Leveraging Digital Vouchers for Public Service Delivery: e-RUPI

By Paresh Dhokad & Veenu Singh | September 01, 2021
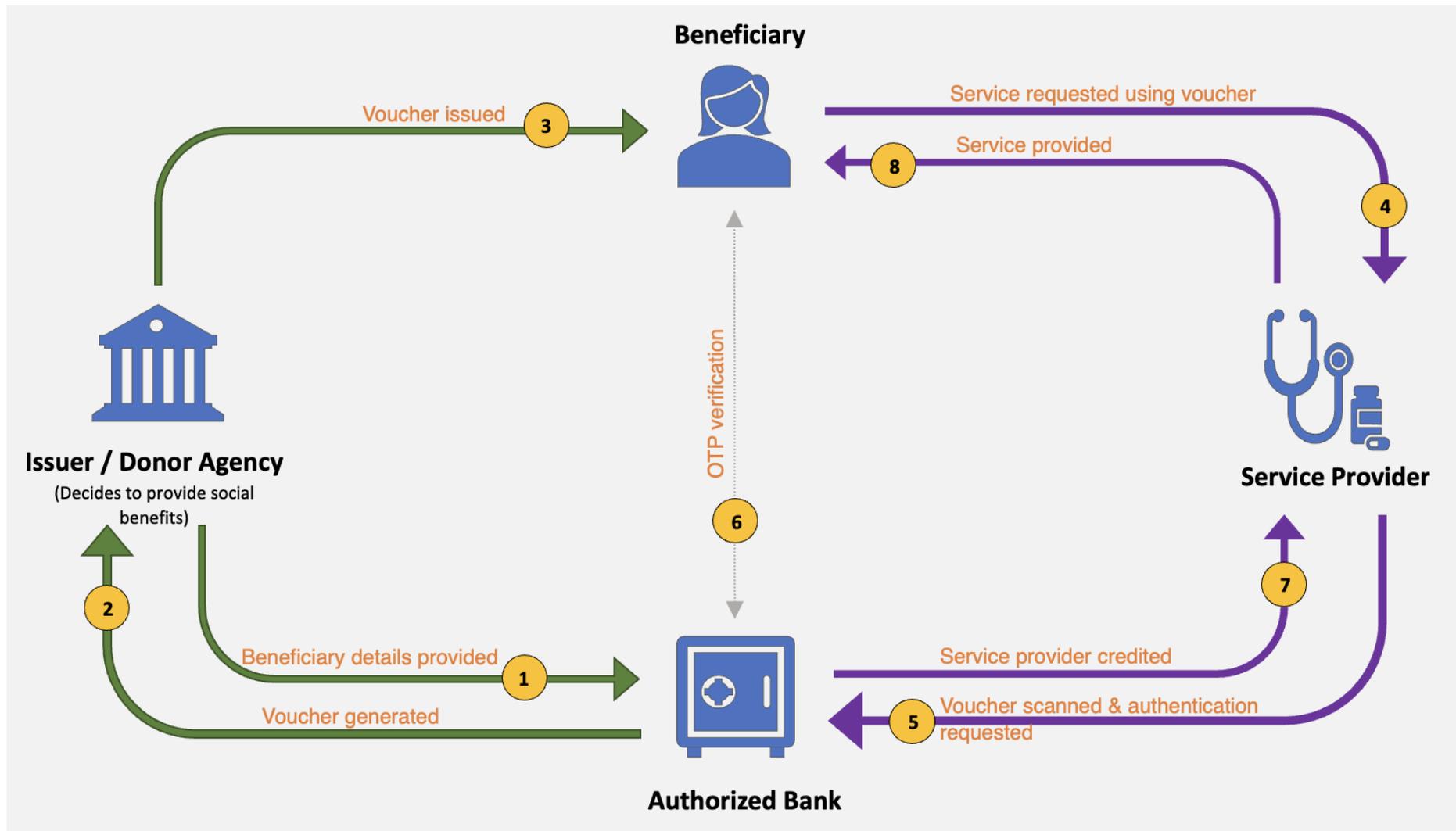

Image Source: MicroSave Consulting

The key challenge with any direct benefit transfer scheme is to ensure if the cash transferred to the beneficiary is being used for the intended outcomes. The recently launched e-RUPI payment system by the Government of India is targeted at linking the social benefit transfers to the intended purpose, and to ensure timely payments to the service providers without any intermediary. e-RUPI is expected to play a major role in ensuring targeted, transparent and leakage-proof delivery of public services.

