

## **Edited Transcript of All India Radio's Exclusive Interview with Deputy Governor, Shri T. Rabi Sankar: February 22, 2023**

In the Spotlight programme of All India Radio (AIR), Shri T. Rabi Sankar, Deputy Governor, Reserve Bank of India gave an exclusive interview on the cross-border linkage between India's UPI and Singapore's PayNow digital payment systems.

**AIR:**

Today, our cross-border linkage was launched between India's UPI and Singapore's PayNow digital payment systems. To discuss this milestone and global financial connectivity, we have with us, Shri T. Rabi Sankar, Deputy Governor, RBI. Sir, a warm welcome to you from All India Radio.

**T. Rabi Sankar:**

Thank you for having me.

**AIR:**

Can you tell us about the significance of this linkage between UPI and PayNow and its key objective?

**T. Rabi Sankar:**

UPI, as we know, has revolutionised fast payment systems in India. It has increased the digitisation of financial transactions. It has increased financial inclusion to a degree that would not have been imaginable, let's say, 5 years back. Now, these benefits have led to economic efficiency and better productivity. It has led to more economic activity as well. While these benefits have been there, we have been trying to focus on two specific areas. One is globalised UPI in general and two is to ensure that the UPI benefit also extends to the large Indian diaspora that exists elsewhere. So, one of the things we were focusing on from the second point of view is to enable remittances with pretty much the same efficiencies that UPI provides for domestic transactions. Therefore, we have been focusing on remittance corridors from where we receive most of the remittance as India's remittances last year were about US\$100 billion.

We are trying to focus on corridors through which these remittances flow, such as, the Middle East, the US, Europe, Singapore and so on. In this respect, to focus on Singapore where there are about 3.5 lakh Indians which is about 9% of their population and that is significant. A lot of students are there, a lot of people are employed in the financial sector, a lot of businessmen operate there. In fact, I was told that Singapore has the highest concentration of IIT, IIM graduates of any city in the world. There is a lot of Indian presence. They have relatives here. They have friends here. They would like to make transactions; they are making transactions nowadays using the usual banking Apps. We want to give them one more facility, which would be a fast payment linkage. This fast payment link of UPI and PayNow enables those abilities for people in India and people in Singapore to make remittances to each other very quickly at cheaper cost with safety.

**AIR:**

So, the Government has relentlessly been making efforts to enhance the ease of doing business and ease of living, especially for professionals and entrepreneurs not only in

India but also for persons of Indian origins working abroad. How do you feel this will boost trade between India and Singapore and maybe other countries when we talk about expanding this initiative?

**T. Rabi Sankar:**

The basic point is once the payments are linked, then payments become effective or efficient; economic linkages, economic cooperation, and economic activities across borders become that much easier. Payment is the essential leg of any economic transaction. This is sort of creating a digital infrastructure which adds immensely to the efficiency or even economic productivity in all countries that are linked. Personal remittance, I might like to send to a person in India, I may have to use for sending to son or daughter, let's say, studying in Singapore. Similarly, a professional giving advice might receive money through this system and the fact that this is fast and cheap, it will add efficiency to that particular business. So, in addition to ease of living, this adds to the ease of doing business as well.

Going forward, in addition to personal remittances, we are also trying to link UPI payments and globalise UPI so that every other country will have some fast payment system, either their own or they can use UPI. Many countries are talking to us. If many countries have that, then the entire cross-border network of payment can happen on a fast payment system and that augurs very well for global trade and global payments. We believe that there will be benefits generally, but there will definitely be a benefit to India and Indians. Apart from the fact that UPI will be global, it will be a product that others will use, and increased efficiency of economic activity will benefit.

**AIR:**

Sir, can you tell us briefly about the challenges of the overseas remittance ecosystem which necessitated this initiative and what is the potential and the future roadmap for establishing such cross-border linkages with digital payment systems of other countries across the world?

**T. Rabi Sankar:**

Currently, remittances entirely happen through the banking system. So, for example, today, if I have to send money to a relative staying somewhere, I have to approach a bank either through the banking software or net banking App or mobile banking App or go to a bank branch and do these transactions. India is a country which has capital control. So, the bank will have to make sure that you are sending it as per capital rules or capital regulations that are in place. All this process involves effort, time and money. In fact, there is a global effort in G20 on how to make cross-border transactions faster and cheaper. A study by the World Bank says that the average cost of sending a small-value transaction is about 6%, that is very high. The amount of time taken is in days, that's also very high.

That is the current system and given that domestically, we have a fast payment system which has evolved over the last 5 to 10 years, UPI in India is probably one of the best-known examples, but other countries also have them. Linking these payment systems gives us the choice of making a transaction which can happen. For example, the UPI, PayNow linkage enables a transaction to happen in less than a minute and the cost,

etc., will also gradually come down. It is cheaper even now but as more and more people come in, I am sure cost efficiencies will further improve. So, the global problem of how to ensure that cross-border transactions are cheaper and faster can to a great extent be achieved, especially for small-value transactions through such linkages. That is the larger benefit that will accrue to everyone.

