

① Do you think that Unified Payment Interface based payments needs to be charged in the country? Analyse.

UPI is a payment system, smart phone based used to transfer money between bank accounts in a digital manner.

charging of UPI payment system

Centre in 2020 rolled out a zero charging payment system for UPI, to promote its goal of financial inclusion.

Effect.

UPI payment system ⇒ reached milestone of 82% of transaction by volume and 23% by value.

Zero charge payment system

Short term success of this system, is applaudable; as during COVID-19 lockdown

Intro
UPI
charging of UPI
Zero charge
Alternatives

when people preferred contactless payment, UPI has helped them greatly

But in long term it becomes unsustainable. Government has allocated funds to compensate for the payment service providers such as Rupay debit card & UPI services, in last 2 fiscal. It may increase the government's fiscal burden in long term.

Recently RBI has issued a white paper considering charging the UPI-payment system. But ~~the~~ sudden implementation may affect centre's vision to ~~ach~~ realise full financial inclusion. So RBI can consider some of alternatives before full scale implementation.

Alternatives

⇒ charging for the transaction beyond any permissible limit

⇒ keeping charges free for a fixed number of transactions and charging the rest

⇒ Merchant discount rate for UPI transactions can be considered ~~for~~ with upper limit. For credit card and wallet payment, charges must be higher as it is interest free credit; yet upper limit linked with policy rate can be considered.

⇒ MDR for RTGS, NEFT has to be charged for banks using such facilities, with upper limit and for others it can be market driven.

Sustainable payment system will work in a fruitful manner only if we consider the situations of both the stakeholders and further study on this, is required for smooth transaction.