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e-RUPI & Welfare Schemes

What is the issue?

The recently launched e-RUPI payment facility has potential features for better implementation and governance of the welfare schemes of the country.

What is e-RUPI and how does it work?



- e-RUPI is a contactless digital prepaid payment utility, built on the UPI (Unified Payments Interface) platform.
- The payments can be made via a QR code (smartphone users) or an SMS string based e-voucher (non-smartphone users).
- e-RUPI would be shared with the beneficiaries **for a specific purpose** or activity by organizations or Government.
- The users will be able to redeem the voucher without a card, digital payments app or internet banking access.
- A verification code received by the beneficiary is shared with the service provider to authenticate and authorise the transaction.
- The entire transaction is relatively faster and at the same time reliable, as the required amount is already stored in the voucher.
- 14 leading banks have already integrated it with their systems.



Is it a digital currency?

No. e-RUPI is closer to a voucher-based payment system that can only be used on specific grounds or specific goods

Some of its key benefits:

- + **It ensures** that the payment to the service provider is made only after the transaction is completed.
- + **Being pre-paid in nature**, it assures timely payment to the service provider without involvement of any intermediary.

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Why is e-RUPI a better option?

- A one-to-many payments facilitator.
- Brings the ease and simplicity of UPI to the social security platform of DBT (Direct Benefit Transfer).
- Traditionally, the non-smartphone population has struggled to adopt digital payments. e-RUPI enables them to gradually use and accept digital methods.
- The utility of cash transfers to guarantee food security or generate sustainable livelihoods compared to PDS or MGNREGA is doubted.
- But e-RUPI could break the policy logjam by making cash transfers purpose- and person-specific.
- It frees the beneficiaries from dependence on bank accounts, and ensures transparency.

What are the potential platforms for its use?

Public sector

- Vaccines - Facilitate cashless service at paid Covid vaccination centres (CVCs). E.g., corporates and philanthropies can buy services in bulk to vaccinate employees and those in need.
- PDS - The present high overhead costs, leakages, exclusion causes inefficiency.
- A food-specific e-RUPI voucher will allow beneficiaries to buy rations from an outlet of their choice.
- Fertiliser subsidies
- Current difficulties -

- i. Creating an IT infrastructure; Managing nearly 3,00,000 fertiliser sale points
- ii. Collapse of dealer network due to liquidity squeeze in the event of subsidy payments getting delayed
- iii. Complex system of timely credit of subsidy into an estimated 129 million Aadhaar-linked bank accounts of farm households.
- Using e-RUPI, Farmers can buy fertiliser at nominal prices with direct credit of the subsidy amount into the authorised dealers' account.
- School voucher programmes - Vouchers for identified students to pay school fees and expenses.
- Basic income support - Rapid distribution of food and cash vouchers at large scale during times such as the pandemic or a natural calamity.
- Ayushman Bharat healthcare initiative - e-RUPI vouchers of designated value tenable at empanelled healthcare facilities.

Private sector

- Disbursing non-cash benefits to employees and supporting CSR programmes.
- Individuals could use it for gifting.

What should be done?

- Light regulation and the opening of e-RUPI to competition.
- Allowing banks, small and big, NBFCs, non-bank PPI (Prepaid Payment Instruments) issuers, and telcos to adopt and issue e-RUPI.

Source: The Indian Express



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