

## UPI123Pay: Payment solution for feature phone users

The new UPI-based service is designed to bring the digital payments platform to a significant number of feature phone mobile subscribers in the country, which is estimated to be more than 40 crore.

Feature phone users can avail four options to make payments without internet connectivity: Interactive Voice Response (IVR), app-based functionality, missed call facility and proximity sound-based payments

M-PESA, Africa's leading mobile money service, is one of the few mobile service providers who do not use internet for financial transactions.

### Ishan Patra

The story so far: On March 8, the Reserve Bank of India launched a new Unified Payments Interface (UPI) payments solution for feature phone users dubbed 'UPI123Pay'. UPI, which was introduced in 2016, has become one of the most used digital payments platforms in the country. The volume of UPI transactions has already reached \$76 lakh crore

in the current year, compared to \$41 lakh crore in FY21, RBI Governor Shaktikanta Das said. However, at present, efficient access to UPI is available largely via smartphones, the Central bank noted.



## How does the new solution work?

The new UPI-based service is designed to bring the digital payments platform closer to a significant number of feature phone mobile subscribers in the country, which is estimated to be more than 40 crore. UPI123Pay will materially improve the options for such users to access UPI, who could earlier access the digital transactions platform through the USSD-based process, using the short code of \*99#, which according to RBI is not popular. The USSD-based process is considered cumbersome, with users required to send multiple messages and charged for the same, and not supported by all mobile service providers, T Rabi Shankar, RBI Deputy Governor, noted.

With the UPI123Pay, feature phone users will be required to go through an onboarding process where they have to link their bank account to their feature phone and then set a UPI PIN using their debit card for authenticating transactions. Once they have completed this initial process, users will be able to use the new UPI facility for person-to-person as well as merchant transactions, among others, through one of the four distinct payment options that don't require an internet connection.

“The launch of UPI123Pay makes facilities under UPI accessible to that section of society which was so far been excluded from the digital payments landscape. In that way, it is promoting great amount of financial inclusion in our economy,” Mr. Das said.

## How will users make payments without internet?

The new UPI payments system offers users four options to make payments without internet connectivity: Interactive Voice Response (IVR), app-based functionality, missed call facility and proximity sound-based payments. Using the IVR option, users would be required to initiate a secured call from their feature phones to a predetermined IVR number and complete UPI on-boarding formalities to be able to start making financial transactions like money transfer, mobile recharge, EMI repayment, balance check, among others.

The missed call facility will allow users to access their bank account and perform routine transactions such as receiving, transferring funds, regular purchases, bill payments, etc., by giving a missed call on the number displayed at the merchant outlet. The customer will receive an incoming call to authenticate the transaction by entering UPI PIN.

They could also install an app on their feature phone through which several UPI functions, available on smartphones, will be available on their feature phone, except scan and pay feature which is currently not available.

Finally, they could utilise the proximity sound-based payments option, which uses sound waves to enable contactless, offline, and proximity data communication on any device.

## Do other countries have something similar?

Mobile payment systems that do not rely on internet connectivity like the ones based on USSD or SMS technology were introduced many years ago and are still being used in some developing countries.

In fact, one of the major mobile payment systems globally was introduced by Vodafone's Kenyan associate, Safaricom in 2007. M-PESA, which is Africa's leading mobile money service, operates across the Democratic Republic of Congo, Egypt, Ghana, Kenya, Lesotho, Mozambique and Tanzania, with 51 million customers making over \$314 billion in transactions per year through the service, according to Vodafone.

## Expected Question (Prelims Exams)

- Q. Which of the following payment solution for feature phones has been launched by Reserve Bank of India?**
- (a) UPI Pay
  - (b) UPI 231 pay
  - (c) UPI 123 pay
  - (d) None

## Expected Question (Mains Exams)

- Q. What is UPI? Explain the role of Digital Technology in achieving financial inclusion. (250 Words)**

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**Note: - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC main examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.**