

STUDENTS' ECONOMIC FORUM

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To kindle interest in economic affairs...
To empower the student community...

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Student's Corner

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UNIFIED PAYMENTS INTERFACE (UPI) AND ITS SUCCESS

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31st Year of Publication



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Unified Payments Interface(UPI) and its success

April 2022 | Theme 364

*“Any sufficiently advanced
technology is equivalent to magic”*

Arthur C Clarke

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is **“Unified Payments Interface (UPI) and its success”**.

The Unified Payments Interface has registered a record success of \$ 1 trillion mark for the financial year 2021-22 with more than 300 participant banks. Today, UPI has become a medium of transaction for every common man and is standing in the forefront of the Digital India Initiative introduced by the Government of India

Among the many initiatives launched by National Payments Corporation of India, UPI is seen to be the most successful one considering the fact that the proportion of UPI transactions in total volume of digital transactions grew from 23% in 2018-19 to 55% in 2020-21 with an average value of ₹1,849 per transaction.

What is UPI?

Unified Payments Interface (UPI) is an instant real-time payment system facilitating inter-bank peer-to-peer (P2P) and person-to-merchant (P2M) transactions. It is a part of the Green Initiative proposed by the RBI and also to support the vision to achieve safe, efficient, accessible, inclusive, interoperable and authorized payment and settlement system in India. Some of the benefits of using UPI include immediate money transfer round the clock 24*7 and 365 days, convenience for cash on delivery transactions, raising transaction disputes and many more.

Working of UPI

UPI uses existing systems, such as Immediate Payment Service (IMPS) and Aadhaar Enabled Payment System (AEPS), to ensure seamless settlement across accounts. It facilitates push (pay) and pull (receive) transactions and even works for over-the-counter or barcode payments, as well as for multiple recurring payments such as utility bills, school fees, and other subscriptions. Once a single identifier is established, the system allows mobile payments to be delivered without the use of credit or debit cards, net banking, or any need to enter account details. This would not just ensure greater safety of sensitive information, but connect people who have bank accounts via smartphones to carry out hassle-free transactions.

Advantages of using UPI

- Safety since various checks and authentications are required to enable a transaction.
- Cash less transaction leading to lesser cash handling complexities and better data storage.
- Fast and convenient
- Simple and need consumers need not carry around IFSC code, Account number or other such details
- Unification of bank accounts, wallets and cards is now made possible which further simplifies payments process

- Scalability and record keeping of transactions
- Suitable support solution for Cash on Delivery mode of purchase instead of running in search of an ATM.
- Transaction related disputes/complaints can be easily registered

Participants in UPI

| | |
|--------------------------------|--------------------------------|
| Payer Payment Service Provider | Payee Payment Service Provider |
| Remitter Bank | Beneficiary Bank |
| Merchants | Bank Account holders |
| NPCI | |

Growth of UPI over the years

Cash based transactions has been prominent in India for many decades. The government and the RBI has been consistently trying to reduce the flow of black money and corruption and in their efforts to do so, the concept of UPI was introduced. As of now, a huge percentage of the payment transactions happen in cash. However, this number is expected to be reduced over the years with digital penetration. Moreover, cheaper and affordable internet and smartphones backed by ease to use this technology has helped it become popular among the public in a short span of time.

| Month | No. of Banks live on UPI | Volume (in Mn) | Value (in Cr.) |
|--------|--------------------------|----------------|----------------|
| Mar-22 | 314 | 5,405.65 | 9,60,581.66 |
| Apr-20 | 153 | 999.57 | 151,140.66 |
| Apr-18 | 97 | 190.08 | 27,021.85 |
| Apr-16 | 21 | 0.00 | 0.00 |

Today UPI continues to be a strong competitor for cards payments. While MDR is charged on the merchants, UPI users are presently not charged any fee. What initially used to be a technology for fund transfers, is today one of the most favourite option for payment solutions especially among small scale merchants.

Access to UPI

Unified Payments Interface is a real-time payment system that allows sending or requesting money from one bank account to another. Any UPI client app may be used and multiple bank accounts may be linked to a single app. Money can be sent or requested by using a user-created Virtual Payment Address (VPA) or UPI ID that helps in sending or requesting money from a bank account using the know your customer (KYC) linked mobile number. UPI also generates a specific QR code for each user account for the purpose of contact-less payment.

- Mobile Apps – Banks who have registered themselves with NPCI provide UPI services through their in house apps (Example – SIB Mirror+). Moreover, third party apps are also available for those wish to do so (Example – Google Pay, PhonePe, PayTm).
- On device Wallet – UPI mobile apps have now developed mobile wallets which helps to increase the success rate of the UPI transactions. This is also done to reduce the electricity consumption and computing power of banks.
- e-Rupi – Inshort for Electronic Rupee and UPI, is basically e-voucher based on QR code or SMS string that can be delivered through mobile phone. It is developed to ensure leak proof delivery of welfare services and bypassing middle man to decrease corruption. Private sector can use the service for their own corporate social responsibility initiative (CSR).

Going International

It is expected that the QR based payment platform to be implemented in Singapore, Malaysia, Thailand, Philippines, Vietnam, Cambodia, Hong Kong, Taiwan, South Korea and Japan from 2022 based on MOU signed with NIPL (NPCI International Payments Ltd) in September 2021. Bhutan is the first country to accept UPI transactions through BHIM app. Cross border remittances are worked upon through UPI for countries like United Arab Emirates, Nepal and Malaysia. The scope of UPI was discussed with countries like Australia and Russia.

Awareness about UPI scams

The old saying ‘Prevention is better than cure’ is the best and most suited dialogue in this scenario. Fraudsters are present everywhere and one cannot fully eliminate them but surely one can keep them away. As more and more users of various age groups, keep getting added into the UPI ecosystem, it is vital to be aware about the various scams introduced by fraudsters in today’s world.

- Misleading UPI links – Fraudsters create misleading links which includes names like BHIM, NPCI, UPI etc to make individuals reveal their personal details which thereby leads to data and monetary theft. The solution to this problem is to simply avoid or ignore mails/messages from unknown senders and not to click on any links which seems to be from unknown or unverified source.
- Remote screen monitoring apps – Many unknown and unsafe apps being downloaded into our smartphones can lead to frauds. The fraudsters simply monitor our login activities (sitting in a remote location) and extract all details that we enter into our phone. The solution to this issue is to simply check the credentials and also the reviews before downloading any application into our smartphone.
- Fake apps – Fraudsters try to take maximum advantage by making fake apps which looks very much similar to the real ones. These apps are easily available for download and is designed intentionally to steal your personal data. The solution is to check the source

Of the app from where it is being downloaded. Try to download the apps from the site of developer or the service provider wherever it is possible.

- Avoid interaction or conversation with persons of suspicious nature – Always keep away from persons who seem to be suspicious in nature. There is no need to reveal any personal information over a call or a message. Try best not to reveal the same for any freebies. As precaution, always cross check the identity of the person.

Going Forward

As more and more users get added into the smartphone drive, the penetration of UPI into the payments ecosystem will go much deeper. Technology has been in the forefront of change in the 21st century and currently UPI is in the forefront of the payments drive. Convenience and safety has been lauded as some of the best features of UPI and with growing popularity, we will be able to see more developments and applications of UPI in our daily life.

Sources

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