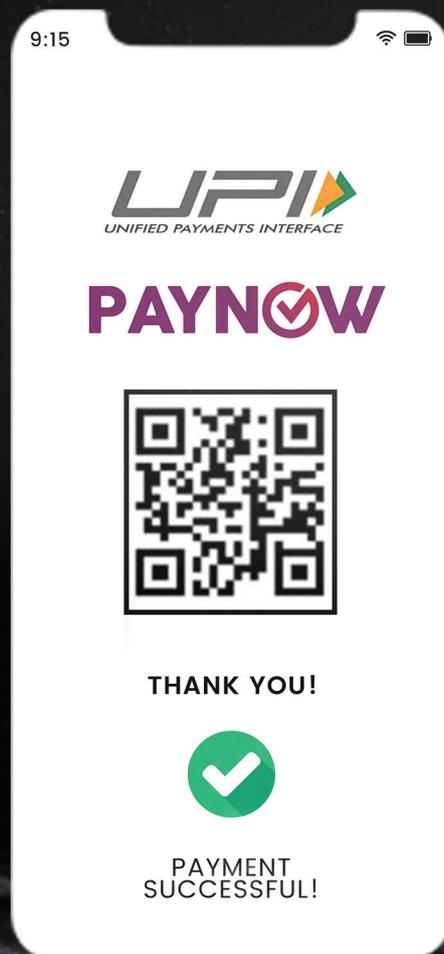


Driving Transformation:

# The UPI-PayNow Integration



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# Introduction

The integration of India's Unified Payments Interface (UPI) with Singapore's PayNow system has revolutionized real-time retail payments between the two nations. This collaboration has significantly boosted remittance volumes, offering competitive rates and unparalleled convenience to users. By merging PayNow with UPI, individuals can seamlessly transfer funds across borders using their mobile numbers, Singapore national registration identity card (NRIC), Foreign Identification Number (FIN), or Virtual Payment Address (VPA). This UPI-PayNow partnership marks a momentous achievement in establishing a robust infrastructure for cross-border transactions between India and Singapore.

Aligned with the G20's financial inclusion objectives, it champions faster, more cost-effective, and transparent cross-border payments. Notably, this linkage represents a groundbreaking advancement by leveraging a scalable cloud-based infrastructure, poised to accommodate future spikes in remittance traffic. Additionally, it stands out as the pioneering linkage to include a non-bank financial institution as a participant. The successful establishment of the PayNow-UPI linkage



**By merging PayNow with UPI, individuals can seamlessly transfer funds across borders using their mobile numbers, Singapore national registration identity card (NRIC), Foreign Identification Number (FIN), or Virtual Payment Address (VPA).**

is the result of extensive collaboration between the Monetary Authority of Singapore (MAS), Reserve Bank of India (RBI), payment system operators, banks, and non-bank financial institutions from both countries. It signifies a significant leap forward in bolstering cross-border payment infrastructure, aligning with India's G20 Presidency priorities aimed at enhancing the cost-effectiveness, speed, accessibility, and transparency of international transactions.

# Structure of the PayNow and UPI Integration

Prime Minister Narendra Modi heralded the launch as the inauguration of a new era in cross-border fintech connectivity. He highlighted that in 2022 alone, approximately 74 billion transactions, totaling over Rs 126 trillion, were conducted through UPI. Moreover, this initiative is poised to catalyze cross-border payments between India and ASEAN nations, fostering a conducive environment for digital transactions across borders. Sopendu Mohanty, Chief Fintech Officer of the Monetary Authority of Singapore (MAS), emphasized that the integration of systems could reduce the cost of remittances by up to 10%. The PayNow-UPI (PNUPI) linkage, unveiled in February 2023, establishes a connection between Singapore's fast payment system (PayNow) and India's (UPI) through cross-border gateways operated by the respective systems operators (BCS and NIPL). This linkage aims to facilitate swift, convenient, and cost-effective remittance services. Users can transfer funds rapidly and securely between the two countries by entering the recipient's mobile phone number, Virtual Payment Address (VPA) for Liquid Group recipients, or UPI ID for India Participating Banks recipients.

