



## UPI Transactions

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### Why in News

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According to the data released by the **National Payments Corporation of India (NPCI)**, the total number of transactions conducted on the **Bharat Interface for Money-Unified Payments Interface (BHIM-UPI)**, known more simply as the UPI, crossed the 2 billion transactions count in a month in October 2020.

### Key Points

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- UPI is currently the **biggest among the NPCI operated systems** including **National Automated Clearing House (NACH), Immediate Payment Service (IMPS), Aadhaar enabled Payment System (AePS), Bharat Bill Payment System (BBPS), RuPay** etc.
- **Digital transactions** were already on the rise but the **lockdown imposed during the pandemic provided a thrust** and the value of UPI transactions crossed the 200 crore-mark.
- The **Reserve Bank of India (RBI)** had advised to **resort to digital payment** due to the threat of coronavirus spreading through physical exchange of currency. This resulted in businesses accepting mostly prepaid orders and in turn rise in digital transactions.
- Further, after being able to conveniently pay utility bills and even receive cashback at times, people might now be preferring to transact digitally. So, **their habit** may have played an important role in this thrust.
- India's digital payments industry is **likely to grow** from Rs. 2,153 trillion at 27% Compounded Annual Growth Rate (CAGR) to Rs. 7,092 trillion by 2025.
- The **growth is likely to come on the back** of strong use cases of **merchant payments**, government policies including **Jan Dhan Yojana, personal data protection bill** along with the **growth of MSMEs**, growth of millennials and high **smartphone penetration**.

- **Challenges:**

- The **threat of cybercrime** on the global banking and financial services industry has increased amid the coronavirus pandemic.
  - E.g.** Malicious Software **Cerberus**
- Fraudulent claims, chargebacks, fake buyer accounts, promotion/coupon abuse, account takeover, identity theft, card detail theft and triangulation frauds are emerging as challenges.

## **National Payments Corporation of India**

- National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of **Reserve Bank of India (RBI) and Indian Banks' Association (IBA)** under the provisions of the **Payment and Settlement Systems Act, 2007**.
- It is a “**Not for Profit**” Company under the provisions of **Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013)**, with an intention to provide infrastructure to the entire Banking system in India for **physical** as well as **electronic** payment and settlement systems.

## **Various NPCI Operated Systems**

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- **Bharat Interface for Money-Unified Payments Interface (BHIM-UPI):**
  - It is an initiative to enable fast, secure, reliable cashless payments through the mobile phone. BHIM is based on **Unified Payment Interface (UPI)** to facilitate e-payments directly through banks. It is an **app**.
  - **UPI** is an **advanced version of Immediate Payment Service (IMPS)** - round-the-clock funds transfer service to make cashless payments **faster, easier and smoother**.
    - This is a system that **powers multiple bank accounts into a single mobile application** (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
    - It also **caters to the “Peer to Peer” collect request** which can be scheduled and paid as per requirement and convenience.
- **Aadhaar enabled Payment System (AePS):**
  - AePS allows people to carry out financial transactions on a Micro-ATM by furnishing just their Aadhaar number and verifying it with the help of their fingerprint/iris scan.
  - This system adds another layer of security to financial transactions as **bank details would no longer be required** to be furnished while carrying out these transactions.

- **National Electronic Toll Collection (NETC):**
  - It helps in electronic toll collection at toll plazas using FASTag.
  - **FASTag** is a device that employs **Radio Frequency Identification (RFID)** technology for making toll payments directly while the vehicle is in motion.
  - FASTag (RFID Tag) is affixed on the windscreen of the vehicle and enables a customer to make the toll payments directly from the account which is linked to FASTag.
  - RFID tagging is a system that uses **small radio frequency detection devices** for identification and tracking purposes.
- **National Automated Clearing House (NACH):**

It is a service offered by NPCI to banks which aims at facilitating interbank high volume, low value debit/credit transactions, which are repetitive and electronic in nature.
- **Immediate Payment Service (IMPS):**
  - It offers **an instant 24X7 interbank electronic fund transfer service** through mobile phones.
  - IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet and ATM.
- **Bharat Bill Payment System (BBPS):**
  - Bharat Bill Payment System is a tiered structure for operating a unified bill payment system.
  - **NPCI** functions as the authorised **Bharat Bill Payment Central Unit (BBPCU)**, which is responsible for setting business standards, rules and procedures for technical and business requirements for all the participants.
  - Under BBPS, the **Bharat Bill Payment Operating Units (BBPOUs)** function as entities facilitating collection of repetitive payments for **everyday utility services**, such as, electricity, water, gas, telephone and Direct-to-Home (DTH).
- **RuPay:**
  - RuPay is the **first-of-its-kind domestic card payment network of India**, with wide acceptance at ATMs, POS devices and e-commerce websites across India. It is a highly secure network that **protects against anti-phishing**.
  - The name, derived from the words 'Rupee and 'Payment', emphasizes that it is India's very own initiative for Card payments.

## Way Forward

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- To further penetrate digital transactions, the government's constant push to digitisation through necessary education, digital rewards and incentives along with intelligent innovations in financial transactions focussed on improving customer experience is necessary.

- Further, there is a need for the convergence of anti-money laundering, fraud and cybersecurity processes in Financial Institutions (FIs). This includes more information sharing, tightening due diligence requirements and investing in maintaining systems to strengthen their defences.

**Source: IE**