

e-Rupi: Efficient and Transparent Solution for DBT To Masses

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ABSTRACT:

Direct Benefit Transfer or DBT scheme was introduced by government to transfer benefits of various government schemes directly to the public. It is an attempt for transferring subsidies directly to the beneficiary through their bank accounts. But the current DBT mechanism is unable to track that whether the money provided was used to avail the benefits for which it was intended or not. To deal with this problem the National Payments Corporation of India on its UPI platform developed e-Rupi.

PM Narendra Modi launched e-Rupi on 2 August 2021. e-Rupi is an end to end cashless and contactless one-time digital payment mechanism. Under it e-voucher in form of QR-code or SMS string will be delivered to the beneficiaries' mobile number, and this voucher can be redeemed only at specific centre's having specific purpose code. The mechanism of e-Rupi is intended in making direct benefit transfer more effective as it will ensure quick, safe, transparent and leak proof delivery of welfare schemes.

Keywords - Direct Benefit Transfer, cashless, contactless, Corporate Social Responsibility

Detailed Mechanism of e-Rupi System

The e-Rupi Mechanism involves following entities

1) Sponsor

They include the Union and state government or corporate who are interested in sponsoring any scheme. They will request bank for creation of e-Rupi.

2) Issuer Bank

The banks authorized by RBI will initiate the request to issue e-rupi Voucher.

3) Beneficiary

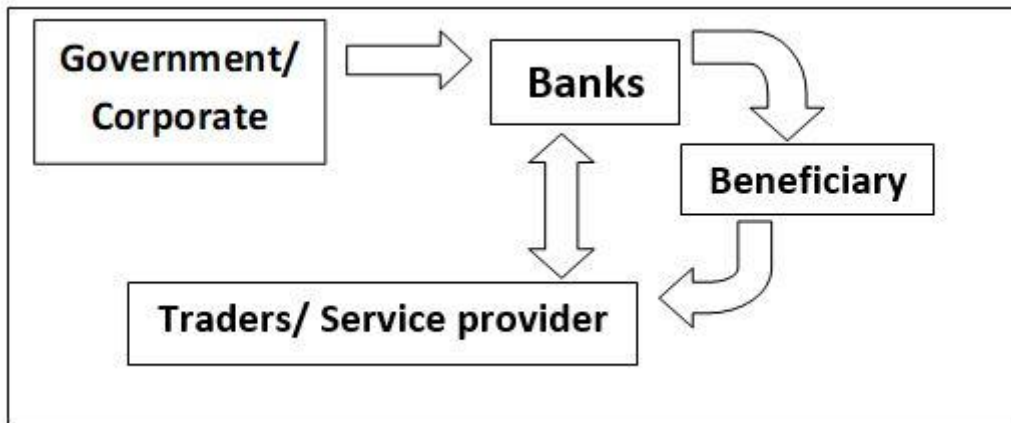
The person to whom the e-Rupi voucher is issued in form of a SMS string or a QR-code. He may not be a bank account holder, and no smart phone or internet connection is required, but should possess a basic feature phone at least.

4) Designated/Authorized Merchant

These are the traders or service providers authorized as specific voucher acceptance points where e-Rupi can be redeemed/ used. Like Hospital, chemist, Agri-goods suppliers etc.

5) Acquiring Bank

These bank authorized by RBI shall provide facility to the merchants to accept the e-Rupi for redemption.



Working-

1. The sponsor viz., Union and state government or corporate approaches the issuer bank for issuance of e-Rupi prepaid voucher from their respective bank accounts with specific purpose code. The voucher is in form of a SMS string or a QR-code
2. The SMS string or a QR-code is then sent to the mobile number of beneficiary as specified by the sponsor. This voucher is for one time use only and it is non-transferable and non-reloadable.
3. Now the beneficiary having the e-Rupi voucher for a specific purpose can approach the Merchant for purchase of goods or services but most important condition here is he can redeem the voucher only at a designated merchant with valid Merchant Category Code (M.C.C.).
4. The purpose with which the voucher was issued when matches with the M.C.C. then only it can be redeemed.
5. The designated merchant scans QR code or SMS string shown by beneficiary, with help of facility provided by the Acquiring Bank. A One Time Password (OTP) is sent on the beneficiary mobile number for final confirmation, once approved the transaction gets completed.
6. Funds gets transferred from the Issuer bank to the merchants account at the Acquiring bank.

