

# **Fund Remittance Methods: NEFT and RTGS**

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# INTRODUCTION

- **Electronic funds transfer (EFT)** is a method of transferring the money electronically from one bank account to another.
- This can be done either within a financial institution or across different financial institutions.
- There are different methods of transferring the funds electronically.
- This topic is particularly about two most common methods of electronic fund transfer i.e. NEFT and RTGS.

# RTGS (Real Time Gross Settlement)

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- It is a mechanism of funds transfer whereby the funds are transferred from one bank to another on 'real time' and on 'gross' basis.
- It is the fastest method of money transfer.
- 'Real Time' means that the funds are transferred instantly without any delay and are not subject to any waiting period.
- There is immediate settlement of transactions.
- 'Gross 'means that the transactions are settled on one to one basis .
- There is no batch processing
- Amount to be transferred is more than Rs. 2,00,000

# NEFT (National electronic Fund Transfer)

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- In this method the funds are transferred in batches
- No instant or immediate transfer of funds
- Amount to be transferred is less than Rs. 2,00,000.
- RBI acts as the service provider and transfers the amount to the account of other bank.
- Funds are transferred on the basis of IFSC code of the recipient bank.
- Funds can be transferred even by the non customers.
- Fastest and easiest method of transferring the funds electronically.

# Why NEFT or RTGS

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- Involves lesser transaction cost as compared to cost involved in transferring funds through draft.
- Immediate transfer of funds.
- Lower transaction time.
- Quick transfer of funds.
- Lesser wastage of time

# Process of NEFT

Request by customer

Data entry by sending bank

Processing of data at NEFT service centre

Submission of NEFT message to NEFT centre

Transmission of NEFT message to beneficiary bank

Data validation

Payment to beneficiary

# How Does NEFT Operate

- **Step 1:** As a first step, following information is to be provided by the sender

- Name of beneficiary
- Account number of beneficiary
- Account type of beneficiary
- Name of bank, branch name of the beneficiary's bank
- IFSC code of beneficiary bank.

**Step 2:** Message generation by the remitter branch and sending it to the pooling centre.

**Step 3:** Forwarding of message by the pooling centre to the NEFT clearing centre which is to be included in the next batch.

# NEFT Contd.....

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- Sorting of bank- wise transactions at the clearing centre by RBI and preparation of accounting entries for receiving funds (debit) from originating bank to giving funds to (credit) the destination bank.
- Forwarding of bank-wise remittance messages to the destination banks through the pooling centre i.e. the NEFT Service centre.
- Receiving of remittance messages by the destination bank from the clearing centre and then passing on the credit to the account of beneficiary.



# Benefits of NEFT

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- Faster
- Low cost
- Reliable
- Easier
- Wider reach
- Secured and efficient

## Indian Financial System Code

- It is an eleven digit code used in online transfer of funds
- The eleven digits carry meaning
- First four characters signify entity, fifth is 0 and last 6 characters signify the branch number.
- For example: ICIC0000039 is an IFSC code of one of the branches of ICICI.

- It is called Real Time Gross Settlement (RTGS)
- It was started in the year 2004
- It is for all the transactions of amount more than two lakh rupees.
- Transfer of money from one bank to another is on “Real Time” and settlement is not “Gross” basis.
- With this system, the money can be transferred to only those branches where RTGS facility is enabled.
- The amount is not sent in batches.

# Transaction Flow in RTGS

Filling of RTGS funds transfer form by customers

CBS system enters and authorizes the data

Data flows through RBII and RTGS server

Receipt bank gets confirmation and credits the account of customer

# Difference between NEFT and RTGS

Basis	NEFT	RTGS
Settlement	Done in batches	It is Real Time
Amount limit	Upto rupees 2,00,000	Above rupees 2,00,000
Time of credit to beneficiary's account	Happens in the hourly batches	Real time between banks
Suitability	Small money transfers	Largr money transfers

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THANK YOU