

2. UPI and PayNow

Why in News?

- India's Unified Payments Interface (UPI) and Singapore's PayNow have recently been integrated to enable faster Remittances between the two countries

Highlights

- UPI is India's mobile-based fast payment system, which facilitates customers to make round-the-clock payments instantly, using a Virtual Payment Address (VPA) created by the customer.
- VPA is a unique identifier assigned to an individual to facilitate the transfer of funds through a digital payments system.
- It is a user-created identifier that can be used instead of providing sensitive bank account details while making payments.
- It eliminates the risk of sharing bank account details by the remitter.
- UPI supports both Person-to-Person (P2P) and Person-to-Merchant (P2M) payments and it also enables a user to send or receive money.
- Singapore has become the first country with which cross-border Person to Person (P2P) payment facilities have been launched.
- The UPI-PayNow partnership marks the world's first to feature cloud-based infrastructure and participation by non-bank financial institutions.
- PayNow is a fast payment system in Singapore.
- It enables peer-to-peer funds transfer service, available to retail customers through participating banks and Non-Bank Financial Institutions (NFIs) in Singapore.
- It allows users to send and receive instant funds from one bank or e-wallet account to another in Singapore by using just their mobile number, Singapore National Registration Identity Card (NRIC)/Foreign Identification Number (FIN), or VPA.
- The project is expected to greatly benefit the Indian diaspora, especially migrant workers and students, in Singapore as it allows faster and cost-efficient funds transfer across both countries without the mandate of getting onboard the other payment system.
- As per the ministry of external affairs (MEA) document Population of Overseas Indians (2022), there are approximately 6.5 lakh Indians, including non-resident Indians and persons of Indian origin, currently residing in Singapore.

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- Of the total inward remittances to India in 2020-21, the share of Singapore stood at 5.7%, according to the RBI (Reserve Bank of India) Remittance Survey, 2021.
 - Integration of the system will bring down the cost of sending remittances by as much as 10%.
 - By reducing the cost and inefficiencies of remittances between Singapore and India, the PayNow-UPI linkage will directly benefit individuals and businesses in Singapore and India that greatly rely on this mode of payment.