While effective governance and inclusive institutions are the cornerstone of sustained economic growth, poor state capacity in developing countries often leads to inefficiencies in public service delivery. However, India stands out amongst the emerging economies for significant investments and progress in unleashing digital transformation in the public sector. From Jan Dhan-Aadhaar-Mobile trinity (JAM) to Public Financial Management System (PFMS) to India Stack to Unified Payment Interface (UPI) and Direct Benefit Transfer (DBT), India has embraced digital-led disruption to address societal challenges. A transformative step in this direction is the recently launched e-RUPI, a person and purpose-specific digital payment instrument, which is being touted as the effective solution to end leakage and targeting woes.

What is e-RUPI and how does it essentially work?

e-RUPI, developed by the National Payment Corporation of India (NPCI), is a one-time contactless and cashless voucher-based mode of payment, with the redemption of a voucher restricted to a specific individual for an intended purpose. It is essentially a prepaid digital voucher delivered electronically to a beneficiary through an SMS or a QR code. The beneficiary can further redeem these vouchers at designated vendors and service providers in exchange for intended goods or services.

For example, a Tuberculosis (TB) patient, with an e-RUPI TB treatment voucher issued under a public scheme can approach a designated hospital where he/she can redeem the voucher to avail of TB healthcare services. As soon as the SMS code is entered or the QR code is scanned, the voucher amount is instantly credited to the hospital by the government through the financial intermediaries.

Beneficiary

Voucher issued (3)

Service requested using voucher

Service provided (8)

(4)

Issuer / Donor Agency
(Decides to provide social benefits)

OTP verification (6)

Service Provider

(2)

Beneficiary details provided (1)

Voucher generated

Service provider credited

Voucher scanned & authentication requested (5)

(7)

Authorized Bank

Note: The chart above is representative and has been generated only as an aid in understanding the process of voucher usage by eligible beneficiaries. It is based on public information released by National Payments Corporation of India (NPCI)

What makes e-RUPI a path-breaking initiative?

While the DBT system necessitates the beneficiary to have a registered bank account linked to an Aadhaar card, all that e-RUPI requires is a functional basic phone. No need for a smartphone! No need for any debit/credit card, digital payment app, internet banking access or even an internet connection! All that a beneficiary needs is a mobile phone, capable of receiving an SMS or a QR-code.

Secondly, the service provider accounts are credited only when the transaction is completed by the beneficiary. This makes up for a leakage-proof payment system wherein the possibility of diversion of funds to alternate uses is restrained. The instantaneous transfer arrangement ensures the service providers are paid immediately without having them submit any claims, utilization certificates or supporting documents, thereby also enhancing the availability of working capital at their disposal.

From the issuer perspective, e-RUPI eliminates the hassles of any post-consumption verification, since the beneficiary is in a way pre-verified, and is eligible to redeem the voucher for the designated purpose only. e-RUPI, being a real-time payment system, is bound to reduce the logistics cost of public service delivery, promote economic growth in local areas and improve the marginal value of public funds through increased efficiency and impact. The goal is to put people first, to design and deliver services in a manner that is cost-effective, convenient, and inclusive.

e-RUPI: the beginning of a Revolution

To start with, the e-RUPI vouchers shall be issued for health programmes in India. The prepaid system is expected to address the key barriers in accessing and using health services, especially among vulnerable populations. It will ensure that the exclusion-inclusion errors in public cash transfers for health and nutrition subsidies are minimised. Although being piloted for health benefits, the e-RUPI mechanism has the potential to improve service delivery across multiple sectors, in multiple use cases.

