

E-RUPI AND ITS BENEFITS FOR THE DIGITAL PAYMENTS ECOSYSTEM IN INDIA

1. INTRODUCTION

'*e-RUPI*', a new digital payment solution built on the Unified Payments Interface (the "UPI"), was recently launched by the Government of India through a press note on August 02, 2021. This prepaid voucher solution has been developed by the National Payments Corporation of India (the "NPCI")¹ in association with the Department of Financial Services, the National Health Authority, the Ministry of Health and Family Welfare (the "**Ministry of Health**"), and partner banks.²

e-RUPI is a one-time use, prepaid e-voucher generated through partner banks participating in the UPI ecosystem, which can be sent by sponsors (*government or private organisations*) directly to the mobile phones of the intended beneficiaries in the form of an SMS-string or a QR code. The beneficiaries, in turn, can redeem the voucher for a specific purpose or activity at designated centres or merchants accepting e-RUPI. For instance, a government or a private organisation can issue e-RUPI vouchers to its employees that are redeemable for treatment at a specific hospital.³ The redemption of the e-RUPI does not require the beneficiary to have a card, an internet banking facility, or a digital payment mobile application.⁴ In this manner, the e-RUPI solution has been developed to enable initiatives by government and private organisations that involve one-time benefits, and to this extent, connect sponsors of services or welfare schemes with the beneficiaries and merchants, without the need for any physical interface.

The NPCI has indicated that the UPI prepaid voucher may be issued in two core categories, that is, person-to-person (P2P) and business to consumer (B2C). However, it has currently issued details only regarding the scope of the B2C category. We have set out below, an overview of the key features of the e-RUPI solution in the B2C category and its potential benefits for the digital payment ecosystem in India.

2. OVERVIEW OF THE E-RUPI AND ITS KEY FEATURES⁵

2.1. e-RUPI can be issued only by banks that are authorised by the Reserve Bank of India (the "RBI") to issue Prepaid Payment Instruments ("PPI") and those who are participating as Payment Service Providers (PSPs) in the UPI ecosystem. In this regard, the issuer banks will be responsible for initiating a request to create the prepaid voucher on the UPI, and they would need to adhere to the RBI's PPI directions with respect to issuance and operations of the e-RUPI prepaid voucher.

2.2. The e-RUPI can be shared with the beneficiaries only in a digital format (that is, a QR code or SMS-string), and no print or paper format of the prepaid voucher is permitted.

¹ <https://www.npci.org.in/PDF/npci/upi/circular/2021/NPCIUPI-OC-No-112-UPI-Prepaid-Voucher.pdf>

² <https://www.npci.org.in/what-we-do/upi/upi-erupi>; <https://pindiawebcast.nic.in/2021/2aug21.html>;

³ To operationalize the e-RUPI solution and for its immediate utility, the NPCI has partnered with more than 1,600 hospitals where the e-RUPI vouchers can be redeemed, in the context of welfare schemes for Covid-19 vaccination of the Ministry of Health. For instance, the National Health Authority is employing the solution to power cashless payments for Covid-19 vaccination

⁴ The employee will receive an SMS or a QR code on her feature phone/ smartphone, which can be redeemed at the hospital.

⁵ <https://pib.gov.in/PressReleasePage.aspx?PRID=1743056>; <https://www.npci.org.in/what-we-do/upi/upi-erupi>; <https://nha.gov.in/e-Voucher-Launch>; <https://www.npci.org.in/what-we-do/upi/faqs>

- 2.3. Sponsors who can request for issuance of an e-RUPI voucher may include businesses, corporates, state and union government departments. However, only full KYC compliant account holders (i.e., sponsors) can initiate a request for creation of the e-RUPI vouchers from their respective accounts.
- 2.4. The maximum limit for each e-RUPI voucher has currently been set at INR 10,000. Further, for Covid-19 and related healthcare services, up to 10 e-RUPI vouchers can be issued on a single mobile number. However, the issuance of multiple e-RUPI vouchers on a single mobile number shall be configurable based on the scheme requirements.
- 2.5. The e-RUPI vouchers will have a defined validity as per the use case, subject to a maximum validity period of one year from the date of issuance.
- 2.6. e-RUPI vouchers can be redeemed only for the purchase of goods or services from the designated merchant categories or at the voucher acceptance points, as may be defined by the issuing bank at the time of issuance. In this regard, acquiring banks will provide the facility or technological capability to the designated merchants to scan and accept the prepaid voucher (either through SMS-string or QR code) for redemption.
- 2.7. e-RUPI, once issued, is not transferrable⁶, and cannot be used for redeeming cash or cash backs.
- 2.8. The voucher redemption can be tracked by the issuer.
- 2.9. The e-RUPI solution does not require the beneficiary to have a bank account or a digital payment mobile application (*which is one of the key distinguishing features of this solution in comparison to other current forms of digital payment mechanisms*). Further, the solution can also be used by persons who do not own smart-phones or in areas which have limited or no internet connectivity.
- 2.10. The banks and the sponsors of the e-RUPI are required to support dispute handling, and customer grievance redressal mechanisms for the beneficiaries.
- 2.11. The NPCI has partnered with multiple banks for facilitating e-RUPI transactions, including Axis Bank, Bank of Baroda, Canara Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Indian Bank, Kotak Mahindra Bank, Punjab National Bank, State Bank of India, and Union Bank of India. To this extent, the acquiring applications (*that facilitate the e-RUPI voucher to be redeemed at the merchant locations*) include BharatPe, BHIM Baroda Merchant Pay, Pine Labs, PNB Merchant Pay, and YoNo SBI Merchant Pay. Going forward, additional banks and acquiring applications are expected to join the framework to facilitate the e-RUPI solution.

