

# New Policy of UPI for NRIs

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**Context-** Recently, the National Payments Corporation of India (NPCI) paved the way for international (phone) numbers to be able to transact using UPI.

## **Key Highlights**

- The **National Payments Corporation of India (NPCI)** has allowed non-resident accounts like Non-Resident External (NRE) and Non-Resident Ordinary (NRO) accounts with international numbers into the UPI payment system.
- The facility is presently available for users from ten countries – Singapore, Australia, Canada, Hong Kong, Oman, Qatar, the U.S., Saudi Arabia, UAE, and the U.K.

### **Definition of NRE and NRO Accounts:**

- NRE accounts are used by non-residents in order to transfer earnings from foreign soil to India
- NRO accounts are particularly used to manage income earned in India by non-residents such as rent, interest, pension, etc.

### **Benefits:**

- The development allows the NRIs to use the UPI payment method for making utility bill payments, purchases from e-commerce platforms, and payments to physical merchants who accept UPI QR payments when they travel to India.

### **Technological Changes:**

- According to the Head of Payments at PhonePe, a significant number of systems will need to start understanding the international numbers for UPI transactions as all the internal systems and banks currently only understand India-based mobile numbers.

## **Merchant Discount Rate (MDR)**

- It is a charge recovered by the acquirer from the merchant to compensate the various service providers and intermediaries in the payment system.
- Currently, no such MDR charge is levied for RuPay-based debit card and UPI transactions.
- The NPCI has requested the incentivization of BHIM-UPI and RuPay debit card transactions in order to create a cost-effective proposition for ecosystem stakeholders, increase merchant acceptance, and encourage faster migration from cash payments to digital payments.
- **Concerns:**
  - The lack of MDR charge has raised concerns among stakeholders over cost recovery for the services they provide.
  - The **Reserve Bank of India (RBI)** and several stakeholders have expressed concerns about the potential adverse impact of the zero MDR regime on the growth of the digital payment ecosystem.

## **Unified Payments Interface (UPI)**

- It is a system which powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- UPI, that was introduced in 2016, has become one of the most used digital payments platforms in the country.
- The volume of UPI transactions has already reached ₹76 lakh crore in the current year, as compared to ₹41 lakh crore in FY21.

## **Advantages of UPI Includes**

- Immediate money transfer through mobile device round the clock 24\*7 and 365 days.
- UPI Enables Single mobile application in order to access different bank accounts with Single Click 2 Factor Authentication – Aligned with the Regulatory guidelines yet provides for a very strong feature of seamless single click payment.
- It features Virtual address of the customer for Pull & Push providing for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.

## **Where does UPI stand now?**

- As of latest available data, 6,779.6 million transactions worth about ₹10.95 lakh crore have been facilitated using UPI.
- As per the DigiDhan dashboard maintained by the Ministry of Electronics and Information Technology, BHIM-UPI accounted for 52% of all digital payments in FY

2021-22, currently it stands at 59.74%.

## ***National Payments Corporation of India***

- National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is **an initiative of Reserve Bank of India and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007**.
- It is a **"Not for Profit" Company** under the provisions of Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment as well as settlement systems.