Vouching for a less cash India e- RUPI

Why in news?

Recently RBI has relaxed some constraints with respect to e-RUPI.

How successful are innovations made in case of digital payments?

- The National Payments Corporation of India (NPCI) has systematically established a highly capable multi-modal electronic payment infrastructure for India.
- It includes
    - ATM interchange (NFS)
    - Domestic card scheme (RuPay)
    - Direct debit system (NACH)
    - Real-time interbank payments (IMPS)
    - National ID-based payments (AEPS and APBS)
    - Bill payments (BBPS)
    - Toll collections (NETC FASTag)
    - Mobile payments (UPI).
- Especially the scale and pace of adoption of UPI stunned many observers across the world.
- These innovations have been recognised globally and are being emulated by other countries.
- The arena of real-time payments continues to see tremendous activity even in those countries that have been showing slow progress.
- Introduction of the electronic voucher-based payments (e-RUPI) last year was another move that reinforced this leadership.

What is e- RUPI?

- e-RUPI is a one time pre-paid digital voucher which a beneficiary gets on his phone in the form of an SMS or QR code.
- These electronic vouchers will have an associated value and an associated purpose.
- It cannot be encashed in any other way.
- The beneficiary can go and redeem it at any centre that accepts its.
- It helps users without a bank account, debit /credit card, digital payments app, smart phone or internet banking access.
- The vouchers can be issued electronically as messages to feature phones.

How it improves the targeted delivery of benefits?

- The e-RUPI launch was directed at the neediest sections of the society, whose access to technology was still limited.
- It makes digital payment more inclusive.
- The backdrop against the launch of the e-RUPI (initially called the UPI Prepaid Voucher) was

during the time of pandemic.
- A leakage-proof mechanism to deliver targeted benefits in real time was felt necessary.
- e-RUPI's was used for targeted delivery of Covid-19 relief measures.
- The most obvious application of this was distribution of medical aid
- A large base of hospitals was enabled to accept these vouchers—be it for vaccinations or treatment for medical conditions.

How can we enhance its usage?

- This can be extended to other benefits as well like the PDS or other nongovernmental channels.
- The end-uses of this capability for administration are numerous.
- It can be used to cover food subsidies, agricultural subsidies and various sector-specific benefits.
- Using this to deliver benefits for MSMEs and individual businesses greatly improves them.
- While the initial focus was for government measures, there was also a facility for the corporates to use this facility to distribute benefits to their employees, contractors and partners.
- Authorised issuers of these vouchers continue to be banks
- Banks need to use this opportunity by making it easier for corporates to access issuance capabilities via digital channels.
- Also allowing sophisticated usage monitoring and reporting would make it a very attractive proposition for the corporates.

What were the issues faced while using e-RUPI?

- 2 major constraints were imposed at launch
    - Maximum value of a single voucher could be Rs 10,000.
    - They are single use vouchers. Even if partially availed would lapse on first-use.
- While it is good to have these restrictions during launch to allow the system to stabilise, overtime the restrictions limits its adoption.
- Multiple vouchers have to be issued for larger amounts even though the recipient was an individual.

What are the recent reforms?

- The RBI as part of the 2022 Monetary Policy update relaxed these restrictions
    - The value-limit for vouchers has been increased to Rs 1 lakh.
    - e-RUPI now becomes a multi-use voucher that can be used till the value is reduced to zero.
- Now e-RUPI gets closer to being a non-reloadable prepaid instrument with its use restricted to specific purposes or at specific merchant categories.
- No significant cost associated with issuance and thus can be an economical alternative to prepaid cards like gift vouchers, food and meal vouchers.

Reference

1. https://www.financialexpress.com/opinion/vouching-for-a-less-cash-india/2440695/



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