Figure 1 : Integration of the UPI-PayNow



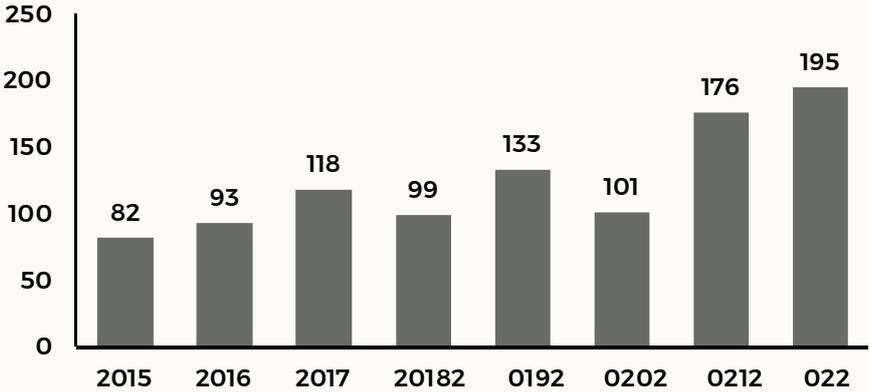
Source: [www.clicbrics.com](http://www.clicbrics.com)

# Transforming the payment transaction process into the SWIFT mechanism

The bank in Singapore initiates the transaction through conventional international payment channels, utilizing correspondent banks and the SWIFT network. Despite various alternatives available, such as SWIFT banks and local transfers through fintech payment providers, the SWIFT network remains a cornerstone in facilitating international bank transfers. However, it's important to note that the network doesn't physically transfer funds but rather transmits payment information akin to an international money order.

Your bank transmits payment information via the SWIFT route until it reaches the recipient's bank, contributing to the duration of international payments. Consequently, transfers to India typically take 1-3 business days. Although a SWIFT fee ranging from \$10 to \$50 may apply, there are no restrictions on the transfer amount. Moreover, analyzing inward direct investment flow data reveals that increases primarily stem from equity capital injections.

Figure 2: Singapore's Inward Direct Investment Flows by Component 2015-2022



Source: Singapore Department of statistics

# Participating Banks in the UPI-PayNow Integration

Customers of the participating banks and financial institutions in India and Singapore have the capability to conduct cross-border remittance transactions via the UPI-PayNow linkage. Presently, the participating banks in India that can receive remittances through the UPI-PayNow linkage are as follows:

- Axis Bank
- DBS Bank India
- ICICI Bank
- Indian Bank
- Indian Overseas Bank
- State Bank of India

Conversely, there are various apps and platforms available to facilitate sending and receiving remittances from India to Singapore through the UPI-PayNow linkage.

Table 1: UPI -PayNow app usage for sending and receiving remittance.

Receiving Remittances			Sending Remittances	
Banks	UPI Handles enabled	Featuring Apps	Banks	Apps/Internet banking
Axis Bank	@axisbank	Axis Pay	ICICI Bank	Internet Banking
DBS Bank India	@dbs	DBS Digibank	Indian Bank	Mobile App (IndOASIS)
ICICI Bank	@icici	ICICI iMobile	Indian overseas Bank	Internet banking
Indian Bank	@indianbank	IndOASIS	Indian overseas Bank	Internet banking
Indian Overseas Bank	@iob	BHIM IOB Pay	State Bank of India	Mobile App (BHIM SBI Pay)
State Bank of India	@sbi	BHIM SBI Pay	State Bank of India	Mobile App (BHIM SBI Pay)

Source: RBI

# Prospects for UPI-PayNow Integration



**Another avenue is broadening the scope of UPI and PayNow to support various transaction types, including cross-border remittances, education and real estate loan payments, and bill settlements.**

The UPI-PayNow integration is in its nascent stages, yet its potential for expansion and advancement is considerable. With the increasing adoption of digital payments, integrated UPI-PayNow transactions are poised to play an increasingly vital role in facilitating cross-border transactions. One avenue for growth is extending the integration to encompass other regional countries. As neighboring nations seek to develop their digital payment infrastructures, UPI and PayNow could emerge as the standard for cross-border payments across Southeast Asia. Another avenue is broadening the scope of UPI and PayNow to support various transaction types, including cross-border remittances, education and real estate loan payments, and bill settlements. This expansion would enhance the versatility and convenience

of the payment systems, rendering them more appealing to users. Furthermore, the integration could spur the emergence of new payment services and products. For instance, it could foster the creation of mobile wallets usable across multiple countries, streamlining financial management and transactions for users, especially travelers. Moreover, the integration could foster increased collaboration between Indian and Singaporean fintech firms. Through joint efforts, companies could innovate and develop technologies and products tailored to the requirements of both markets. The outlook for UPI-PayNow integration appears bright. With the rising popularity of digital payments, this integration is poised to assume a more significant role in facilitating cross-border transactions not only in India and Singapore but also in other Southeast Asian nations.

