UPI Lite

Why in news?

The National Payment Corporation of India (NPCI) has launched UPI Lite, an on-device wallet option for UPI to enable small-value transactions in an offline mode.

What is Unified Payment Interface (UPI)?

- UPI is the indigenous digital payment system in India that was conceptualised and operated by the National Payments Corporation of India (NPCI) in 2016.
- It powers multiple bank accounts into a single mobile application merging several banking features, seamless fund routing & merchant payments into one hood.
- UPI today holds 96.5% market share in overall mobile payments and 56% (volume-wise) in person-to-merchant payments.

What is UPI Lite?

- UPI Lite will be an on-device wallet functionality that will enable offline transactions of smaller values.
- UPI Lite will work via the wallet system.
- **Transaction limit**- Funds have to be added in the UPI Lite wallet and which can be used to make small payments under Rs 200.
- **Wallet limit**- There is a Rs 2,000 limit on the amount of money you can have in this UPI Lite wallet.
- The users will not be required to enter their UPI PIN while confirming UPI Lite payments.
- **Phases-** In phase 1, UPI lite will process transactions in partially offline mode (debit offline and credit online).
- This means that if you are paying someone using a UPI Lite wallet, the money will be debited from your account without being connected to the internet, but it will get credit to the receiver's account when they are online.
- At a later point, UPI Lite will process transactions in complete offline mode i e debit and credit both offline.
- **Adding funds**- Any user of UPI app will have the option to enable UPI Lite called "On-Device wallet" on their UPI app itself.
- Once enabled, users can allocate funds from their bank account to UPI lite.
- Adding funds in UPI Lite shall only be allowed in online mode with additional factor authentication or using UPI AutoPay feature.

How is UPI Lite different from the existing features?

- **Digital wallets**- The key differentiating factor between a regular digital wallet and UPI Lite is that an existing UPI customer need not repeat the KYC process to use UPI Lite.
- **UPI 123Pay-** Unlike UPI 123Pay, UPI Lite enables QR code-based payment even offline.

UPI 123PAY is an instant payment system for feature phone users where transactions are based on calling an IVR (interactive voice response) number, app functionality in feature phones, missed call-based approach and proximity sound-based payments.

Why is the need for UPI Lite in India?

According to NPCI, 50% of the total UPI transactions are having a transaction value of up to Rs 200.

- The prominence of UPI within the traditional payments system such as IMPS (Immediate Payment Service), NEFT (National Electronic Funds Transfer) and RTGS (Real Time Gross Settlement) has grown significantly in the last three years.
- The ticket sizes in UPI are much smaller than in the other channels.
- UPI faced payment glitches, with the rate of rejection higher than usual due to the transaction load.
- By taking low-value transactions offline, UPI Lite will help declutter the payments system.
- A reduced traffic on the payments platform means an increased availability of core banking system for big-ticket payments through NEFT and RTGS.
- Therefore, UPI Lite would help banks process payments more cost-effectively.

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