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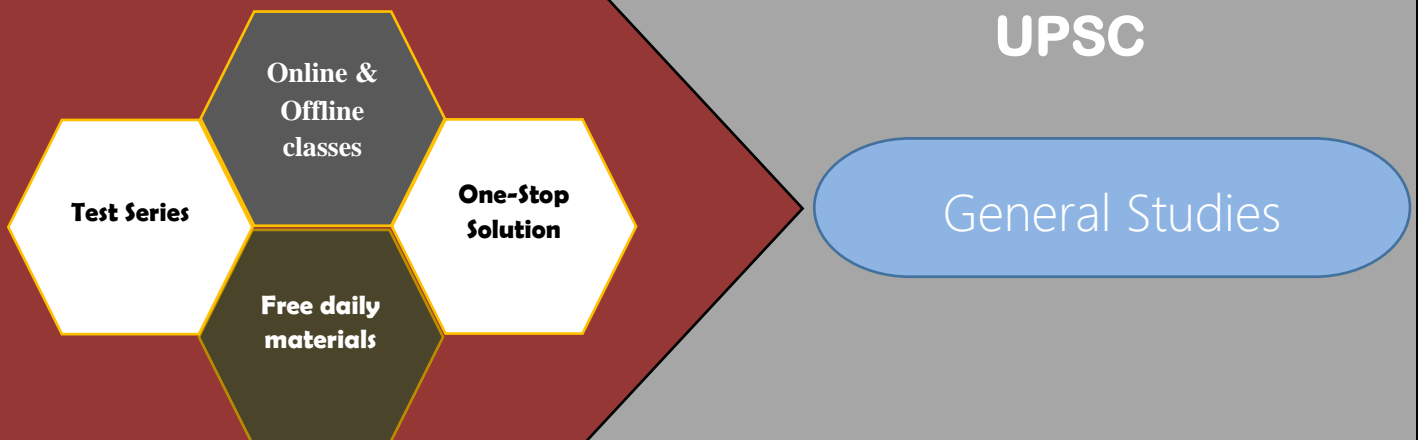
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e- RUPI: Voucher Based Digital Payment System

Notes for civil services preparation



e- RUPI: Voucher Based Digital Payment System

- The Indian government is going to launch an electronic voucher based digital payment system **e-RUPI**.
- There are already many **countries using the voucher system** for example the US, Colombia, Chile, Sweden, Hong Kong, etc.

Key Points

e-RUPI:

- - It is a **cashless and contactless method for digital** It is a **Quick Response (QR) code** or SMS string-based e-voucher, which is delivered to the mobile of the users.
 - The users will be able to **redeem the voucher without needing a card, digital payments app, or internet banking access**, at the service
 - It connects the sponsors of the services with the beneficiaries and service providers in a digital mode **without any physical**
 - The mechanism also ensures that the payment to the service provider is made only after the transaction is completed.
 - The system is **pre-paid** in nature and hence, **assures timely payment to the service provider** without the involvement of any

Different from Virtual Currency:

- In effect, **e-RUPI is still backed by the existing Indian rupee** as the underlying asset and specificity of its purpose makes it different to a **virtual currency** and puts it closer to a **voucher-based payment**

Issuing Entities & Beneficiary Identification:

- The one-time payment mechanism has been developed by the **National Payments Corporation of India** on its **Unified Payments Interface (UPI)** platform, in collaboration with the Department of Financial Services, Ministry of Health & Family Welfare, and National Health
- It has boarded **banks that will be the issuing** Any corporate or government agency will have to approach the partner banks, which are both private and

public-sector lenders, with the details of specific persons and the purpose for which payments have to be made.

- The beneficiaries will be identified using their mobile number and a **voucher allocated by a bank** to the service provider in the name of a given person would only be delivered to that person.

Uses:

Government Sector:

- It is expected to **ensure a leak-proof delivery of welfare services** and can also be **used for delivering services under schemes** meant for providing drugs and nutritional support under Mother and Child welfare schemes, drugs & diagnostics under schemes like **Ayushman Bharat Pradhan Mantri Jan Arogya Yojana**, fertiliser subsidies etc.

Private Sector:

- Even the private sector can leverage these digital vouchers as part of their employee welfare and **Corporate Social Responsibility (CSR)**

Significance:

- The government is already working on developing a **Central Bank Digital Currency** and the launch of e-RUPI could **potentially highlight the gaps in digital payments infrastructure** that will be necessary for the success of the future digital
- **Future of Digital Currency in India:** According to the **Reserve Bank of India (RBI)**, there are at least **four reasons why digital currencies are expected to do well in India:**
- **Increasing Penetration:** There is **increasing penetration of digital payments** in the country that exists alongside sustained interest in cash usage, especially for small value transactions.
- **High Currency to GDP Ratio:** India's high currency to **Gross Domestic Product (GDP)** ratio holds out another benefit of
- **Cash-to-GDP Ratio** or Currency in Circulation (CIC) to GDP Ratio or simply currency-to-GDP ratio shows the value of cash in circulation as a ratio of GDP.

- **Spread of Virtual Currencies:** The spread of private virtual currencies such as Bitcoin and Ethereum may be yet another reason why CBDCs become important from the point of view of the central bank.
- **Will Act as a Cushion:** Central bank digital currencies might also **cushion the general public in an environment of volatile private virtual**



