# 1. RBI's Shaping India's Payment Frontier - Economy

The Reserve Bank of India (RBI) has unveiled its Payments Vision 2028, a comprehensive document titled *"Shaping India's Payment Frontier."* This strategic roadmap succeeds the previous Vision 2025 and aims to elevate India from a nation focused on financial inclusion to a global leader in payment technology and security.

## 1. Background

**Background -** Over the last decade, India has witnessed a paradigm shift in its payment landscape, driven by the success of UPI, increased internet penetration, and proactive regulation. As the ecosystem matures, there is a need to address emerging risks like cyber fraud, enhance cross-border efficiency, and support the MSME sector through deeper integration.

**Definition of Payments Vision 2028 -** It is a strategic framework consisting of 15 concrete initiatives designed to be implemented through December 2028. It serves as a blueprint for making digital payments safer, faster, and more accessible while fostering competition and innovation.

## 2. Core Focus Areas

The vision is anchored on four primary pillars -

**User Empowerment -** Giving customers more control over their digital transactions.

**Fraud Safeguards -** Building a resilient system to minimize and manage unauthorized transactions.

**Operational Efficiency -** Improving cross-border frameworks and the ease of doing business.

**Global Leadership -** Benchmarking India's progress against global standards to lead international payment trends

## 3. Key Features of Payments Vision 2028

### Security and Fraud Mitigation

**Shared Responsibility Framework -** The RBI is exploring a model where both the issuing bank (customer's side) and the beneficiary bank (receiver's side) share liability for unauthorized transactions. This shifts the burden away from just the customer and incentivizes banks to coordinate on fraud detection.

**Enhanced User Controls -** Users will soon have a "switch on/off" facility for all digital payment modes (like UPI and IMPS), similar to existing credit/debit card controls.

**Cyber Key Risk Indicators (KRI) -** A specialized framework for non-bank Payment System Operators to provide early warning signals regarding potential cyber threats and system vulnerabilities.

### Institutional and Regulatory Innovations

**Payments Switching Service (PaSS) -** This initiative allows customers to seamlessly migrate their standing payment instructions (like SIPs or utility bills) when they switch bank accounts, significantly reducing consumer friction.

**Small Payment System Providers (SPSPs) -** To encourage startups, the RBI proposes a perpetual regulatory sandbox. This allows smaller players to innovate and scale in a controlled environment before facing full-scale regulation.

**Single-Window Authorization -** To streamline the "Ease of Doing Business," the RBI is examining a unified authorization mechanism under the Payment and Settlement Systems Act and FEMA.

### Modernizing Instruments and Data

**Electronic Cheques Review -** A comprehensive overhaul of cheque design and security features is planned to align traditional paper-based clearing with modern digital security standards.

**AI-Enabled Data Repository -** The creation of a unified, AI-driven data hub to improve transparency, monitor systemic risks, and provide research-led insights into spending patterns.

**Domestic Legal Entity Identifier (DLEI) -** Introduction of a uniform identifier to improve the traceability of high-value transactions and strengthen risk management.

### Global and Infrastructure Push

**Cross-Border Payments -** A review to identify frictions in international money transfers, focusing on reducing costs and increasing the speed of remittances.
**Open Card Ecosystem -** Exploring an interoperable card payment system focused on tokenization and transparent pricing to challenge existing monopolies.

## 4. Deep Dive - Trade Receivables Discounting System (TReDS)

TReDS is a critical component of the 2028 Vision, specifically targeting the liquidity issues faced by MSMEs.

### Definition and Purpose

TReDS is an electronic platform that facilitates the financing/discounting of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs).

### Proposed Enhancements under Vision 2028

**Full Interoperability -** Ensuring that different TReDS platforms (like RXIL, M1xchange, and Invoicemart) can interact seamlessly.
**Factoring with Recourse -** Expanding the scope of financing options available on the platform.
**Export Receivables -** Inclusion of export-related receivables to help MSMEs engage more easily in international trade.

### Comparison - Traditional vs. TReDS Financing

| **Feature** | **Traditional Bank Finance** | **TReDS Platform** |
|---|---|---|
| Basis of Credit | Based on MSME's credit history/collateral. | Based on the Buyer's credit profile. |
| Processing Time | Can take weeks for appraisal. | Near real-time auction and funding. |
| Cost of Funds | Fixed interest rates (often high for MSMEs). | Competitive bidding leads to lower market-driven rates. |
| Recourse | Usually with recourse (MSME liable if buyer fails). | Typically without recourse (Financier bears the risk). |

## 5. Significance of the Vision

**Transition to Global Leadership -** Moves India beyond basic financial inclusion toward setting global benchmarks in fintech.
**Formalization of MSMEs -** By strengthening TReDS and digital footprints, MSMEs can access formal credit more easily.
**Digital Economy Resilience -** The focus on Cyber KRIs and shared liability ensures the economy remains stable even as transaction volumes explode.
**Improved Transparency -** Through the AI-enabled data repository and DLEI, the RBI can better track the flow of money and prevent financial crimes.
Source - https -//economictimes.indiatimes.com/et-poli/aerb-okays-excavation-for-raj-n-project/articleshow/129936546.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst