UPI: Transforming India's Payment Landscape

Mains: *GS III – Economy*

Why in News?

Recently, UPI is accepted in 11 countries, with Greece and the Maldives being the latest to adopt India's real-time payment platform.

What is Unified Payments Interface (UPI)?

- **UPI –** It is an instant payment system developed by the **National Payments Corporation of India (NPCI)**, an RBI regulated entity.
- It is built over the IMPS infrastructure and allows you to instantly transfer money between any two parties bank accounts.
- **Aim –** To promote caseless economy and encourage digital payments by ensuring they are easy to use, affordable, and widely accepted for daily transactions.
- **Key Features**
- Real-time payment system that powers multiple bank accounts through a single mobile application of any participating bank or payment service provider.
- Integrates multiple banking services, fund transfers and merchant payments on a single platform.
- Enables round-the-clock digital payments.
- Uses two-factor authentication and end-to-end encryption to enhance transaction security.

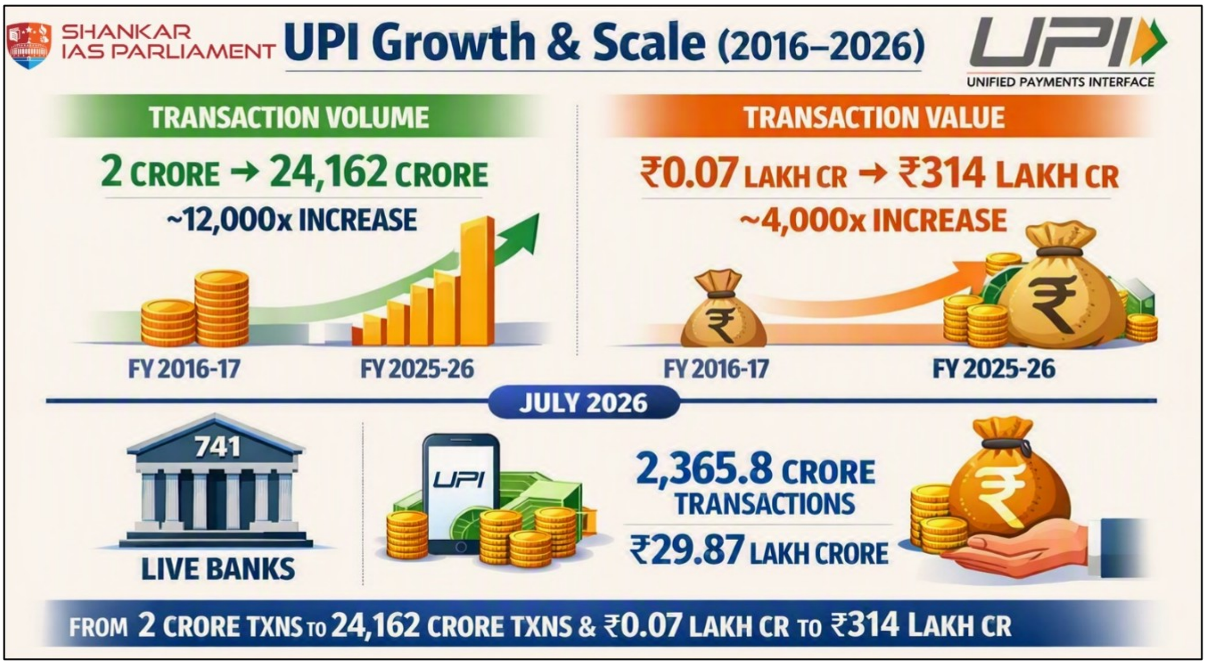
Immediate Payment Service (IMPS)

• It is an instant electronic fund transfer system in India managed by the National Payments Corporation of India (NPCI). • **Key Features** • **Real-Time Transfers –** Funds are transferred between bank accounts within seconds. • **24/7 Availability –** The service operates continuously, including weekends, nights, and public holidays. • **Multiple Channels –** IMPS is accessible through mobile banking applications, internet banking, ATMs, SMS, and bank branches. • **Transfer Methods –** Funds may be transferred using the recipient's mobile number and Mobile Money Identifier (MMID), or their account number and Indian Financial System Code (IFSC). • **Transaction Limit –** The standard per-transaction limit is up to Rs.5 lakh, subject to the specific channel and individual bank policies.

How UPI evolved over the time?

Evolution of UPI	
2016	• **Pilot & Rollout –** Launched in **April 2016** with 21 banks; public rollout in **August 2016** via UPI-enabled apps on Play Store. • **BHIM App –** Introduced in **December 2016**, enabling **direct bank-to-bank mobile transactions** and driving mass adoption.
2017	• **Dynamic QR Launch –** Enabled merchant payments with auto-filled transaction details (payee info, exact amount), eliminating manual entry and simplifying UPI transactions.
2018	• **Enhanced Features –** Introduced **simpler, secure, seamless payments** with tools like **Invoice in Inbox, Signed Intent & QR, Mandates**. • **Expanded Access –** Enabled **recurring payments** via mandates and **overdraft account linking**, strengthening UPI’s utility and adoption.
2019	• **IPO Integration –** SEBI permitted use of UPI for retail investors in IPO applications. • **Adoption Surge –** UPI crossed **1 billion monthly transactions (Oct 2019)**, marking rapid nationwide acceptance.

2020-2022	• **Recurring Payments –** Launch of **UPI AutoPay** for e-mandates (subscriptions, bills, SIPs, EMIs). • **Financial Inclusion – UPI 123PAY** brought feature phone users into digital payments (IVR, missed calls, proximity sound). • **Simplified Transactions – UPI Lite** enabled fast, PIN-less low-value payments; **credit card integration** expanded options. • **Scale & Global Reach –** Processed **US$1 trillion+ in FY 2021-22**, crossed **5B monthly transactions (Mar 2022)**, and launched **cross-border in Bhutan**.
2023	• **Credit Line –** Introduced linking of **pre-sanctioned bank credit lines** as funding accounts. • **Market Share –** UPI handled **~70% of India's digital payment transactions (FY 2023–24)**.
2024	• **UPI Circle –** Allowed **primary users to authorise secondary users** with predefined transaction limits. • **Higher Limits –** RBI raised **tax payment limit to Rs.5 lakh**, extended to IPOs, capital markets, loans, insurance, healthcare, education. • **UPI 123PAY –** Per-transaction limit increased to Rs.**10,000**, expanding feature-phone use cases. • **UPI Lite:** Wallet limit raised to **Rs.5,000** with **Rs.1,000 per transaction**, boosting small-value digital payments.
2025	• **On-Device Authentication –** Enabled payments via **smartphone fingerprint/face unlock**. • **Aadhaar Face Authentication –** Simplified **PIN onboarding** for first-time users, senior citizens, and those without card access.
Now	• UPI has witnessed unprecedented growth in both transaction volume and value, reflecting its widespread adoption by individuals, businesses and financial institutions.



What is UPI's global footprint?

- **Global Leadership –** UPI ranks among the **world's top real-time payment systems**.
- **Global Share –** Accounted for **~49% of global real-time transactions (2024)**.
- **IMF Recognition –** Featured in **IMF's June 2025 report** on interoperable digital payments.
- **International Reach –** Live in **Bhutan, Nepal, Singapore, UAE, France, Sri Lanka, Mauritius, Qatar**.
- **2026 Milestones**
  - **Cambodia –** UPI acceptance via **ACLEDA Bank**.
  - **Greece –** Cross-border remittances through **Eurobank**.
  - **Maldives –** Integration with **Favara system** for instant transfers.
- **Current Status –** Operational in **11 countries**, showcasing India's expanding **global fintech footprint**.

What are the key benefits of UPI's global expansion?

- **Cheaper and Faster Remittances –** Remittances refer to funds transferred by migrant workers to their home countries.
- UPI significantly reduces the high fees and lengthy processing times associated with traditional banking systems such as SWIFT.
- **Convenience for Travelers –** Indian travellers are able to utilize familiar applications such as PhonePe or Google Pay to scan QR codes.
- **Boost to Cross-Border Trade –** Both small enterprises and large merchants can send and receive payments rapidly across international borders.
- This streamlines international trade and reduces associated costs.
- **Global Financial Leadership –** The international adoption of India's digital payment technology demonstrates the nation's capacity for technological innovation.
- This fosters robust economic relationships and enhances India's global influence.
- **A Model for Other Nations –** Other countries are examining India's success as a framework for developing their own secure, efficient, and accessible public digital payment systems.

What lies ahead?

- UPI has transformed the way India transacts by making digital payments simple, secure and interoperable.
- Its rapid adoption, continuous innovation and expanding global presence have made **UPI a key component of India's Digital Public Infrastructure**.

Reference

[PIB | Unified Payments Interface (UPI)]