

# Digital Payments and e-RUPI for the New Age India: An Overview

Kaushal Kumar Jha<sup>1</sup>

## Abstract

This paper presents an overview of Digital Payment in India which refers to the electronic transactions conducted between individuals, businesses, and government entities using digital channels. It involves the transfer of money or payments through online platforms, mobile devices, or other digital means, eliminating the need for physical cash or checks. India has witnessed significant growth in digital payment systems in recent years, driven by various initiatives and advancements in technology.

In a country that has historically relied heavily on cash transactions, the advent of digital payment systems has ushered in a new era of convenience, efficiency, and financial inclusion. Digital payment in India has transformed the way financial transactions are conducted, moving the country towards a more inclusive, transparent, and efficient economy. The advent of UPI, mobile wallets, Aadhaar-enabled payments, and other digital payment systems has empowered individuals, facilitated business transactions, and enabled the government to deliver benefits and subsidies directly to beneficiaries. As India continues to embrace the digital revolution, the landscape of digital payment systems is expected to evolve further, driving economic growth and financial empowerment for all.

Along with that, e-RUPI is a digital payment solution introduced in India to facilitate contactless and voucher-based transactions. Launched by the National Payments Corporation of India (NPCI) in collaboration with the Department of Financial Services, Ministry of Health and Family Welfare, and various other stakeholders, e-RUPI aims to enhance the efficiency and transparency of government welfare schemes and targeted subsidies.

Keywords: Digital Payment, E-Rupee, UPI, Cash Transactions, NPCI, Mobile wallet.

## 1. Introduction

Digital payment in New India has emerged as a catalyst for economic growth and financial inclusion, transforming the way individuals, businesses, and the government conduct transactions. With a strong focus on digitization and financial technology, the country has witnessed a rapid transition from cash-based transactions to digital payments, leading to a more transparent, efficient, and inclusive financial ecosystem.

The government's visionary initiatives, such as the Digital India campaign and demonetization, have played a pivotal role in shaping the landscape of digital payments in New India. These measures aimed to reduce the circulation of black money, promote financial transparency, and encourage the adoption of digital payment systems. As a result, the country has witnessed a significant surge in the usage of digital payment platforms across various sectors.

One of the key drivers of digital payment adoption in New India is the Unified Payments Interface (UPI). Developed by the National Payments Corporation of India (NPCI), UPI has revolutionized the way individuals and businesses transfer funds. It allows users to link their bank accounts to a single mobile application, enabling instant and seamless peer-to-peer transactions. The UPI ecosystem has witnessed tremendous growth, with numerous third-party applications offering UPI-based payment services.

Mobile wallets have also gained significant popularity in New India. Platforms such as Paytm, PhonePe, Google Pay, and others have revolutionized the way people make payments. Mobile wallets provide a convenient and secure way to store digital currency and make payments for a wide range of goods and services. They offer features such as cashback rewards, discounts, and easy integration with merchants, making them attractive to users across various demographics.

New India has also embraced Aadhaar-enabled payment systems, leveraging the country's unique biometric identification system. Aadhaar-enabled payment systems allow individuals to make transactions and access banking

services using their biometric information, such as fingerprints or iris scans. This inclusive approach has empowered individuals, especially those in rural areas, to participate in the digital economy and access financial services conveniently.

To facilitate bill payments and improve financial management, the Bharat Bill Payment System (BBPS) has been introduced. BBPS provides a unified platform for individuals to pay various utility bills, including electricity, water, gas, and phone bills. The system offers a streamlined and secure mechanism for bill payment, ensuring timely transactions and reducing the complexities associated with multiple bill payment channels.

Furthermore, the introduction of RuPay cards, a domestic payment card network, has bolstered digital payment adoption in New India. RuPay cards offer an alternative to international payment networks such as Visa and Mastercard. They provide individuals with debit, credit, and prepaid cards that can be used for online and offline transactions. This domestic payment network fosters innovation, reduces reliance on foreign payment systems, and promotes financial inclusion.

