

UPI 2.0



UPI 2.0

Unified Payments Interface (UPI) utilises a unique identifier which can be the users mobile number, virtual payment address (VPA) or Aadhaar unique identifier number to make and receive payments using hand held devices.

It has super charged the payments ecosystem in India in an innovative way, the inclusiveness of the platform has ensured that it has been widely adopted by Indian banking and non – banking customers. With UPI 2.0 the features have further been augmented to provide additional flexibility to all the players participating in the payments ecosystem.

In this paper we have summarised the features of UPI 2.0 along with possible real world use cases across industries .

About the Authors

Gokarn Solanki, has a rich business analysis experience of 12+ years across the Banking and Financial Services spectrum

About Winjit

Winit Technologies is a global technology solution provider. From conceptualizing, optimizing and developing conventional enterprise software systems to developing modern day mobile apps for all consumers. Equipped with the best functional and technological resources supported by a team of expert & qualified software professionals Winjit provides its customers with cutting edge business solutions.

Contents

Brief about UPI

Impact of UPI

UPI 2.0 Features

UPI 2.0 Use Cases

Conclusion

References

Brief about UPI

Unified Payments Interface (UPI) is a platform which has the ability to synchronise and collate multiple bank accounts of a user onto a single mobile application while providing several banking features, funds transfer and merchant payments under a single umbrella. It also has features around payment collect requests for users wherein they can schedule requests and get paid as per their requirement and convenience.

A few of the key UPI features which have enhanced its adoption:

- Instant Funds Transfer 24 x 7 via mobile devices
- Single app to access multiple bank accounts
- Virtual Payment address eliminates need for IFSC code, Account number or card number
- Single click - Two factor authentication

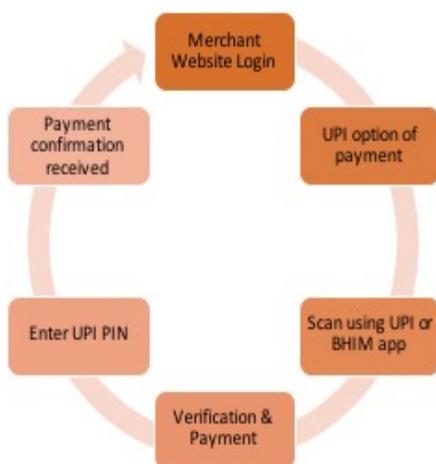
Key Players in the UPI ecosystem:

- Payer PSP
- Remitter Bank
- NPCI
- Bank Account Holders
- Payee PSP
- Receiver Bank
- Merchants

Some of the Online Payment use cases for the UPI platform:

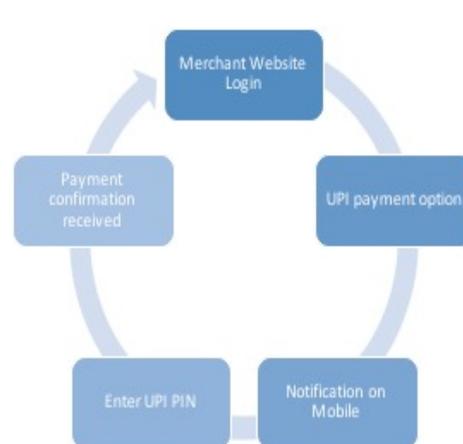
Natural Gas Industry

Merchant displays QR code on the website



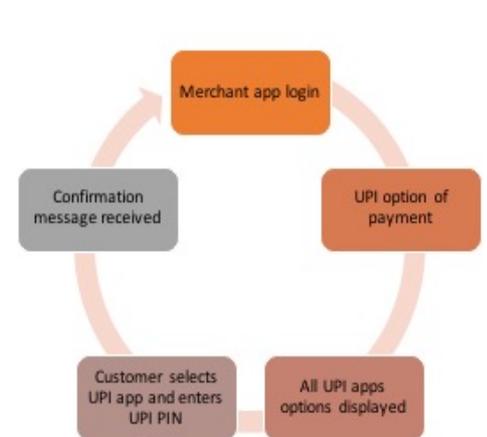
Indian Railways

Merchant sends payment request using customer's UPI ID



Travel Aggregator

UPI apps selected at checkout on the phone to complete payment



(Source: NPCI)

Impact of UPI

Since its inception UPI has had a huge impact on the payments ecosystem with an ever increasing number of players onboarding onto the UPI ecosystem.

Post demonetisation UPI has been growing at a phenomenal rate and has been an essential factor in supercharging the payment systems with many banks building their mobility products around it.

As of July 2018, there were 115 members who were already live on the UPI platform, while over 39 banks have their own mobile banking apps integrated with the UPI platform.

