



# e-RUPI: Voucher Based Digital Payment System

## Why in News

The Indian government is going to launch an electronic voucher based digital payment system **e-RUPI**.

- There are already many **countries using the voucher system** for example the **US, Colombia, Chile, Sweden, Hong Kong**, etc.

### e-RUPI

- e-RUPI is a **cashless and contactless** instrument for **digital payment** developed by **National Payments Corporation of India**
- Connects sponsors of the services with beneficiaries & service providers in a **digital manner without any physical interface**
- Assures timely payment **without involvement of any intermediary**.
- It can also be used for **delivering services** meant for **providing drugs & nutritional support under Mother & Child welfare schemes, TB eradication programmes, etc**

## Key Points

- **e-RUPI:**
  - It is a **cashless and contactless method for digital payment**. It is a **Quick Response (QR) code** or SMS string-based e-voucher, which is delivered to the mobile of the users.
  - The users will be able to **redeem the voucher without needing a card, digital payments app, or internet banking access**, at the service provider.
  - It connects the sponsors of the services with the beneficiaries and service providers in a digital mode **without any physical interface**.
  - The mechanism also **ensures that the payment to the service provider is made only after the transaction is completed**.
  - The system is **pre-paid** in nature and hence, **assures timely payment to the service provider** without the involvement of any intermediary.
- **Different from Virtual Currency:**
  - In effect, **e-RUPI is still backed by the existing Indian rupee** as the underlying asset and specificity of its purpose makes it different to a **virtual currency** and puts it closer to a **voucher-based payment system**.

## ▪ Issuing Entities & Beneficiary Identification:

- The one-time payment mechanism has been developed by the [National Payments Corporation of India](#) on its [Unified Payments Interface \(UPI\)](#) platform, in collaboration with the Department of Financial Services, Ministry of Health & Family Welfare, and National Health Authority.
- It has boarded **banks that will be the issuing entities**. Any corporate or government agency will have to approach the partner banks, which are both private and public-sector lenders, with the details of specific persons and the purpose for which payments have to be made.
- The **beneficiaries will be identified using their mobile number and a voucher allocated by a bank** to the service provider in the name of a given person would only be delivered to that person.

## ▪ Uses:

### ◦ Government Sector:

- It is expected to **ensure a leak-proof delivery of welfare services** and can also be **used for delivering services under schemes** meant for providing drugs and nutritional support under Mother and Child welfare schemes, drugs & diagnostics under schemes like [Ayushman Bharat Pradhan Mantri Jan Arogya Yojana](#), fertiliser subsidies etc.

### ◦ Private Sector:

- Even the private sector can leverage these digital vouchers as part of their employee welfare and [Corporate Social Responsibility \(CSR\)](#) programmes.

## ▪ Significance:

- The government is already working on developing a [Central Bank Digital Currency](#) and the launch of e-RUPI could **potentially highlight the gaps in digital payments infrastructure** that will be necessary for the success of the future digital currency.

## ▪ Future of Digital Currency in India: According to the [Reserve Bank of India \(RBI\)](#), there are at least **four reasons why digital currencies are expected to do well in India:**

- **Increasing Penetration:** There is **increasing penetration of digital payments** in the country that exists alongside sustained interest in cash usage, especially for small value transactions.
- **High Currency to GDP Ratio:** India's high currency to [Gross Domestic Product \(GDP\)](#) ratio holds out another benefit of CBDCs.
  - **Cash-to-GDP Ratio** or Currency in Circulation (CIC) to GDP Ratio or simply currency-to-GDP ratio shows the value of cash in circulation as a ratio of GDP.
- **Spread of Virtual Currencies:** The spread of private virtual currencies such as Bitcoin and Ethereum may be yet another reason why CBDCs become important from the point of view of the central bank.
- **Will Act as a Cushion:** Central bank digital currencies might also **cushion the general public in an environment of volatile private virtual currencies**.

[Source: IE](#)