BHIM UPI goes international

Syllabus subtopic: Awareness in the fields of IT, Space, Computers, robotics, nano-technology, bio-technology and issues relating to intellectual property rights.

News: BHIM app has gone international with a pilot demo of BHIM UPI QR- based payments beginning at the ongoing Singapore FinTech Festival 2019.

Prelims focus: About UPI, BHIM and NPCI.

Mains focus: About Cashless economy- need, significance, challenges and role of BHIM in furthering this.

Context:
- This QR code-based system would allow anyone with a BHIM app to scan the SGQR at NETS terminals for payments in Singapore.
- The project is being jointly developed by NPCI and NETS of Singapore. It is targeted to go live by Feb 2020.

About BHIM

- **Bharat Interface for Money (BHIM)** is a UPI based payment interface.
- Developed by National Payments Corporation of India (NPCI).
- Allows real time fund transfer.
- Launched in December, 2016.

About UPI

- **Unified Payments Interface (UPI)** is a system that 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.
- It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.
- Each Bank provides its own UPI App for Android, Windows and iOS mobile platform(s).
Why UPI is outperforming e-wallets?

- People are changing the way they transact, choosing bank-to-bank methods such as the Unified Payments Interface (UPI) over other instruments such as e-wallets. This is because **UPI is completely interoperable and as such, it is unique in the world, where you have an interoperable system on the ‘send’ and ‘receive’ side.**
- The rapid growth of UPI is accompanied by a reasonably strong growth in the value of transactions done using e-wallets, but the latter’s growth has not taken off much following the fillip it received in the aftermath of demonetisation in November 2016.

The BHIM apps has three levels of authentication:

1. For one, the app binds with a device’s ID and mobile number.
2. Second a user needs to sync whichever bank account (UPI or non-UPI enabled) in order to conduct the transaction.
3. Third, when a user sets up the app they are asked to create a pin which is needed to log into the app. The UPI pin, which a user creates with their bank account, is needed to go through with the transaction.

UPI – Benefits to the Ecosystem participants:

- **Benefits for banks:**
  1. Universal Application for transaction.
  2. Leveraging existing infrastructure.
  3. Safer, Secured and Innovative.
  4. Payment basis Single/ Unique Identifier.
  5. Enable seamless merchant transactions.

- **Benefits for end Customers:**
  - Round the clock availability.
  - Single Application for accessing different bank accounts.
  - Use of Virtual ID is more secure, no credential sharing.
  - Single click authentication.
• Raise Complaint from Mobile App directly.

• **Benefits for Merchants:**
  
  • Seamless fund collection from customers – single identifiers.
  • No risk of storing customer’s virtual address like in Cards.
  • Tap customers not having credit/debit cards.
  • Suitable for e-Com & m-Com transaction.
  • Resolves the COD collection problem.
  • Single click 2FA facility to the customer – seamless Pull.
  • In-App Payments (IAP).

**About NPCI:**

• NPCI is an umbrella organisation for operating retail payments and settlement systems in India.

• It is an initiative of Reserve Bank of India (RBI) and Indian Banks’ Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment and Settlement Infrastructure in India.

• It has been incorporated as a not for profit company.

• In 2016 the shareholding was broad-based to 56 member banks to include more banks representing all sectors.