

Course Name : O Level(B3-1st sem.)
Topic : NEFT and RTGS

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NEFT and RTGS

Inter Bank Transfer is a special service that allows an individual to transfer funds electronically to accounts in other banks in India through the following two modes:

- 1. NEFT**
- 2. RTGS**

NEFT (National Electronic Funds Transfer)

The “NEFT” stands for **National Electronic Funds Transfer**. NEFT is one of the most prominent electronic fund transfer system of India. It is the facility provided to bank customers to enable them to transfer funds easily and securely on one-to-one basis. It means it is an online system for transferring funds from one financial institution to another within India usually the banks. National Electronic Funds Transfer (NEFT) is introduced by the Reserve Bank of India (**RBI**) in November 2005.

Who can transfer funds using NEFT?

Individuals, firms and corporates maintaining accounts with any bank can transfer funds using NEFT system.

Who can receive funds using NEFT?

Individuals, firms and corporates maintaining accounts with any bank can receive funds using NEFT system. It is therefore, necessary for the beneficiary to have an account with the NEFT enabled destination bank branch in the country.

Operating hours of NEFT

The NEFT system is available on all days, i.e., on 24x7x365 basis. NEFT presently operates in batches on half-hourly intervals throughout the day. In case of non-availability of NEFT for any reason, appropriate message will be broadcasted by RBI to all system participants.

Key Features of NEFT

- No Limit for a maximum and minimum amount.
- Offered by branches of all domestic banks.
- Offered on bank working days between 8 am to 6:30 pm from Monday to Friday and 8 am to 1 pm on working Saturdays.

Advantages of NEFT

- It is economical to use NEFT for money transfer.
- NEFT is built on a secure platform.

- No need of using a cheque or demand draft for money transfer.
- Transferring money does not require you to visit the bank.
- Initiate funds transfer online.

RTGS(Real Time Gross Settlement)

The “RTGS” Stands For ‘Real Time Gross Settlement’. It is an electronic payment system managed by Reserve Bank of India that allows the interbank transfer of funds on a real-time and on gross settlement basis.

‘Real-time’: It means that the payment transaction is not subjected to any waiting period. The transaction will be completed as soon as the processing is done.

Gross settlement: It means the money transfer is completed on a one to one basis without clustering with another transaction.

Key Features

- Real-Time, within a few minutes.
- Minimum limit of Rs. 2,00,000.
- It can be offered only by RTGS enabled branches.
- Offered on bank working days between 8 am to 4 pm. Monday to Friday and working Saturdays.

Difference between NEFT and RTGS on criteria basis:

Criteria	NEFT	RTGS (Retail)
Settlement	Done in batches (Slower)	Real time (Faster)
Full Form	National Electronic Fund Transfer	Real Time Gross Settlement
Timings on Mon – Fri	8:00 am – 6:30 pm	9:00 am – 4:30 pm
Timings on Saturday	8:00 am – 12:30 pm	9:00 am – 1:30 pm
Minimum amount of money transfer limit	No Minimum	2 lacs
Maximum amount of money transfer limit	No Limit	No Limit
When does the Credit Happen in beneficiary account	Happens in the hourly batch Between Banks	Real time between Banks
Maximum Charges as per RBI	Upto 10,000 – Rs. 2.5 from 10,001 – 1 lac – Rs. 5 from 1 – 2 lacs – Rs. 15 Above 2 lacs – Rs. 25	Rs. 25-30 (Upto 2 – 5 lacs) Rs. 50-55 (Above 5 lacs) (Lower charges for first half of day)
Suitable for	Small Money Transfer	Large Money Transfer

Exercise:

1. Compare between NEFT and RTGS.