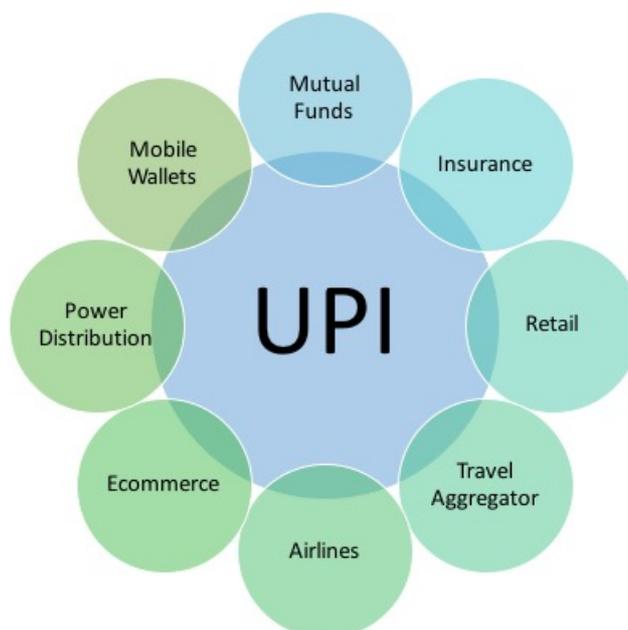
While this has been rapid progress, its true impact on the payments ecosystem can be assessed from the accelerated rate at which the platform has been leveraged for making payments both in terms of volume and value over the time UPI has been launched. If we compare the figures on a QoQ basis we see double digit growth in last few quarters which will only increase in the times to come.



(Source: NPCI)

The main driver for its rapid growth can be attributed to the promotion by member banks and also increased user acceptance of the platform post demonetisation.

UPI has benefited most industries in augmenting their customer payments making it more efficient and secure. Below are a few sectors which have benefited from UPI:



UPI 2.0 Features

While the basic Unified Payments Interface (UPI) features continue to be available for UPI 2.0 as well, it has been upgraded with a host of enhancements and features

Key Features & Benefits:

Linking of Overdraft (OD) Account

The user has the facility to **link their existing Overdraft (OD) accounts** to UPI and use it to make and receive payment just like the existing facility available for savings and current accounts

Benefits:

Allows users to leverage their existing OD account using the UPI digital channel thereby making UPI more relevant for business users

Updating One - Time Mandate with Block

User can **pre-authorise a transaction** or set a mandate which will debit their bank account at a later date. The amount will be blocked in the users account but will be debited only once the mandate has been completed. Currently user is **allowed to set one-time mandates only**

Benefits:

Ability to make deferred payments set for a later date ensuring merchants can accept payment terms at a later date as the amount is blocked for the transaction and is executed on the completion of the set mandate

UPI per transaction cap increased to Rs. 2 Lacs

Invoice in the Inbox

On **receipt of a collection request**, the user will have the **facility to verify the invoice** received from the merchant via a link shared prior to making the payment; this is available for **invoices of verified merchants only**

Benefits:

View the bill/invoice and post verification pay the invoice

Signed Intent & QR

This features enhances the security while making payment using the intent or QR scan in the form of signed QR / intent, this will avoid the issues related to tampering of the QR and reduce non - verified entities

Benefits:

Authenticity of the payment receiver is verified while scanning the QR code and payment will be processed faster as app passcode will not be required

UPI 2.0 Use Cases

Considering the wide applicability of the UPI 2.0 features across multiple industries, we have captured a few use cases which might be relevant to different industries



Banks and Financial Institutions have an opportunity to analyse the customers Overdraft (OD) UPI transaction history to help offer customised credit facilities for the customer
Invoice in the Inbox offers an opportunity to understand if they have any invoice financing needs



Using the one – time Mandate feature, merchants transacting on the e-commerce websites can be assured of payments using the one-time block mandates for existing and pre-launch products where they get paid only on delivery of the goods



Using the collect mandates which will essentially block the amount of monthly / quarterly / annual subscriptions and be paid once the service is delivered

Relevant for DTH, mobile, magazine subscriptions etc. which ensures steady stream of revenues without the risk of interruption of subscription leading to loss of revenue



The Invoice in the Inbox feature can allow healthcare institutes to share the reports with the patients who can then pay the invoice post verification

Hospitals can leverage collect request mandates for collecting deposits from admitted patients which reduces the hassle for the patient while also reducing the operational risk for hospitals



Use the collect request mandate to receive the school / university fees from the students on a monthly / quarterly / half – annually basis which ensures revenue visibility and assurance for the institutions while at the same time its not a burden on the students family as well



The one-time mandate can be used for the hotel, bus aggregators, cab service providers wherein the amount for the service to be utilized can be blocked to be paid at a future date based on date of utilization of service



Property developers can submit collect mandates to recover the booking amounts and pre-EMIs where required in seamless manner



High end consumer durables and jewellery transactions will be attracted to the UPI ecosystem considering the transaction cap has been doubled to Rs. 2 lacs

Conclusion

In conclusion, UPI 2.0 has added few key features missing from the initial UPI launch, which will further accelerate its adoption, while at the same time it also provides a gamut of opportunities to fintech and industry players to leverage the UPI platform to further provide innovative and customer focused products and services by getting to know their customer better

UPI has been a key catalyst in transforming the payments ecosystem in the country and UPI 2.0 has taken the ecosystem further by opening up possibilities for a host of potential innovations leveraging the platform.

Our analysis suggests considering the host of possibilities and areas where innovation is just waiting to take place, Winjit can be an excellent partner to take this innovative journey with you considering our expertise in building sustainable mobility solutions.

Finally, understanding the customer and leveraging technology to drive innovation is the only way forward for customer retention and growth

References

1. <https://www.profitbooks.net/upi-unified-payment-interface/>
2. <https://www.bhimupi.org.in/upi2>