**AIR:**

Do you feel that these linkages enhance transparency in cross-border transactions, and also if you could tell us about the aspect of safety and security?

**T. Rabi Sankar:**

Transparency, yes. Safety and security, one thing about payment systems in general and certainly fast payment systems, is that in India we put a lot of emphasis on the fact that transactions must be safe, users' funds must be safe, and incidents of fraud must be minimised. Now towards that end, the Reserve Bank has done a lot of things, two factor authentication and setting your own limits on cards, many such measures. Last year, we did that tokenisation. All these are measures aimed at ensuring that the customers' information, data and funds all of them are safe. Simultaneously, all financial transactions will have to answer to AML/CFT concerns and will have to pass fraud risk management checks and so on.

Now we have been focusing on that for all payment systems. All those safety features will also be available since they are available in UPI, and they will also be available for cross-border transactions. So, in terms of safety, in terms of controlling frauds and therefore protecting customers' funds, these would be second to no other payment system. They would all be as effective. Additionally, the other point which you raised about transparency, yes, when transactions happen digitally, the processes are simple, and data can be disseminated at an almost real-time interval, definitely daily. So, the knowledge and the data that you gain can be at a much faster frequency compared to other modes of payment. So, in terms of transparency as well, this will be of such linkages. Once they become globalised, will play a very significant part.

**AIR:**

On a larger scale, do you feel that by utilising digital transaction histories, there will be enhanced credit access not only for big entities but also for small business entities?

**T. Rabi Sankar:**

That could very well be there. The normal traditional way of evaluating whether someone can get credit is to understand that person's finances, person's standing, cash flows and all that. Now to the extent data is available about cash flows, about a certain person or a certain business and to the extent that individual data needs to be consent-based. It is consent-based even in this. To the extent that data is available to any lender, the access to credit increases the so called cash flow based lending and so on. The basic theme here is that the more information that lenders have about a borrower, the less the information asymmetry and, therefore, the more effective will be the flow of credit. So, yes, even credit access improves when data becomes available and in a form that can be analysed.

**AIR:**

As you mentioned and also the Prime Minister in his speech today said that India has emerged as one of the fastest-growing financial tech ecosystems. UPI, in fact, has grown by leaps and bounds since its launch in 2016. So, can you tell us what were the key milestones in this seven year journey of UPI and how has it touched and upgraded the lives of all sections of our society?

**T. Rabi Sankar:**

UPI has made it easy for one to undertake digital transactions to such an extent that people who are otherwise not digital savvy can use it very easily. All you need is to have a cellphone. So, you have vegetable vendors or your milkman or the person who comes and you can actually make payment using UPI. The usual hassle of getting the exact change, all those things are now pretty much a thing of the past. They held this increased digitisation and the consequent increase in financial inclusion adds to economic efficiency, and productivity in the system increases. Now, this is the basic UPI protocol that gives you these advantages. Now given that UPI is an infrastructure, any number of used cases can be built on it and they have been built on it. Those are some of the benefits. For example, we have recently announced in the policy that UPI will now be accessible to foreigners who come into India and don't have a bank account in India. It will be implemented very soon. That will probably give a fillip to tourism.

Similarly, we have launched UPI which can be used even without a smartphone. It can be used through feature phones, through various techniques. UPI, these sorts of used cases are coming up and becoming popular because of UPI. We are trying to ensure that UPI and similar digital payment systems can be used in such a way that even in the absence of connectivity, even in the absence of smartphones, payments can actually continue to happen as efficiently. Overall, it will increase the economic efficiency in India and to the extent, we are globalising UPI, it will increase the economic efficiency of cross-border transactions and trade.

**AIR:**

Do you feel that India will play a leadership role in helping other countries also adopt similar systems?

**T. Rabi Sankar:**

Absolutely. In fact, I might say India is recognised as a major player globally in terms of its payment systems efficiency, in terms of its fintech ecosystem, in terms of its start-up, and the vibrancy of its start-up ecosystem. India already has been recognised for this. The ability of Indians to innovate and come up with innovative solutions to social and economic problems is pretty well recognised. So, India is in a good place. India has the systems. India has the infrastructure and India has actually shown how that infrastructure can be extended to a population scale. UPI is probably the best example of that.

Given all this, there is a lot of interest from many countries outside to use UPI and generally to either borrow or learn from India's payment systems, many countries are showing interest. We already have UPI available for merchant payments in the UAE,

and Singapore since 2019, these are merchant payments. So, what we enable today are person-to-person remittances. We also have them in Bhutan and Nepal, and some other countries are also in the pipeline. So, we would like to play a role where UPI becomes a globally recognised product and enables the benefits of UPI which we are now getting in India to extend those benefits to a global scale.

**AIR:**

Thank you so much sir, for giving us an overview of the Indian digital payment ecosystem and the cross-border linkage which was launched today between India's UPI and Singapore's PayNow.

**T. Rabi Sankar:**

Thank you so much.