QR code-based payments have become increasingly prevalent in New India. Quick Response (QR) codes enable users to make payments by scanning a code displayed by the merchant or service provider. QR codes have gained widespread acceptance, from small businesses to large retailers, making digital payments accessible to a broad spectrum of users.

The shift towards digital payments in New India has had a profound impact on the economy. It has significantly reduced the reliance on cash transactions, leading to a formalized financial system and increased tax compliance. Digital payments provide a transparent trail of transactions, enabling better monitoring and regulation of financial activities. Additionally, the digitization of payments has opened avenues for innovation, entrepreneurship, and financial services, driving economic growth and job creation.

E-RUPI, an acronym for Electronic-Rupay, represents a pioneering and revolutionary digital payment system in India. Launched with the aim of transforming the way welfare benefits are distributed to beneficiaries, E-RUPI has rapidly gained traction as a unique and efficient solution in the nation's pursuit of inclusive and

transparent governance. With its innovative approach and seamless integration into the existing financial infrastructure, E-RUPI stands as a testament to India's commitment to leveraging technology for the greater welfare of its citizens.

At its core, E-RUPI functions as a digital voucher-based payment mechanism that operates on the Unified Payments Interface (UPI) platform. Unlike conventional payment methods, E-RUPI does not require the beneficiary to possess a bank account or even a smartphone. Instead, it operates as a one-time payment code, generated for a specific purpose and beneficiary, ensuring targeted delivery of welfare benefits. This unique attribute not only eliminates intermediaries but also enhances the directness and effectiveness of funds disbursement, significantly reducing the chances of misuse or leakage of funds.

The genesis of E-RUPI can be traced back to the Indian government's ardent desire to revolutionize the welfare distribution system. Traditional cash-based transfer systems had long been plagued by challenges such as corruption, diversion of funds, and a lack of traceability. In response to these issues, E-RUPI was conceptualized as an innovative solution that leverages the power of digital technology and financial inclusion to promote transparency, accountability, and inclusivity.

The working mechanism of E-RUPI is simple yet robust. The process commences with the government issuing E-RUPI vouchers to beneficiaries under various welfare schemes. These vouchers can take the form of QR codes, SMS, or e-codes and carry crucial information about the purpose, validity, and value of the payment. When the beneficiary presents the E-RUPI voucher to a service provider, such as a hospital, school, or vendor, the voucher is validated to ensure that it aligns with the criteria set for the welfare program. Once verified, the payment is processed instantly, allowing the beneficiary to receive the intended goods or services seamlessly.

E-RUPI's advantages are manifold, bringing forth benefits for both the beneficiaries and the government. By linking payments directly to the service provider, the system significantly reduces the potential for leakages and mismanagement of funds, bolstering the overall efficiency of the welfare distribution process. Additionally, E-RUPI fosters financial inclusion, empowering even those without a bank account or smartphone to access essential services and improve their socio-economic standing.

Moreover, E-RUPI stands as a testament to the government's commitment to enhancing transparency and accountability in governance. Each transaction is tracked and documented, ensuring that funds are utilized for their intended purpose, thereby instilling trust and confidence among beneficiaries and taxpayers alike.

While the adoption of E-RUPI holds immense promise, it also presents certain challenges that need to be overcome. Building awareness among beneficiaries about the functionality and benefits of E-RUPI remains crucial to encourage its widespread adoption. Additionally, seamless integration with existing welfare schemes and the establishment of a robust IT infrastructure to handle increased transaction loads are critical aspects that demand attention.

As India's journey with E-RUPI unfolds, its potential impact extends beyond welfare distribution. The system's versatility paves the way for its application in various other sectors such as healthcare, education, and disaster relief, thereby further enhancing the efficacy of public service delivery in the country.

## 2. Digital Payments Growth Factor:

The growth of digital payments in India has been nothing short of remarkable over the past few years. Several key factors have contributed to this rapid transformation, making India one of the world's leading markets for digital payments. These factors range from government initiatives and technological advancements to changing consumer behaviour and increased digital infrastructure. Let's delve into some of the prominent growth factors that have driven the surge of digital payments in India.