⁶ However, the NPCI has indicated that the feasibility of the UPI prepaid voucher's transferability from a technical, operational and regulatory standpoint may be evaluated at a later stage.

2.12. The Ministry of Finance, Government of India has clarified that e-RUPI should not be confused with the Central Bank Digital Currency, which is separately under consideration by the RBI⁷, as the e-RUPI is a person and purpose specific digital e-voucher.⁸

3. BENEFITS OF THE E-RUPI AND INDUSLAW COMMENTS

As a new voucher-based prepaid payment instrument to enable ‘person and purpose-specific’ transfer of funds (*without the need of a bank account or digital payments mobile application at the beneficiary’s end*), the e-RUPI solution has the potential for various specific use cases and benefitting multiple stakeholders in the digital payment ecosystem. This is particularly in the context of initiatives involving one-time benefits. For instance, the Government of India envisages a key role for the e-RUPI voucher in the context of its push-model welfare schemes, particularly to strengthen the Direct Benefit Transfers⁹ by making them more targeted, transparent, leakage-proof, and cost-effective.¹⁰ This solution will also help quicken the disbursement and receipt of the funds by the intended beneficiaries at the last mile, with limited touch points between the sponsor and the beneficiaries. The private sector can also leverage this solution to offer *targeted* benefits to its employees as well as for corporate social responsibility initiatives, while micro, small and medium enterprises can adopt this solution for making business-to-business transfers as well.

Further, given that e-RUPI is a prepaid e-voucher, the relevant merchants are assured real-time payments. From the beneficiary’s standpoint, e-RUPI provides a simple, contactless, easy-to-use, and secure solution. The transactions are relatively faster (*given that the voucher is pre-paid in nature*), and the personal details of the beneficiaries are kept confidential and not required to be shared during the redemption process.¹¹

The e-RUPI solution has been introduced in the backdrop of the policy objectives of the Government of India for financial inclusion. The aim appears to be to evolve the acceptance infrastructure for offline solutions to cater to under-served areas, the under-banked demographic, and non-smartphone users across India. Given that the e-RUPI does not require the beneficiaries to have a bank account or a mobile application (*compared to other digital payment instruments*), nor require them to have a smart phone, e-RUPI may witness a higher adoption rate in rural and remote parts of India, compared to the existing pre-paid payment instruments.

However, as this solution evolves, the NPCI and other participants in the ecosystem will need to ensure that the cybersecurity framework backing the e-RUPI is robust (*for instance, to prevent phishing attacks*) and the e-vouchers are only redeemable once. Safeguards must also be put in place so that the risk of any misuse of the e-RUPI solution at the point of redemption is addressed, including where the SMS-string or QR code is shared with another person and accordingly does not get utilised by the rightful beneficiary.

⁷ Please note that the RBI has recently proposed the roadmap for a central bank digital currency (“CBDC”) in India, and said that it will examine whether technology could be leveraged to issue fiat money in digital form. The RBI has described CBDC as a legal tender and a central bank liability in digital form denominated in a sovereign currency and appearing on the central bank’s balance sheet, and a form of electronic currency which can be converted or exchanged at par with similarly denominated cash and traditional central bank deposits.

⁸ <https://pib.gov.in/PressReleasePage.aspx?PRID=1743056>

⁹ Direct Benefit Transfers is a mechanism that was adopted by the Indian Government to streamline the delivery mechanism of welfare schemes in a leak-free manner, involving the opening up of Jandhan accounts and linking them to the Aadhaar Cards and mobile numbers of beneficiaries for online fund transfers.

¹⁰ For instance, the Government of India envisages that the e-RUPI solution can be used for delivering services under schemes meant for providing pharmaceutical drugs and nutritional support under Mother and Child welfare schemes and TB eradication programmes, pharmaceutical drugs & diagnostics under schemes like Ayushman Bharat Pradhan Mantri Jan Arogya Yojana, fertilizer subsidies etc.

¹¹ <https://www.npci.org.in/what-we-do/upi/upi-erupi>

Authors: Namita Viswanath | Shreya Suri | Shobhika Upadhyay | Maygha Viswanat | Shantanu Mukul

Date: August 27, 2021

Practice Areas: Government & Regulatory | Technology Media & Telecommunications | Fin-tech

DISCLAIMER

This article is for information purposes only. Nothing contained herein is, purports to be, or is intended as legal advice and you should seek legal advice before you act on any information or view expressed herein.

Although we have endeavoured to accurately reflect the subject matter of this article, we make no representation or warranty, express or implied, in any manner whatsoever in connection with the contents of this article.

No recipient or reader of this article should construe it as an attempt to solicit business in any manner whatsoever.