators and Banks** – Internet Banking, Bill Presentments, Standing Instructions.
3. **Direct payment to billers** – biller operated payment centres, Internet Banking / Payment Gateway, ECS (Electronic Clearing Service).

What are the difficulties in the present scenario of bill collection/ payment process in India?

1. **Absence of Interoperability**- Each biller needs to establish and supervise its own collection points (BOCPs) as there is limited or no interoperability.
2. **Consumer preference for BOCP**- A consumer prefers that BOCP where (s)he feels comfortable by a direct payment and an instant printed receipt

received for the payment. Due to lack of visibility consumer usually do not trust agents' networks.

3. **Poor Accessibility-** BOCs are generally concentrated in urban centers and are not easily accessible to people in rural/remote areas.
4. **Lack of coordinated initiative-** No industry-driven initiative as of yet to develop a common interoperable system, which would bring about comfort of payment to users and cost and functional efficiency to the Billers.
5. **There is no common website** from where all bills can be accessed and smoothly paid .

Why there is a need for a national 'GIRO-based Indian Bill Payment System'?

There are a huge number of consumers who don't have access to internet banking and they cannot pay their bills online. Such consumers have to physically go at different places to pay their different bills and those people who have access to internet banking facility can pay their bills online. Albeit, the ECS (Electronic Clearing Service) debit volume is growing in India at the rate of 5% per annum and in 2012-13 it was Rs 176.50 Million, but, still this is very small when compared with total billing volume in largely populated country like India. Most of the consumers in India still pay their bills by physically visiting different customer outlets.

Therefore, there is a requirement for an interoperable, integrated bill payment system in India which:-

- Enables payment of any bill at any place
- Allow payments via any mode (cash, cheque, credit card, debit card, prepaid payment instruments etc.)
- Near to place of work or residence
- Includes bank branches, post offices, business correspondents, retail agents of aggregators, ATMs (Automated Teller Machine), etc.
- Provides consumers a single point for their various bill payments
- Motivates billers to switch over to the new system
- Furnishes quick confirmation of payment made via SMS or a payment receipt
- Provides facility of payment of bills via internet banking (if possible a single website), mobile banking and IVRS (Interactive Voice Response System)
- Increases consumer trust and experience
- Reduces the expenditure that billers incur on collection of bills at their own collection centres
- Sets up billing standards in India
- Is efficient and cost effectual substitute to the present systems

The above issues and challenges can be resolved if we have a centralised infrastructure for bill payments in India which brings about interoperability with an all India-standard.

What are the features of Umesh Bellur headed GIRO Advisory Group Pan-India centralised bill payment system?

The pan-India centralised bill payments infrastructure will have two types of entities:

1. **Bharat Bill Payment System (BBPS)**- Will set standards and conduct of centralised payment, clearing and settlement process
2. **Bharat Bill Payment Operating Units (BBPOUs)**- Will act as operating unit(s)

Bharat Bill Payment System (BBPS)

A 'not-for-profit organization' registered under the Companies Act 1956, like NPCI (National Payments Corporation of India). It shall have a Steering Group constituting of representatives from the participating BBPOUs and other stake holders. The Roles and Responsibilities of BBPS include:

- Set up a single website on behalf of the brand for online payment of bills
- Setting Business standards and processes the BBPOUs, management of dispute resolution, standards for information exchange.
- Act as final dispute resolution escalation point
- Marketing and brand positioning of the Pan-India Bharat Bill Payments System
- Accomplishing payment, clearing and settlement of the transactions executed at several BBPOUs

Bharat Bill Payment Operating Units (BBPOUs)

A profit oriented company registered under the Companies Act 1956 and has obtained requisite certification from BBPS for participating in the the centralised bill payments system.

Roles and Responsibilities of BBPOUs:

- Transaction handling
- Provide Value-added services
- Ensure confidentiality and privacy standards are in place
- Infrastructure development (including APIs as per standards set by BBPS).
- Handling customer grievance / disputes at first place

Bill Payments Estimates

Bill Pay Segments (select Items)	Estimated Subscribers (in milliom)	No. of Payments/ Bills p.a. (in million)	Average Bill/ Payment (in ₹)	Total Market Size (₹ million)
Electricity	35	420	1,500	630,000
Telephone (Landline)	20	240	1,200	288,000
Mobile (Postpaid)	60	720	750	540,000
Insurance	250	500	3,500	1,750,00
Others (Eg. Piped gas, Cable etc.)	15	180	750	135,000
Total	1,180	30,860	-	6,223,000

Source: RBI

*Your comments and feedback on this publication may be sent to Staff Training College,
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