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Unified payment interface to be functional by month-end: Rajan

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RBI Governor Raghuram Rajan NAGARA GOPAL

Hyderabad, July 18:

The Unified Payment Interface (UPI) will be functional by the end of this month, according to Raghuram Rajan, Governor, Reserve Bank of India.

“I have been assured by the NPCI in this regard and we are on the verge of solving some problems,” Rajan said during a seminar on financial inclusion at the National Institute of Rural Development and Panchayati Raj here on Monday. UPI, he said, will eliminate the need for going to bank branches.

Under such an interface, a bank provides the user with a virtual address, which could be shared with the payee. This eliminates the need to share the mobile number or the account number, thus ensuring privacy and promoting a cashless economy.

Financial outreach

On financial inclusion, he felt that the approach based on mandates and subventions (such as priority sector norms and interest subventions) had “positive” social benefits that were not captured by the service provider and were “reasonable” from a societal perspective though there were some risks associated with them.

“So while acknowledging the value of mandates at the RBI, we have tried to make them more effective. For example, the list of sectors eligible for priority sector treatment has been revised, with emphasis on targeting the truly excluded,” Rajan said.

Likewise, creating right institutions such as local financial institutions and going beyond a credit-driven approach to focus on easing payments and remittances could be of help, he added.

While managing the process of financial inclusion, some important issues, including Know Your Customer (KYC) requirements, encouraging competition to prevent exploitation, ensuring some flexibility and forgiveness in financial arrangements, encouraging financial literacy and ensuring consumer protection should be kept in mind, Rajan said.

Rupee value

Later, while responding to queries from the audience, Rajan said, the rupee’s exchange value was “pretty reasonable” at present and any move to devalue the rupee to boost exports had to be examined well as it could lead to other consequences such as inflationary pressures.

On whether the Indian economy could overtake that of the Chinese, he said China’s GDP per capita was now four times higher than India’s; the figure in the two countries had been almost the same in the 1960s.

“We need many more years of sustained growth,” he said, adding that GDP numbers apart other factors such as sustainable and equitable development are important indicators.

To expand credit reach, Rajan said banks could also explore collaborating with moneylenders without 'reputational risks' and who do not indulge in unethical practices.

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