1. **Government Initiatives:** The Indian government has been at the forefront of promoting digital payments through various initiatives. The demonetization moves in 2016 played a pivotal role in encouraging people to adopt digital payment methods as cash became scarce temporarily. Additionally, the government's push towards financial inclusion through schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) led to a surge in the number of bank accounts, laying the foundation for digital transactions.

2. **Digital India Campaign:** The Digital India campaign launched by the government aimed to transform India into a digitally empowered society and knowledge economy. This initiative emphasized the importance of digital infrastructure and services, encouraging the development of digital payment platforms and increasing internet penetration across the country.

3. **Unified Payments Interface (UPI):** The introduction of UPI in 2016 revolutionized the digital payments landscape in India. UPI offered a seamless, real-time, and interoperable platform that allowed users to make instant money transfers and payments directly from their bank accounts. The convenience and user-friendly nature of UPI led to its widespread adoption, including among non-tech-savvy users.

4. **Mobile Wallets:** The rise of mobile wallets provided a convenient and secure alternative to traditional payment methods. Digital wallets like Paytm, PhonePe, Google Pay, and others became popular due to their ease of use and cashback offers, attracting more users to embrace digital transactions.

5. **Aadhaar-Based Payments:** The integration of Aadhaar, India's biometric identity system, with digital payments facilitated seamless and secure authentication, making transactions more reliable and efficient. Aadhaar-based payments also enabled financial inclusion for the unbanked and underbanked population.

6. **Growing Smartphone Penetration:** The increasing affordability and accessibility of smartphones played a pivotal role in driving digital payments growth. With a significant portion of the population now owning smartphones, the ease of carrying out transactions through mobile apps contributed to the surge in digital payments.

7. **Cashless Economy Awareness:** Various awareness campaigns and educational initiatives by the government, private players, and financial institutions have helped in promoting the benefits of a cashless economy. People have become more aware of the advantages of digital

payments, such as enhanced security, convenience, and transparency, leading to a shift in consumer behaviour.

8. E-Commerce Boom: The rapid growth of e-commerce platforms in India fuelled the demand for digital payment options. As more consumers turned to online shopping, digital payments became the preferred mode of completing transactions on e-commerce websites and apps.

### 3. Impact of Digital Payment and e-RUPI on GDP of India:

As the country embraces the digital payment ecosystem, it is crucial to understand the impact of this shift on the overall economic growth.

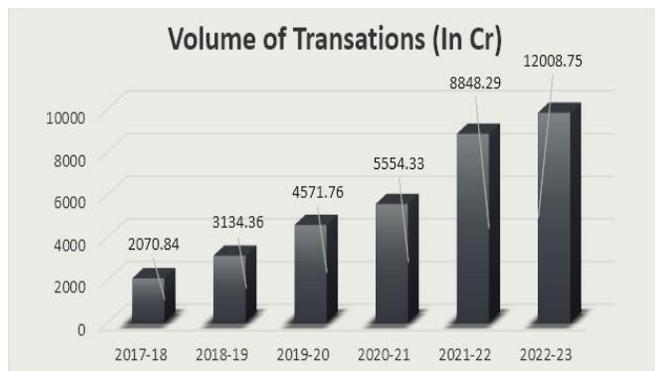


Fig 2: Diagram of Year-on-Year Growth for Digital Payment (Image Credit: National Informatics Centre, Govt. of India)

#### 1. Boost to Consumption and Economic Activity:

Digital payments promote convenience and accessibility, leading to increased consumption and economic activity. The ease of making digital transactions encourages individuals to participate more actively in the economy, spurring demand for goods and services. Moreover, digital payments facilitate seamless and faster transactions, reducing transaction costs and time, which ultimately drives economic growth.

