

*Innovation in Retail Payments**

Urjit R. Patel

1. Shri Mahapatra, Chairman, National Payments Corporation of India (NPCI), Shri Nandan Nilekani, Shri Dilip Asbe, Managing Director (MD) and Chief Executive Officer (CEO), NPCI, bankers and distinguished guests, it gives me immense pleasure to be in your midst as we launch a new, enhanced version of the Unified Payments Interface (UPI). I was especially moved by Nandan's kind words for the RBI's contribution in recent years in the area of digital payments. It would be remiss of us if we don't acknowledge the strong foundations laid down by those who preceded us; it is, in part, because of their work that we have been able to make rapid progress.

2. Payment and Settlement Systems are at the heart of a modern economy. Recognising this, the Reserve Bank has been, over the years, initiating measures that have resulted in the payment systems in India gaining international recognition. In introducing: (i) second factor authentication; (ii) a unified payments structure; and (iii) the Bharat Quick Response (QR) protocol, India is regarded as a pioneer. The recent past has witnessed significant developments in this area, which have brought in a sea-change in the way our citizens use technology-based systems and products to take care of their funds transfer requirements.

3. Reserve Bank of India's vision for the Payment and Settlement Systems is to encourage greater use of electronic payments by all sections of society. This is aided by the establishment of a robust backbone to meet the economy's requirements, while ensuring safety, security and universal reach with technological solutions that hasten processing, as also improve the user-convenience dimension. While the Reserve Bank will continue to pay focused attention to appropriate

enabling regulation, strong infrastructure, apposite supervision and customer centricity, due attention must be paid by operators towards cyber security, effective customer grievance redressal arrangements and reasonableness of customer charges. Operators should ensure that no corner is cut regarding cyber security – after all, in a network environment we are only as strong as the weakest link. We owe it to ourselves that we don't compromise the integrity of the system by individual (in) action – in this context, cost savings should be eschewed.

4. At the foundation of all this is the need for institution building and coordination. This was how NPCI came into being. The RBI facilitated the establishment of the NPCI in 2008 with 10 core promoter banks, which has now been broad based to 56. The proximate objective behind NPCI is provision of convenient, 'anytime-anywhere' payment services that are secure and easy-to-use. An attendant goal is to facilitate an affordable payment mechanism to benefit the common person and to catalyse financial inclusion as well.

5. One of the more successful products of NPCI has been the Unified Payments Interface (UPI) that powers multiple bank accounts into a single mobile application (of any participating bank) for immediate fund transfers and a variety of payments without parting with sensitive information. It supports merchant payments, utility bill payments, 'over-the-counter' payments, QR code (scan and pay)-based payments and the like, through mobile devices on a 365×24×7 basis. The UPI has exhibited significant growth since inception – both in volume and value terms – and has established itself as a veritable conduit for retail funds transfers.

6. I am pleased that with a view to widen the scope and to increase digital payments in India, an enhanced version of UPI is being launched today. It will open new areas such as retail applications for Initial Public Offerings of companies, which can now be processed through UPI. I am certain that UPI 2.0 will take *simplicity, security* and *seamlessness* to the next level

* Urjit R. Patel, Governor, Reserve Bank of India, at the Launch of Unified Payments Interface (UPI) version 2 in Mumbai on August 16, 2018.

which will serve as a benchmark for other products in the eco-system. I am informed that this new version of the UPI has enhanced features such as:

- i. Invoice in the Inbox: This allows a person who has used UPI to make a payment to view the document pertaining to the payment such as a bill or an invoice before authorising the payment, so the payer is fully aware of the purpose of his payment.
- ii. Signed Intent/QR: This enables a person to authorise payment for transactions initiated on a compatible application on the same mobile device without separately opening the UPI application, thereby resulting in ease of use, but without compromising on security.
- iii. UPI Mandate with Blocking of Funds: This permits the registration of a debit mandate for repetitive/periodic payments automatically and would be akin to standing instructions in a manual account-based operational scenario. And,
- iv. UPI for Overdraft Account: This facilitates transactions on such loan accounts that hitherto were not provided for, thus making UPI even more ubiquitous. Another noteworthy feature is the increase of the 'Per-Transaction' cap from the existing level of ₹1.0 lakh to ₹2.0 lakh. This will support large-value real-time transactions on a mobile phone.

In all of the above, it is worthy of mention that the enhanced capabilities will ride on the safe backbone of UPI which has not only stabilised well, but has also become the trusted channel of choice.

I am told that UPI has the potential for further facilitations. Some of the possibilities include integration with newer payment systems of the future in view of its standardised formats and structures; capability to integrate with many home grown e-commerce applications that hold substantial potential; emerging innovative delivery channels using the digital mode; and, so on, thus underscoring its (relatively low cost) versatility.

7. In a span of about a decade of its existence, NPCI has gained the status of being a Systemically Important Payment Infrastructure (SIPI). Such a status brings with it added responsibility and I am sure that NPCI will continue to excel in its role of a pioneer payment system provider. I also believe that as a designated SIPI, NPCI will continue to pursue the highest levels of good governance, sustenance, innovation, reliability and resilience. It should also continually assess the performance of its systems and products by benchmarking expected performance metrics in respect of technical declines, business declines, processing speed and capacity, *etc.*

8. To conclude, India has been enjoying a very healthy evolution of payment systems. This has been the result of the calibrated approach adopted by the Reserve Bank – in the initial years as a developer and in later years as a catalyst and facilitator. Today our systems are not only comparable to systems anywhere in the world, but they also set standards and good practices for others to emulate. Going forward, we will ensure that regulation will foster competition and innovation in the payment space. I am confident that products like UPI will continue to serve the nation's aim of bringing all its citizens to the fold of safe digital payments. I congratulate NPCI for the launch of UPI version 2 and wish the product all success.

Thank you.