# UPI-PayNow transaction Data

The connection between India's Unified Payments Interface (UPI) and Singapore's PayNow network was inaugurated in February 2023 by Indian Prime Minister Modi and Singapore Prime Minister Lee Hsien Loong. This collaboration between the Monetary Authority of Singapore (MAS) and the Reserve Bank of India (RBI) has effectively established a real-time payment system linkage connecting users in both countries. This collaboration and the ensuing connection are poised to address various challenges encountered by Indian SMEs during cross-border payments, including cost, security, time, liquidity, and transparency. This advancement will further empower more companies to expand their presence in new markets. Since its inception, cross-border payments utilizing this linkage have surged to approximately 3,000 transactions per month. The RBI has stated that customers of the participating banks can now engage in cross-border remittances to Singapore through the bank's mobile banking app or internet banking platform. Initially, Indian users will be permitted to remit up to Rs 60,000 (SGD 1000) in a single day. The RBI has further elaborated that during the transaction process, the system will dynamically compute and display the amount in both currencies for the user's convenience.

The objectives of the G20 for financial inclusion closely resonate with the UPI-

PayNow connectivity, representing a pivotal advancement in cross-border payment infrastructure between India and Singapore. Initiated in September 2021, this project aims to expedite, economize, streamline, and enhance the transparency of cross-border trade, travel, and remittances between the two nations.

Users of both rapid payment systems can seamlessly send and receive funds instantly and affordably through the UPI-PayNow linkage, without necessitating registration with the alternate system. This economical transfer mechanism between Singapore and India will notably benefit the Indian diaspora in Singapore, particularly migrant workers.

This marks India's inaugural such connection, crucial for a nation that receives the highest global remittances. With this integration, money transfers between the two countries can be exclusively conducted via mobile devices. Although currently limited to person-to-person (P2P) transfers, future expansion into commercial applications will bolster investment and trade between India and Singapore, facilitating more efficient business transactions devoid of debit or credit cards. Furthermore, this alignment underscores the commitment of the Reserve Bank of India (RBI) to ensuring secure transactions. As of 2024, UPI apps such as BHIM and PhonePe are equipped to securely receive remittances from Singapore through this linkage.

# Advantages of UPI-PayNow Linkage

To expand into global markets, UPI has formed a partnership with PayNow in Singapore, often hailed as the financial hub of the world. Enabling UPI for cross-border money transfers is poised to bolster the Indian economy and streamline international trade processes. For businesses and individuals, this signifies the potential for seamless cross-border transactions, enhancing accessibility and convenience in engaging with global trade, provided that the linkage is properly regulated and authorized for commercial utilization.

## ■ **Enhanced Inward Remittances:**

India witnessed its highest inflow of remittances from abroad in a single year, reaching nearly US\$89.13 billion during 2021-22, a figure poised for significant growth. The integration of UPI and PayNow will fortify commercial, travel, and remittance channels between the two nations, consequently lowering the cost of international transfers. This partnership promises positive effects not only on the economy but also on Indian business owners, who will experience streamlined remittance processes from overseas.

## ■ **Instantaneous Transactions and Improved Security:**

Transactions are now instantaneous, executed in real-time to enhance efficiency, while the utilization of robust security protocols ensures heightened security levels.

## ■ **Competitive Transaction Fees and Accessibility:**

Competitive transaction fees facilitate and encourage businesses to conduct frequent remittances, regardless of transaction size. Additionally, round-the-clock accessibility promotes convenience and ease of access.

## ■ **Boost for the MSME Sector:**

This payment connectivity particularly benefits small firms and organizations by facilitating quicker, more cost-effective, and simpler cross-border transactions, presenting promising opportunities for Indian MSMEs to thrive internationally.

## ■ **Accelerated Growth of the Fintech Ecosystem:**

Industry analysts predict that the integration of UPI-PayNow will stimulate innovation, development, and expansion within the fintech sector. This development bodes well for Indian startups and SMEs, positioning India's fintech ecosystem to lead in innovation and growth.

## ■ **Enabling NRIs to Utilize UPI Platforms:**

Non-resident Indians (NRIs) residing outside India yet maintaining bank accounts there will soon be able to utilize UPI platforms with their foreign mobile numbers. Furthermore, the extension of UPI into international markets will prove advantageous for Indian non-residents, easing the process of remitting money into the nation.

# Indian UPI and Banks: Foes or Competitors?

Indian Unified Payments Interface (UPI) and banks can be seen as both foes and competition, depending on the perspective and context.