#### 2. Reduction in Informal Economy (Word Count:

India has a significant informal economy, with a substantial portion of transactions taking place in cash. The shift towards digital payments helps formalize the economy by bringing cash-based transactions into the

formal sector. This leads to increased transparency, tax compliance, and revenue generation for the government. A reduction in the informal economy contributes to the overall growth of the GDP.

#### 3. Financial Inclusion and Access to Credit:

Digital payments play a pivotal role in promoting financial inclusion by providing access to formal financial services for the unbanked and underbanked populations. With digital payment solutions, individuals and businesses gain access to banking services, credit facilities, and insurance products. Improved financial inclusion leads to increased economic participation, entrepreneurial activities, and investment, thereby positively impacting the GDP.

#### 4. Cost Efficiency and Productivity (Word Count:

Digital payments eliminate the need for physical cash handling, paperwork, and manual reconciliation processes. This results in cost savings for businesses and increased efficiency in financial transactions. Moreover, digital payment systems enable businesses to streamline operations, automate processes, and enhance productivity. These factors contribute to improved competitiveness and overall economic growth.

#### 5. Data-Driven Insights and Policy Formulation:

Digital payments generate a vast amount of transaction data, providing valuable insights into consumer behaviour, spending patterns, and economic trends. This data can be harnessed for data analytics and inform policy formulation, enabling the government and businesses to make informed decisions. Data-driven policies and strategies can further drive economic growth and GDP expansion.

#### 6. Encouraging Entrepreneurship and Innovation:

Digital payments foster an environment conducive to entrepreneurship and innovation. The ease of setting up and accepting digital payments enables individuals to start and scale businesses more effectively. Furthermore, digital payment platforms provide a foundation for fintech innovations, such as peer-to-peer lending, digital wallets, and micropayments. These innovations drive economic activity, create jobs, and contribute to GDP growth.

#### 7. Enhanced Efficiency in Government Disbursements:

Digital payment systems enable efficient and transparent disbursement of government benefits, subsidies, and welfare schemes. Direct benefit transfers (DBT) through digital channels reduce leakages, corruption, and administrative inefficiencies. By optimizing resource allocation and ensuring targeted delivery, digital payments enhance the effectiveness of government programs and contribute to the overall GDP.

Talking about e-RUPI, has the potential to boost consumption and stimulate economic activity in India. By providing targeted digital vouchers for specific goods or services, e-RUPI enables individuals to access essential products and services, thereby increasing their purchasing power. This, in turn, leads to increased consumption and demand for goods and services, benefiting businesses across various sectors. The rise in economic activity contributes to GDP growth, supporting overall economic development.

e-RUPI serves as a catalyst for digital transformation and innovation in India. Its introduction encourages the adoption of digital payment technologies and fosters a digital-first mindset among individuals, businesses, and government agencies. As e-RUPI drives the growth of digital transactions, it stimulates the development of innovative digital payment solutions, leading to increased efficiency, convenience, and security. This digital transformation fuels innovation, encourages entrepreneurship, and contributes to GDP growth.

#### 4. Future Enhancement

As we already know Digital Payment has already shown remarkable progress in transforming financial transaction in India. However, there is still immense potential for further enhancements in digital payments to revolutionize the Indian financial landscape.

##### 1. Expansion of Payment Infrastructure:

To ensure seamless digital transactions, expanding the payment infrastructure is crucial. This includes improving connectivity in rural areas, increasing the number of point-of-sale (POS) terminals, and enabling payment acceptance through various channels such as mobile apps and online platforms. Investments in infrastructure development will help bridge the urban-rural divide and enable more people to participate in the digital economy.

##### 2. Adoption of Emerging Technologies:

Embracing emerging technologies like blockchain, artificial intelligence (AI), and Internet of Things (IoT) can further enhance digital payment systems in India. Blockchain technology can provide transparent, secure, and tamper-proof transactions, ensuring trust and reducing fraud. AI can be leveraged for fraud detection and prevention, customer authentication, and personalized recommendations. IoT can enable seamless integration of devices for contactless payments, smart vending machines, and connected payment ecosystems.

