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Faster salary credit, SIP debit, EMI payment and more under new NACH 3.0 system by NPCI from July 2025, know more

Starting from July 2025, the NACH 3.0 system can bring faster salary credits, EMI payments, and mutual fund SIP processing. NPCI's update includes enhanced security, improved user interface, and optimized file handling. Consumers will benefit from quicker transaction times, real-time monitoring, and more secure data protection, minimizing errors and improving overall experience.

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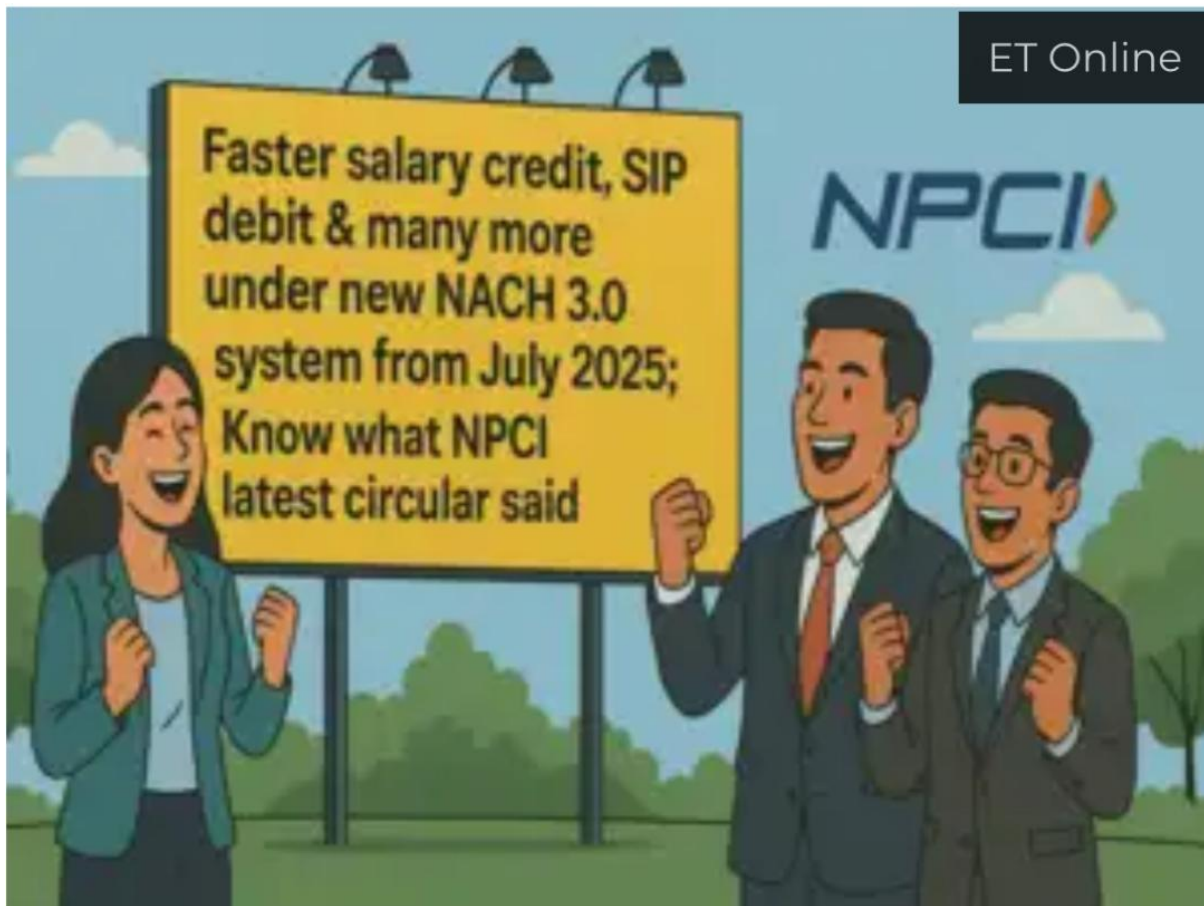
Article Content:

Starting the first week of July 2025, you can look forward to quicker salary credit in your bank accounts, faster bank transfer of funds in NACH related transactions and many more, thanks to a significant update being made to the NACH system by the National Payments Corporation of India (NPCI). NPCI has said in a circular dated June 6, 2025, that the NACH system is set to undergo a significant update and would henceforth be called NACH 3.0.

For the uninitiated, NACH (National Automated Clearing House) is the backbone of the Indian inter-bank recurring money transfer system. It is designed to offer an efficient and robust platform for both debit and credit transactions, including those for salaries, pensions, subsidies, and loan repayments.

Just to put it in context, your mutual fund SIP payments, Netflix subscriptions and other auto-payments are also routed through NACH via the e-mandate mechanism. This is how NACH is integrated into the daily lives of millions of people.
Now that you know how important NACH is in our everyday life, read on to know more about how significant this new NACH update is and how it can help consumers.

What is the significant update being made to the NACH system?
NPCI said in the circular that this new version of NACH dubbed as 3.0 incorporates a range of security and functional enhancements designed to improve user experience, strengthen data protection, and support higher transaction volumes with greater reliability.

Here are some of the updates:
- Enhanced GUI interface: The graphics user interface (GUI) is being upgraded to align with the latest security standards.
- Improved Navigation: Banks can now view all relevant details on a single screen for easier access and monitoring.
- Optimised file handling: The system can now handle a higher volume of files more efficiently.
- Advanced Dashboard: Banks will have access to an enhanced dashboard to track the status of files presented and received.
- Self-service user management: Users can create accounts and reset passwords independently.
- Escalation matrix updates: Banks can now submit or update their escalation matrix with NPCI at their convenience.

