e-RUPI: an innovation to accelerate financial inclusion in India

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Introduction

India has been at the forefront of digital payments revolution for the past decade. Indian consumers have a plethora of instruments like NEFT, IMPS, wallets and UPI at their disposal for all transactional needs. Despite this, private, institutional and regulatory players in the ecosystem are always innovating and focusing on improving their basket of services and products. The latest among these innovations is e-RUPI, a detailed overview of which is presented below.

1. e-RUPI is a cashless and contactless instrument for digital payments developed on the UPI (Unified Payments Interface) platform. It is a QR code or SMS string-based e-Voucher, which is delivered to the mobile of the beneficiaries. The users of this seamless one-time payment mechanism can redeem the voucher without a bank account, card, digital payments app or internet banking access, at specified merchants or service providers.

2. It has been developed by NPCI (National Payments Corporation of India) on its UPI platform, in collaboration with the Department of Financial Services, Ministry of Health & Family Welfare and National Health Authority.
Key features and benefits of e-RUPI

**Customers**
- Contactless mode of payment where beneficiaries need only a mobile phone to show a QR code or SMS
- Simple two step redemption process
- Safe and secure as beneficiaries do not need to share any personal information at the service provider’s end
- No requirement of any bank account, card, payments app or even internet
- e-RUPI vouchers can be used with any type of phone

**Corporates and organizations**
- Any corporate or organization can easily be onboarded as a payer and issue their own vouchers on e-RUPI
- To issue the vouchers, payers need to initiate a onetime mandate which will block the specified funds in their accounts for onward payment to specific merchants or service providers
- Corporates can use e-RUPI vouchers to enable well-being of their employees
- It is a quick, safe and contactless mode of welfare distribution to all the employees
- Corporates can track the voucher redemption process
- e-RUPI is one of the cheapest methods of such welfare/voucher distribution

**Healthcare sector and governments**
- Hassle free and contactless payment collections
- Quick and error free redemption process - the voucher can be redeemed in a few steps and experiences lesser decline rates because of pre-blocked amounts
- Vouchers can be used for vaccination drives and for other medical benefits
- To distribute government schemes addressing the social and economic welfare of the citizens, governments can issue e-RUPI vouchers directly to citizens to remove the need for any middlemen or intermediary entities
- As the entire process is digitized, leakages can also be minimized

Source: NPCI and EY analysis
Types of vouchers

- **B2C (business to consumer):** Used by corporates/government departments to issue vouchers to the bearers (employees/citizens)
- **P2P (person to person):** A person can issue a voucher to another person

Entities involved in an e-RUPI transaction

- **Issuers - banks/entities** - which initiate requests to create UPI prepaid vouchers
- **Acquirers - banks/entities** - which gains the merchants and settles the funds, acquirer banks/entities must onboard on the UPI platform to avail e-RUPI
- **Sponsors** - government, corporate or business customers of the bank who request for creation of UPI prepaid vouchers
- **Merchants** - merchants / service providers will scan/read the QR/SMS string from e-RUPI voucher and sends information to the onboarded acquirer entities for further processing
- **Beneficiaries** - persons for whom the UPI prepaid voucher is issued. A beneficiary need not be a UPI user or have a bank account

Prepaid voucher process flow for distribution of farming seeds by Department of Agriculture to farmers

**e-RUPI voucher flow for farming seeds**

1. Government - Department of Agriculture
2. e-RUPI Voucher Creation process
3. Initiator of e-RUPI Voucher
4. e-RUPI Voucher created
5. Farming seeds voucher distribution
6. Farmer, Government Agro Centre or authorized Merchant/Distributor
7. Initiative of e-RUPI Voucher on UPI
8. e-RUPI Voucher created
9. Amount Settlement
10. Merchant scan/enter the voucher
11. Farmer receives code and successful execution of voucher completed

Source: NPCI and EY analysis

e-RUPI: an innovation to accelerate financial inclusion in India
e-RUPI has the potential to help governments, corporates and individuals improve and digitize their procurement and payments processes across a multitude of examples. While so far, we have seen it being used primarily to issue Covid-19 vaccination vouchers it can play an important role in enabling access to and payments across the following themes:

**Vaccinations, health check-ups, medicines, health insurance**
Generation and distribution of vaccination vouchers and health check-ups that can be redeemed at any government or private health and medical centers.

**Targeted subsidies for specific goods**
Agriculture, women and child, etc. Distributing subsidies for specific items like seeds, fertilizers, LPG, etc. Vouchers can be issued to farmers and citizens that can be redeemed at specified categories of merchants for items.

**Scholarships**
Scholarships can be paid out using e-RUPI vouchers subject to attendance and other eligibility norms, allowing students to redeem them more widely with educational institutions, hostels, sports facilities, bookstores, etc.

**Pensions**
Pensions can be paid out using e-RUPI vouchers with convenient redemption at a wider set of outlets.

**Disaster relief**
Prepaid vouchers can bring in a quicker, instantaneous, more flexible and transparent method of distributing disaster relief.

**PDS and food schemes**
e-RUPI can be implemented for various govt schemes including food grain distribution, and redemption against other non-subsidized foods at Fair Price Shops.

**Government worker incentive payments**
ASHA, Anganwadi, Agriculture Extension workers - incentive schemes can be organized for ensuring targets are met.

Source: NPCI and EY analysis
One of the primary use-cases of e-RUPI can be to distribute Direct Benefit Transfer (DBT) schemes in India. Such schemes in India touch the lives of many millions and are a lifeline for most of them. A cumulative amount of over 18 lakh crores pertaining to 311 schemes of 54 ministries are currently being disbursed directly into the Aadhaar linked accounts of beneficiaries across the nation. It is estimated that almost 40-60% of Indian households avail some or the other DBT, with states like Uttar Pradesh and Bihar showing even higher levels of penetration.

e-RUPI can be a ready solution for overcoming some hurdles that affect DBT penetration, such as lack of telecom penetration, continuous migration of individuals and low levels of banking adoption amongst marginalized sections. Besides the schemes that are covered under DBT, there are over 1000 non-DBT or in-kind schemes, which involve intermediary service providers and face some major challenges in their implementation such as last mile delivery, tracking and feedback mechanisms. Moreover migrations, infrastructural and geographic constraints prevent many eligible beneficiaries from taking advantage of these non-DBT benefits.

e-RUPI can provide a workable solution to the above situation. e-RUPI vouchers can be provided to beneficiaries, which can be handed over to the service providers as a token of service acceptance. The service provider can be compensated monetarily, based upon the voucher value. The above solution can help minimize some issues faced in implementing non-DBT schemes, by enabling:

1. Flexibility to the citizen to choose the service providers and last mile locations
2. Traceability and control of service provisioning
3. Proactive planning based upon unused vouchers, current location of beneficiaries and providers

Starting with the easy targets, such as new schemes being developed, over time, more and more schemes can be brought on board with e-RUPI. In order to on-board a scheme to use e-RUPI, government departments will need to enhance government DBT systems to issue and acquire e-RUPI vouchers:

1. Link with the existing scheme DBT systems for registrations, applications, eligibility checks, etc.
2. Connect with SMS/MMS/email gateways for e-RUPI voucher distribution (text-only and QR-Code)
3. Develop a system for bulk G2C pre-approved e-RUPI Voucher generation—linked to identity of eligible beneficiaries
4. Develop a scalable system and process to register and on-board service providers / merchants digitally for accepting e-RUPI
5. Work with banks for issuance and acceptance of e-RUPI vouchers

Source
2 - https://dbtbharat.gov.in/
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