Advantages of e-Rupi System-

1. **More Transparency in Implementation Schemes of Subsidy-**e-Rupi is beneficial in transparent implementation of scheme under Ayushman Bharat, Gramin Awas Yojana, Cycle distribution, Laptop distribution etc.
2. **No delay in Payment-** The beneficiary gets the amount of subsidy at the stage of procurement itself, this solves the problem of delay in payments of various government schemes.
3. **Stops Misuse of Money-** e-Rupi voucher will work between the selected only if beneficiary uses the voucher at the designated trader with specific category code, if there is mismatch payment will not be done. Thus the system restricts misuse of funds.
4. **Totally Digital-**With the e-Rupi system, the issuer can easily track how, when & where their funds are utilized, with complete electronic record.
5. **Private firms Advantages-** Corporates can use it for spending CSR funds in a transparent way. Private sector can use this platform solution to offer benefits to its employees. This will ensure proper use of funds.
6. **No Intermediary-** e-Rupi ensures Direct benefit transfer and there is involvement of any intermediary in the process, which brings transparency.

Limitations of eRUPI system-

There are some limitations in the above system they can be listed as follows

- Very Few Number of Banks-** There are only 21 Issuer Banks in India as of now associated with this system, this means large number of banks are in waitlist until the platform succeeds nationwide.
- Mobile phones Users-** The backward or economically weaker sections of society are not 100% mobile phone user. This means such people cannot be benefitted by above system as mobile is basic requirement in above system.
- Expiration-** The e-Rupi is a prepaid service, if not used in pre-defined time it gets expired. This again is an important limitation.
- Misuse by Third party having Beneficiaries Phone-** If any third person is in possession of beneficiaries mobile phone then there is chance of misuse as per above system.
- Technical Problems-** The e-Rupi system works in completely electronic way. Technological problems may arise under the electronic process.

Current Uses & Future Scope-

Currently the pilot of e-Rupi system has been initiated for providing various schemes. From September 2022 till December 2022, e-Rupi has been used by National Health Authority and also by Haryana, Madhya Pradesh, Odisha & Tripura state government. The current uses and status is being depicted in following Table 1.1

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Sr.No.	Use Case Names	Voucher created	Voucher Redeemed	% Reedemed
1	National Health Authority: AB-PMJAY	59479	6727	11.30%
2	Haryana Government: Mobile Distribution	3085	2211	71.67%
3	Tripura Government: Student Stipend	2	0	---
4	Madhya Pradesh Government: Cycle Distribution	550	21	3.81%
5	Madhya Pradesh Government: Agriculture Equipment Distribution	520	436	83.85%
6	Odisha Government: Seed Distribution	226	8	3.53%
	Total	63862	9403	14.72%

Table 1.1- e-Rupi use statistics from Sep. to Dec. 2022

Source- <https://www.npci.org.in/what-we-do/e-rupi/product-statistics>

The e-Rupi system in pilot mode has been implemented for delivering of above schemes, especially the 'push model welfare schemes', can be successfully implemented. The above table shows the schemes through e-Rupi, the number of vouchers generated and redeemed till date (December 2022).

Considering above table it is quite evident that there is a big gap between the voucher created and number of vouchers redeemed. The overall voucher created to redeem ratio is 14.72% signalizes the need to register more and more Traders for easy disbursal and to create more awareness and to simplify the procedure.

Some Suggestions-

1. Awareness programs-

A targeted awareness program is much needed to ensure success of the system, making aware the masses regarding safe use of voucher as well as training to designated traders will ensure success of the system.

2. Increase in Number of Banks-

Currently only 21 banks are authorized by RBI to issue e-Rupi vouchers, more banks should be allowed and enabled to issue the vouchers so that volume of transaction can be increased at a faster rate.

3. Safety and security-

Although the e-Rupi system designed by NPCI is safe and secure but still there are chances of vouchers misuse and to deal with Safeguards must also be put in place so that the risk of any misuse of the e-RUPI solution at the point of redemption is addressed, including where the SMS-string or QR code is shared with another person and accordingly does not get utilized by the rightful beneficiary. Timely audit and strict actions are required to be put in place to deal with the misuse of the system especially by the at the point of redemption.

4. Multiple Times use of single voucher-

Earlier the voucher once issued was used one time only but in a latest change, the multiple use of single voucher is allowed till the benefit in is exhausted. Such multiple times use was much needed.

5. Promoting Private players to Use the system-

In addition to vouchers issued by the government, private players should also be motivated and incentivized to use e-Rupi platform. Use of e-Rupi can become an effective and transparent way of spending their corporate social responsibility (CSR) funds. Indian companies spend huge amount on CSR activities. As per MCA in FY-2018-19 it amounted to Rs.20163 crores, FY-2019-20 it was 24864 crores and in FY-2020-21 it was Rs.20360 crores. E-Rupi system may prove to be a revolutionary step if properly implemented, this system can bring transparency in complete CSR spending by corporate.

Conclusion-

e-RUPI is a revolutionary step in the direction of ensuring a leak-proof delivery of welfare services. It will provides complete transparent and targeted way of transferring benefits of the central and state government schemes to the beneficiaries. It will strengthen the current direct benefit transfer (DBT) system.

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