## COMPETITION:

- UPI, as a digital payment system, competes with traditional banking services in terms of convenience, speed, and efficiency. It provides users with a seamless way to transfer money directly from their bank accounts using their smartphones, reducing reliance on traditional banking channels.
- Banks may see UPI as a competitive threat because it reduces the need for customers to visit physical bank branches or use traditional banking services for everyday transactions.

## FOES:

- UPI may be perceived as a foe by banks if they view it as undermining their traditional revenue streams. With UPI, transactions are often conducted at lower fees compared to traditional banking channels, impacting banks' fee-based income.
- Banks may also see UPI as a potential risk to their customer base. If customers increasingly rely on UPIs for their financial transactions, banks could lose the opportunity to cross-sell other banking products and services to these customers.

However, it's important to note that UPI is not necessarily a foe to all banks. Many banks in India have embraced UPI and integrated it into their systems, recognizing its potential to enhance their digital banking offerings and attract tech-savvy customers. Additionally, some banks have developed their UPI-based apps and platforms to compete in the digital payments space. So, while there may be elements of competition and perceived threat, there are also opportunities for collaboration and innovation between UPI and banks in India.

# The Impact of UPI on Payment Systems Across Asian Economies

The Unified Payments Interface (UPI) is exerting a significant influence on payment systems across diverse Asian economies, owing to its convenience, speed, and accessibility. Here's a glimpse of how UPI is revolutionizing payments in Asia:

- **Surge in Digital Transactions:** UPI enables instantaneous and seamless fund transfers between bank accounts via smartphones, driving a surge in digital transactions and diminishing reliance on cash and traditional payment modes throughout Asian economies.
- **Advancing Financial Inclusion:** UPI plays a pivotal role in advancing financial inclusion by enabling individuals without access to traditional banking services to participate in the digital economy. Even those in remote areas can conveniently conduct transactions through their mobile devices.
- **E-commerce Expansion:** The proliferation of UPI has spurred e-commerce growth in Asian economies. With its seamless payment integration, numerous online merchants now accept UPI payments, broadening their customer base and bolstering sales in the e-commerce sector.
- **Enhanced Business Efficiency:** UPI streamlines payment processes for businesses, allowing them to receive instant payments from customers sans intermediaries. This enhances cash flow management and diminishes transaction costs for businesses across various industries.
- **Governmental Utilization:** Many Asian governments harness UPI to propel their financial inclusion agendas and advocate for cashless economies. By integrating UPI into governmental welfare schemes and subsidy disbursements, authorities ensure direct benefit transfers to recipients, curbing leakages, and augmenting efficiency.
- **Facilitating Cross-Border Transactions:** UPI's interoperability and potential for cross-border transactions hold promise for facilitating international trade and remittances within Asian economies. Efforts are underway to explore UPI's utility for cross-border payments, which could substantially mitigate the cost and time associated with conventional remittance methods.
- **Stimulating Innovation and Collaboration:** UPI's success has catalyzed innovation and collaboration in the fintech arena across Asia. Banks, fintech startups, and technology firms are joining forces to develop novel products and services grounded in the UPI infrastructure, further enriching the digital payment ecosystem.

UPI is reshaping the payment landscape across Asian economies by driving financial inclusion, advancing digital transactions, and fostering innovation and collaboration across diverse sectors. Its continued growth and evolution are poised to have profound ramifications for the region's economy and society.

# Conclusion

The integration of UPI and PayNow represents a significant milestone in the evolution of cross-border payments, particularly within the Asian region. This collaboration harnesses the strengths of two robust payment systems, offering enhanced convenience, speed, and accessibility to users conducting transactions between India and Singapore. As highlighted throughout this discourse, the UPI-PayNow integration holds immense potential for driving financial inclusion, promoting digital transactions, fostering e-commerce growth, enhancing business efficiency, facilitating governmental initiatives, enabling cross-border transactions, stimulating innovation, and fostering collaboration across various sectors. Its impact extends beyond mere transactional convenience, influencing economic growth, societal development, and technological innovation within the Asian economies. As the partnership between UPI and PayNow continues to evolve and expand, its transformative effects are anticipated to reverberate across the region, shaping the future of payments and driving progress towards a more connected and inclusive digital economy.

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# About Agpaytech LTD.

Agpaytech Ltd. is a company pioneering in the Fintech space with a focused approach to building robust technologies for e-commerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service (RaaS), Banking-as-a-Service (BaaS), Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the fintech space.

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