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EDITORIAL ANALYSIS

RBI Payments Vision 2028 — Account Portability and the Unfinished Revolution in Indian Banking

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INTERVIEW ANGLE

"India's digital payments revolution has been celebrated globally — but if customers cannot switch banks easily, does UPI's success actually enable banking competition or simply entrench existing incumbents?"

WHY IN NEWS

The Reserve Bank of India released its **Payments Vision 2028** in March 2026, proposing the **Payments Switching Service (PaSS)** — a centralised platform for bank account portability that would allow customers to transfer all payment mandates seamlessly when switching banks.

THE PARADOX OF DIGITAL PAYMENTS SUCCESS

India's digital payments story is one of the great development success stories of the 21st century. The Unified Payments Interface (UPI) recorded over 15 billion transactions per month in 2025. The Real Time Gross Settlement (RTGS) system operates 24x7. India's digital payments infrastructure is routinely cited by global institutions — the World Bank, the IMF, the BIS — as a model for developing economies.

Yet, beneath this remarkable surface lies a structural paradox: India's banking sector, despite the UPI revolution, remains oligopolistic and insufficiently competitive. The top five banks — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Kotak Mahindra Bank — dominate deposit mobilisation, lending, and digital financial services. Small finance banks and payment banks, meant to disrupt this order, have made limited inroads.

The reason is structural, not regulatory: **bank account stickiness**. When a customer links their salary, EMIs, utility auto-debits, and mutual fund SIPs to one bank, the cost of switching — in time, effort, and risk of missed payments — is prohibitive. Banks exploit this inertia: offering lower deposit rates and inferior customer service to existing customers, knowing they will not leave. This is textbook **lock-in** — a market failure that prevents competitive markets from functioning even when regulation permits competition.

PASS: STRUCTURAL REFORM, NOT INCREMENTAL IMPROVEMENT

The **Payments Switching Service (PaSS)** proposed in Payments Vision 2028 is not a marginal improvement — it is a structural reform to Indian banking's competitive architecture.

By creating a centralised mandate registry that allows one-click migration of all standing instructions when a customer switches banks, PaSS does for banking what **Mobile Number Portability (MNP)** did for telecom in 2011. When MNP launched, critics argued it was complex and unnecessary — within three years, it had generated 350 million porting requests and fundamentally restructured the Indian telecom competitive landscape, leading to lower tariffs and improved service. Jio's disruption in 2016 was possible partly because customers could easily switch.

Banking is harder than telecom: financial mandates are more complex than phone numbers. But the principle is the same. Once switching costs are eliminated, banks must compete on deposit rates, loan rates, service quality, and digital capabilities rather than inertia.

CROSS-BORDER PAYMENTS: THE G20 LEGACY OPPORTUNITY

The Vision 2028 also advances India's G20 commitments on cross-border payments — arguably the more consequential long-term agenda.

India receives approximately **$125 billion in annual remittances** — the world's largest by value. The cost of sending remittances to India through formal channels averages 5–7%, significantly above the G20's target of 3% by 2027. For the 17 million Indians working abroad, this cost translates into billions of dollars annually lost to intermediary fees.

India has already demonstrated the cross-border payments model through UPI linkages with Singapore (PayNow), UAE, France, and pilot corridors with Bhutan, Nepal, and the UK. Payments Vision 2028 seeks to systematise these bilateral corridors into a coherent architecture aligned with G20 cross-border standards.

The strategic opportunity is larger than remittances alone. If UPI-based bilateral payment corridors become the default for India-linked corridors, India positions its Digital Public Infrastructure (DPI) — specifically its payment rails — as a global standard. This is soft power through fintech.

E-RUPEE: FROM PILOT TO PLATFORM

The CBDC (Central Bank Digital Currency) — India's e-Rupee — has been in pilot since 2022 and has achieved only modest traction. Payments Vision 2028's target of expanding e-Rupee into **offline mode** (using NFC or Bluetooth for transactions without internet connectivity) is the key step needed to make it relevant for rural

India, where UPI's penetration remains limited by mobile data connectivity.

The offline e-Rupee could also enable **programmable money** — government-to-citizen transfers (DBT — Direct Benefit Transfer) that ensure money is spent on intended purposes (food, medicine, education) without requiring card infrastructure. This is particularly relevant for the 30 crore people still receiving welfare benefits in cash.

THE UNFINISHED AGENDA

Payments Vision 2028 is bold in its ambition. But the RBI must also confront structural challenges that lie beyond payment system design:

- **Cybersecurity risk:** As payment systems deepen and interoperate internationally, attack surfaces expand. India's payment fraud losses are rising — UPI-related fraud hit Rs 1,087 crore in FY24.
- **Data governance:** PaSS will create a centralised repository of all citizen payment mandates — a surveillance risk if governance frameworks are inadequate.
- **Financial exclusion residuals:** 300 million Indians still lack bank accounts or use them dormantly. Payment system excellence means little if basic financial inclusion is incomplete.
- **Regulatory capacity:** As India's financial system becomes more complex, the RBI's supervisory bandwidth must scale proportionately.

CONCLUSION

Payments Vision 2028 is the right initiative at the right time. Bank account portability through PaSS could be the single most pro-competitive financial regulation in India in a decade. The cross-border payments agenda builds on India's G20 legacy. The e-Rupee expansion addresses financial inclusion's last mile. The test, as always, will be implementation — and whether India can move from visionary document to operational reality before the next three-year horizon arrives.

UPSC RELEVANCE

RBI Payments Vision 2028; PaSS; e-Rupee; CBDC; G20 cross-border payments target; UPI; NPCI; Payment and Settlement Systems Act 2007.

MAINS GS-3:

Digital payments architecture; banking competition; financial inclusion; India's G20 commitments; CBDCs as development tools.

📌 FACTS CORNER — KNOWLEDGEPEDIA

RBI AND PAYMENTS — CORE REFERENCE:

Payments Vision 2028: Released March 2026; flagship proposal: PaSS (bank account portability)

Payments Vision predecessor: Payments Vision 2025 (released 2022)

UPI transactions (monthly peak 2025): ~15 billion; managed by NPCI

RBI Governor (2026): Sanjay Malhotra (appointed December 2024)

G20 cross-border remittance cost target: below 3% by 2027 (currently 5–7%)

India annual remittances received: ~$125 billion (world's largest)

e-Rupee: Wholesale pilot October 2022; retail pilot December 2022

PAYMENT ACTS AND INSTITUTIONS:

Payment and Settlement Systems Act, 2007: Legal basis for RBI payment regulation

NPCI: National Payments Corporation of India — operates UPI, IMPS, NACH, RuPay, FASTag

NPCI International: Wholly-owned NPCI subsidiary managing UPI international corridors

Mobile Number Portability (MNP): Launched India 2011 — analogue for PaSS

OTHER RELEVANT FACTS:

UPI international corridors: Singapore (PayNow), UAE (IPP), France (QR code), Bhutan, Nepal, Sri Lanka

UPI fraud (FY24): Rs 1,087 crore — rising with scale

NACH (National Automated Clearing House): Manages 50+ crore standing mandates — PaSS will build on this infrastructure

Sources: RBI , The Hindu

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