Security Enhancements made in NACH 3.0

NPCI said that under the NACH 3.0 system advanced security standards have been implemented to strengthen the overall integrity and safety of the system. Key security improvements include:

- Advanced technology used for data transmission and storage through both GUI and H2H.
- Multi-factor authentication (MFA) for user access (After go live feature will be enabled).
- Role-based access controls to ensure appropriate data visibility.
- Enhanced audit trails for better traceability and compliance.
- Real-time monitoring and alerts for transaction processing and receiving activities.
- Disabling of plain text file downloads to prevent unauthorised access to sensitive data.
- Implementation of a PGP encryption module for secure file downloads from the front end, ensuring confidentiality and data integrity.

How can consumers benefit from the big NACH 3.0 update?

Here's how the new NACH 3.0 update may help consumers, according to experts,

Faster processing time for salary, EMI, school fees, etc

Shravan Shetty, Managing Director, Primus Partners, highlights that one of the biggest beneficiaries of this new NACH update will be consumers getting salary and making EMI payments.

Shetty explains: "The optimized file handling capabilities under NACH 3.0 mean the system can now manage a larger volume of transactions with better efficiency. For banks, this will result in faster processing times, and for customers, it will ensure a smoother experience—especially during high-volume periods like salary credits or EMI collections."

Manish Kumar Goyal, chairman and managing director, Finkeda, a digital banking and payments company, says: "One of the updates in NACH 3.0 includes real-time monitoring and alerts for transaction processing and receiving, and this is a big thing. This is because most payments via NACH pertain to EMIs, salaries, and scheduled payments. Hence due to the implementation of this real-time functionality, it would expedite payments, thereby benefiting both the bank and the customer."

Goyal explains: "For such services (salaries, EMI, etc), if customers were given instant notifications whenever they send or receive money, it would enhance consumers' ability to steer their financial value. Besides, with improved technology and swift-solving ability, NACH promises to become more secure, transparent, and user-friendly—especially for common recurring payments."

Muskkan Kukreja, Assistant Director, Accounting and Finance, Dr Shantilal K Somaiya School of Commerce and Business Studies, agrees with Goyal and Shetty and adds: "The optimized file handling capabilities mean the system can now manage a larger volume of transactions with better efficiency. For banks, this will result in faster processing times, and for customers, it will ensure a smoother experience—especially during high-volume periods like salary credits or EMI collections."

NACH 3.0's updates can minimise human errors and improve customer's experience

Kukreja says that: "The NACH system (v 3.0) now offers live dashboards and alerts to track mandate rejections, transaction failures, and suspicious patterns. This means banks can now respond in real-time due to this immediate monitoring and they no longer are required to wait for end-of-day reports."

Ritesh Raj Saxena, Head of Direct Banking, IndusInd Bank says: "The upgraded interface, more streamlined navigation, and self-service tools allow for greater operational agility, while the enhanced security architecture, including encrypted downloads and access controls, ensure safe handling of sensitive data. Together, these updates will enable banks to reimagine the customer journey, playing a pivotal role in improving process oversight and minimizing risk exposure, ultimately benefitting both banks and their customers."

NACH 3.0 fixed a major security loophole

Kukreja explains that prior to this new update, some transaction or mandate data could be downloaded in plain text, which was readable and unencrypted.

Kukreja says: "This created a major risk if unauthorized personnel accessed it. NACH 3.0 has disabled this option, requiring all file access to be encrypted or done through secure dashboards. This removes the chance for manual mishandling or insider threats, where files could be accidentally shared or leaked on purpose."

NACH 3.0 incorporates PGP (Pretty Good Privacy) encryption module

Kukreja explains: "The security improvements in NACH 3.0, including the PGP encryption module, the disabling of plain text file downloads, and real-time monitoring, are important upgrades that aim to boost data protection and lower fraud risks for both banks and their customers. PGP (Pretty Good Privacy) is a common encryption method that protects sensitive data, such as mandate files or transaction details. It ensures that only authorized parties can decrypt and read the information. The NACH files sent between banks and NPCI are encrypted with PGP, securing them from start to finish. This process helps stop data breaches during file transfers by making the content unreadable to unauthorized users and ensures that the data remains intact."

Faster resolution of disputes

Whenever there are any payment related disputes or errors, consumers file a complaint with the bank which in turn files a complaint with NACH's system only during a defined time. This system is set to change with NACH 3.0 as banks can now submit or update their escalation matrix as per their convenience.

Kukreja explains: "One of the enhancements made with NACH 3.0 is that banks can now submit or update their escalation matrix. These clear escalation paths will help ensure that any technical or operational issues are handled quickly and reach the right authority. Being clear about how complaints are managed is expected to help build customer confidence in the digital systems."

Kukreja further adds: "Another enhancement in the NACH ecosystem is the ability for bank staff to navigate the NACH portal more easily on a single screen, reducing time taken for mandate management, transaction monitoring, and troubleshooting. Further, it is expected that banks will have access to an enhanced dashboard to track the status of the files that have been presented and received."

Goyal agrees with Kukreja and adds: "The introduction of the escalation matrix brings about improved timelines for complaints redressal, whereas the complaints become simpler to be resolved due to the presence of the matrix."