As is the practice in the United States, Sweden and Hong Kong, the Government may use school vouchers to provide scholarships to students in state schools which are essentially subsidies specifically given for the purpose of education. Similarly, the skill development vouchers can be used to pay for vocational training at any of the approved skill providers. The vouchers can be employed to tap into the unbanked population in the agriculture sector. The fertiliser subsidy may also be given using Agri vouchers which the eligible farmers can redeem at the state-specified counters. The digital vouchers under e-RUPI can also be adopted by millions of MSMEs which may be instrumental in handholding a tech-shy and unbanked population towards a less-cash economy. This will in turn reduce payment frictions for small businesses which depend on subsidy support from the government.

Social vouchers could also be a great mechanism to deliver targeted public welfare to the migrants and the marginalised, a need strongly felt during the first surge of the Covid Pandemic. On similar lines, the voucher mechanism can come to great use at times of calamities or disasters for the distribution of relief and relief material. The e-RUPI payment system may also be further extended to social security programmes viz. pensions, unemployment benefits, insurance, etc. For example, e-RUPI could be leveraged to provide

pensions to the elderly in remote towns and villages who otherwise are left out of the security net for lack of documents or bank account.

Moving a step further, the vouchers may even be used to reward income taxpayers which has been proven to increase tax compliance. As in Japan and South Korea, the Government may issue e-RUPI visit vouchers for archaeological monuments, national parks, heritage sites, and the like for honest taxpayers. These measures will nudge growth in allied sectors of the economy, in addition to bringing in increased tax revenues for the government.

The gains of the e-RUPI ecosystem are not restricted to public service delivery only. The corporate sector may use e-RUPI to issue vouchers for various employee benefits like meal vouchers, transport allowance, vaccination, etc. It might also, under its Corporate Social Responsibility (CSR) obligations, choose to distribute food, shelter and medicine vouchers using e-RUPI amongst the needy to fulfil basic needs in times of crisis. Prominent individuals willing to assist, say COVID hospitalised patients, may partner with corporates to issue pre-paid vouchers which can be redeemed at hospital outlets or pharmacies to procure medicines.

Opening of New Possibilities

The e-RUPI payment system can enable the Central and the State Governments in effective targeting of their social benefits schemes, be it students and youth, pregnant women and lactating mothers, farmers, women entrepreneurs belonging to SC/ST/BC/Minorities, occupational categories like hawkers, hairdressers and tailors, pensioners of various categories, unemployed, etc. The government can monitor utilization levels of

the vouchers in real-time, and can also cap the limit on the maximum number of transactions or maximum amount of redemption per individual.

Along with the potential use-cases, e-RUPI transactions are also expected to generate tons of geo-tagged consumption information, collected through the redemption apps and devices of the service providers. This data can provide useful feedback to the policymakers to further finetune their policies and to take corrective action, if any. For example, the geo-coded information of redemption of fertilizer vouchers can provide useful information with regards to the fertilizer consumption patterns of the farmers, which when further tied with the soil health card and agricultural yield data, can provide valuable insights for fertilizer scheme redesign. The real-time data can also be used to analyse the consumption patterns of various public services in remote areas, north-eastern states and Aspirational Districts to make evidence-informed decisions.

The government may choose to make this data public as it can increase transparency and build trust in technology-enabled government systems. Once the government pulls away from being directly involved in service delivery and reduces the number of intermediaries in the supply chain, it can focus more on achieving and monitoring the outcomes of its interventions rather than being driven by activities and processes.

Challenges and Way Forward

As with any new pilot based on a technology-enabled framework, the e-RUPI is riddled with challenges. The government ought to build trust and make sure that the privacy of the beneficiaries is not compromised and all information including personal identifiers are encrypted. The Government should also set up a Monitoring

and Analytics Cell, under the Ministry of Finance to concurrently evaluate the implementation and enhancement of e-RUPI delivery architecture.

The team should also use data from e-RUPI voucher redemption for descriptive, diagnostic, and prescriptive analytics. Although the uptake of digital services and payments in India is heartening, there is still a need to make people in rural and remote towns more amenable to the use of technology. Further, ensuring good internet connectivity and infrastructure in terms of functional outlets/physical source points where e-RUPI can be used is critical.

Public service delivery in India is on the cusp of a digital revolution. The e-RUPI is a shift away from the *"business as usual"* approach to technology and is truly in line with the Prime Minister's call for *"Sabka Saath, Sabka Vikas, Sabka Vishwas"*.

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