##### 3. Strengthening Security and Privacy Measures:

As digital payments grow, so do the concerns regarding security and privacy. Strengthening security measures through robust encryption, multi-factor authentication, and biometric authentication can enhance trust and safeguard user data. The development of standardized security frameworks and collaboration between stakeholders, including government agencies, financial institutions, and technology providers, is essential to combat emerging threats effectively.

##### 4. Integration of Unified Payment Interfaces:

The Unified Payments Interface (UPI) has revolutionized peer-to-peer (P2P) payments in India. Expanding its scope to encompass more use cases, such as merchant payments, utility bill payments, and e-commerce transactions, will accelerate the growth of digital payments. Integrating UPI with other platforms like Aadhaar (unique identification system) and GST (Goods and Services Tax) can streamline the payment process and improve efficiency.

##### 5. Encouraging Financial Inclusion:

Despite significant progress, a significant portion of the Indian population still lacks access to formal banking services. Future enhancements should focus on promoting financial inclusion by leveraging digital payments. This can be achieved through the development of simplified, user-friendly interfaces, promoting digital literacy, and expanding the network of banking correspondents to reach remote areas.

## 6. Promoting Innovation and Collaboration:

Encouraging innovation and collaboration between fintech companies, banks, and government institutions is crucial for driving future enhancements in digital payments. Collaborative efforts can result in the development of innovative payment solutions tailored to specific needs, such as microtransactions, peer-to-peer lending, and small business financing. Regulatory sandboxes can be established to foster experimentation and promote the adoption of breakthrough technologies.

## 7. Strengthening Consumer Protection:

To build trust and confidence among users, consumer protection measures need to be strengthened. Streamlining dispute resolution mechanisms, implementing fair pricing policies, and ensuring prompt grievance redressal are essential for protecting consumer rights. Educating users about safe digital practices and their rights and responsibilities can empower them to make informed decisions while using digital payment services.

Talking about e-RUPI, there are several key areas that require future enhancements to maximize its effectiveness and impact.

To fully leverage the benefits of e-RUPI, it is crucial to expand the acceptance network of service providers

across various sectors. This would ensure that beneficiaries have a wide range of options to redeem their digital vouchers, including healthcare providers, educational institutions, and retail outlets. A robust and extensive acceptance network will increase the accessibility and usability of e-RUPI, making it a more effective and efficient payment system.

e-RUPI can evolve into a more comprehensive and impactful digital payment system in India. The future enhancements should focus on expanding the acceptance network, integrating with various government schemes, enhancing security measures, promoting interoperability and standardization, fostering digital literacy, and integrating with financial services. With these enhancements, e-RUPI can truly transform welfare benefit delivery, enhance financial inclusion, and contribute to India's socio-economic development.

## 5. Conclusion

In conclusion, the future of digital payments in India is promising. By focusing on expanding payment infrastructure, adopting emerging technologies, strengthening security measures, promoting financial inclusion, encouraging collaboration and innovation, and enhancing consumer protection, India can tap into the vast potential of digital payments. With the collective efforts of stakeholders, India has the potential to emerge as a global leader in the digital payment ecosystem. This progress brings the nation closer to achieving a cashless society, where every citizen can enjoy the advantages of convenience, efficiency, and inclusivity that digital payments offer. The path to this transformation is clear, and with sustained dedication and strategic implementation, India can pave the way for a future where digital payments play a central role in driving economic growth and financial inclusion.

e-RUPI has the potential to bring about transformative changes in India. Through enhanced financial inclusion, efficient delivery of welfare benefits, increased consumption, strengthened business ecosystem, digital transformation, and reduction of the informal economy, e-RUPI can contribute significantly to India's socio-economic development and GDP growth. It is essential for the government, financial institutions, and other stakeholders to continue fostering the adoption and expansion of e-RUPI, while also addressing challenges related to digital literacy, cybersecurity, and infrastructure. With concerted efforts, e-RUPI can pave the way for a more inclusive, transparent, and efficient welfare benefit system in India, driving the country towards sustainable growth and development.

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## Biographies

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