2nd State Finance Secretaries Conference

New Delhi

Dissemination of Good Practices on Public Finance observed in States

Department of Govt. and Bank Accounts

Reserve Bank of India, Mumbai

September 19, 2025

Reserve Bank of India

Agenda

1. Evolving Practices in Payments- Direct payments in Just-in-Time (JIT) mode through RBI's e-kuber system

2. Evolving Practices in online collection of revenues

a. *Online receipt challan generation by State Departments*

b. Migration of States integrated with RBI e-kuber to version 2.0

3. Measures for reducing payment failures through account validation

4. Mandatory remitting high value receipts through direct NEFT/RTGS mode

5. Pension calculation by States

Evolving Practices in Payments - Just-in-Time (JIT) Payments through RBI

Background-

- State Governments (SGs) make payments primarily through agency banks
- Receives scrolls from agency banks and cash related information from RBI, needed for reconciliation and final preparation of their books
- State AGs also receive payment's related information from RBI
- Discrepancy between the two sets of data (agency banks and RBI) creates reconciliation issues for SGs / AsG, requiring time and manual effort for detection, resolution causing delay in preparation of monthly accounts.

Evolving Practices in Payments- Direct Payments through RBI's e-Kuber system Just-in-Time (JIT) Payments

Initiatives taken:

- SGs make payments directly through RBI by integrating with e-Kuber system and utilizing a straight-through-processing mechanism
- Reduces one layer from the payment cycle,
- Reduces points of discrepancies, minimizes points of manual intervention and offers flexibility and control of funds to SGs
- All States are integrated with RBI for e-payments (except Sikkim), yet States are not fully leveraging the e-payments facility
- 13 State Governments (Andhra Pradesh, Bihar, Chhattisgarh, Karnataka, Manipur, Meghalaya, Odisha, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand and West Bengal) route more than 90% of their payments through RBI
- Treasury Single Accounts (TSA) framework implemented by PFMS (O/o CGA) and e-kuber of RBI enhances the fund flows with 'Just in Time' release of funds and timely notifications for payments – May be considered by the SGs

Just-in-Time (JIT) Payments through RBI (cont…)

Impact/Outcome:

- Just in time release of funds to beneficiaries, no parking of funds with banks
- Aligns with JIT guidelines enshrined in General Financial Rules 2017 of GoI
- Efficient cash management for Governments
- States have direct control over the timing of outflow of funds
- Near real time monitoring of the status of payments and minimal reconciliation issues
- Faster preparation of monthly accounts by Governments

Evolving Practices in online collection of revenues-

Background-

- Certain SGs still continue with physical challans for deposit of revenues
- Physical challans paid through manual process like cheques/DD/Cash

Issues with physical challans:

a. Banks required to store physical challans at their end for submission to Treasuries
b. Delayed receipt of service to taxpayers
c. Delayed credit of funds to Government accounts in RBI, i.e, T+3/5 working days
d. Transmission of challans by banks to treasuries is time consuming and error prone

Evolving Practices in online collection of revenues- Mandatory online receipt challan generation

Initiative taken:

- SGs like Karnataka, Andhra Pradesh and Punjab have mandated online generation of challans for all revenue collecting departments.
- SGs rolled out Government Receipt Accounting System (GRAS) for online challan generation and payment
- e-GRAS has been integrated with agency banks and RBI to enable online payment options like internet banking, debit card, direct NEFT/RTGS etc.
- Direct NEFT/RTGS model of e-receipts through integration with RBI enables credit on T+0 basis
- Version 2.0 of RBI e-Kuber with mandatory Challan Payment Identification Number (CPIN) helps easier and faster reconciliation

Evolving Practices in online collection of revenues- Mandatory online receipt challan generation

Impact/Outcome:

a. Facilitates easier/faster access to challan forms by public and wide range of online payment options to payers
b. Promotes transparency, reduces discrepancies and enables system driven reconciliation
c. Faster remittance to Government, on T+1/0 basis
d. Through GRAS portal, details readily available with the SGs to check the details like number of challans created, expected revenue, payment status of challan, number of expired challans, etc., anytime.

Suggestion/Recommendation: Challan availability, generation is made online and challan level data is maintained and transmitted online between banks and treasuries.

Measures for reducing payment failures

Background-

- Payments to beneficiaries fail if account details are incorrect, or entered incorrectly in the system at the Govt. end
- Failed payments leads to:
  a. delayed payment to beneficiaries,
  b. separate leg of book adjustments by States for accounting such returns,
  c. rectification of account details
  d. and repushing the transactions after going through the sanction process again

Measures for reducing payment failures

Initiative taken:

- Certain SGs (Odisha and Assam) use account number validation facility provided by NPCI (provided by PFMS also) for its current status i.e., operative/inoperative/dormant etc., before initiating payments

- **Impact/Outcome:**
    - Reduces payment failures, better customer service
    - Governments have lesser returns to be handled
    - Necessary action can be taken for correcting the beneficiary account details before pushing the payment file
    - Ensures timely payment to beneficiaries and reflecting actual expenditure in Govt accounts

Mandatory remitting high value receipts through direct NEFT/RTGS mode

- **Background-** Agency banks collect various receipts and report to RBI on a T+1 basis. Sometimes, the receipts are of high value and States receive these funds after one day, leading to inefficient cash management at Government's end.

- **Initiative taken**: Government of Tamil Nadu has mandated that all Government receipts above ₹1 crore have to be mandatorily remitted through direct NEFT/RTGS model of e-receipts integration with RBI so that funds are remitted to Government on T+0 basis.

- **Impact/Outcome:**
  - High value funds are received by the Government on the same day
  - Reduces float of Government funds with agency banks
  - Better cash management for Governments
  - Reduces borrowing costs.

Pension Payment by States

- Pension calculation / payment by agency banks could lead to: ambiguity in interpretation of Government guidelines on pension calculation, discrepancies in Pension Payment Order/arrear calculation leading to disbursal of incorrect amount of pension and subsequent pensioners' grievances
- Initiative taken: Certain SGs, like, Government of Telangana, Andhra Pradesh, Uttarakhand, Uttar Pradesh, Gujarat, Kerala, Manipur, Maharashtra, Tamil Nadu and Rajasthan have taken over pension calculation work from agency banks and are disbursing pension payments through RBI e-Kuber system
- Impact/Outcome:
  - SGs have better control over pension calculation and disbursement
  - Accurate pension calculation reducing scope of interpretation errors, discrepancies and enables quick reconciliation
  - Reduces instances of pensioner grievances
  - Provides for a straight-through-processing mechanism for payments minimizing the points of manual intervention
  - Greater flexibility and control of funds to the State
  - **Issue foreseen: Whom shall the pensioner contact in case of any discrepancy / query ?**

For Discussion

Thank You