



Unified Payments Interface (UPI)

Why in News

The **Unified Payments Interface (UPI)** payments system has **cut across the Indian socio-economic digital divide amazingly fast.**

- Even though UPI is indeed a groundbreaking innovation in the digital payments landscape, **reliability and security are still considered to be at stake**, keeping many individuals and businesses apprehensive about the payment system.

Key Points

▪ Unified Payments Interface (UPI):

- It is **an advanced version of Immediate Payment Service (IMPS)**- round-the-clock funds transfer service to make cashless payments faster, easier and smoother.
- UPI 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.
- UPI is **currently the biggest among the [National Payments Corporation of India \(NPCI\) operated systems](#)** including National Automated Clearing House (NACH), Immediate Payment Service (IMPS), Aadhaar enabled Payment System (AePS), Bharat Bill Payment System (BBPS), RuPay etc.
- The **top UPI apps** today include PhonePe, Paytm, Google Pay, Amazon Pay and **BHIM**, the latter being the Government offering.
- As part of an agreement, **India's UPI will be linked to Singapore's PayNow.**
- **NPCI launched UPI** with 21 member banks in 2016.

▪ Achievements:

- Digital transactions through UPI **recorded phenomenal growth during the pandemic year 2020-21** and **several countries have evinced interest** to learn from Indian experience so that they could replicate the model.
- The value of transactions made using the UPI **crossed USD100 billion in a month for the first time in October, 2021** according to data from the NPCI, further cementing its position as India's most popular digital payments system.

- **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** in 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

- 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.

Way Forward

- A properly designed **Public-Private Partnership (PPP) policy** may provide a 21st century engine to harness the power of market players for greater digital infrastructure, access, and literacy for the Indian population.
- In a vibrant Indian democracy, a **public policy-driven digital empowerment** of the **Indian electorate can help ensure responsible digital conduct** in the interest of consumers and the larger public interest.

[Source: TH](#)

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