

New rules on UPI transactions

March 30, 2023

In news— The National Payments Corporation of India (NPCI) has proposed new rules for UPI transactions.

What are the new rules?

- From April 1, some Unified Payments Interface (UPI) transactions of over ₹ 2,000 will attract an interchange fee of 1.1 per cent.
- According to NPCI, the **interchange fees will only be applicable for the prepaid payment instruments (PPI) merchant transactions** and there is **no charge to customers**.
- **The interchange fee varies for the different categories of merchants.** It ranges from 0.5% to 1.1% and a cap is also applicable in certain categories.
- The **move is reportedly aimed at increasing revenue for banks and payment service providers**, who have been struggling with the high cost of UPI transactions.
- **Interchange will not be applied in the case of peer-to-peer (P2P) and peer-to-peer-merchant (P2PM) transactions.**
- There is also **no charge for the bank account to bank account-based UPI payments** or normal UPI payments.
- The interchange charges introduced are **only applicable for the PPI merchant transactions** and there is no charge to customers, and it is further clarified that there are no charges for the bank account to bank account-based UPI payments (i.e. normal UPI payments).
- After the new rules, customers will have the choice of using any bank account, RuPay Credit card and prepaid wallets on UPI-enabled apps.

What does PPI payment mean?

PPI payment simply means **transactions through digital wallets**.

For instance: any payment made through PayTM wallet or PhonePe wallet will charge merchants some amount. NPCI is calling it an interchange fee.

Further reading:
<https://journalsofindia.com/national-payments-corporation-of-india-npci/>