

RBI weighs e-cheques to modernise payment system

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In an effort to modernise India's payment ecosystem, the Reserve Bank of India has proposed the introduction of electronic cheques (e-cheques).

This initiative aims to merge the trusted, well-established features of traditional paper cheques with the efficiency, speed and security of digital payment systems, while also catering to evolving business and consumer needs.

In its report on payment system, the central bank said a comprehensive review of the design and security features of cheques will be undertaken to enhance uniformity, strengthen fraud prevention and ensure alignment with emerging processes.

The review will identify and adopt best practices, making them applicable across all cheque instruments, the RBI said in its Payments Vision 2028 report.

An e-cheque is a digital version of a paper cheque created and sent online instead of on paper. The payer fills in the details, signs it securely using a digital method, and sends it to the payee or bank.

The bank verifies and processes it like a normal cheque, but it is faster, more secure, paperless and easy to track.

“Cheques as a payment instrument offer some unique benefits over other payment methods,” it said. Building on the existing CTS-2010 standards (which were introduced in 2010), banks have independently implemented additional security features, leading to variations across the system, the RBI's payment system report said. On cross-border payments, the RBI paper said a review of the cross-border payments framework will be conducted to enhance efficiency, and it will be complemented by publishing dedicated reports on specific aspects.

Further, for promoting ease of doing business and convenience, the regulatory process for cross-border payment authorisation under the PSS Act, 2007 and FEMA, 1999 will be streamlined along with examining the case for recognising Small Payment System Providers under a perpetual regulatory sandbox structure. Providing flexibility to customers to switch among payment service providers seamlessly through implementation of a Payments Switching Service (PaSS) will be examined, the report said.

Further, to promote systemic stability and integrity, entities deemed to be playing a critical role in facilitating digital payments shall be brought within the regulatory fold.