

India-Singapore Digital Payment Systems: Facilitating Cross Border Payments

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Summary

The Reserve Bank of India (RBI) and the Monetary Authority of Singapore linked their digital payment systems – Unified Payments Interface of India and PayNow of Singapore – to enable real-time fund transfers between individuals of the two countries. This is expected to provide a major impetus to cross border payments. The facility will enable individuals in both countries to remit money to their bank accounts in real time and at competitive rates. In the initial phase, the RBI has permitted transfer of S\$1,000 per day.

In September 2021, the Monetary Authority of Singapore (MAS) and the Reserve Bank of India (RBI) signed a memorandum of understanding (MoU) to link Singapore's PayNow and India's Unified Payments Interface (UPI) real-time payment systems. On 21 February 2023, in what is projected to be a major boost to cross-border payments between the two countries, India and Singapore linked their digital payment systems. This linkage will enable persons in India and Singapore to remit money to their bank accounts (in the other country) in real-time and at competitive rates. The annual remittance flow between the two countries is assessed to be US\$1 billion (S\$1.34 billion). The cost of international money transfer is nearly five percent of the transfer, and the India-Singapore digital payment linkage will cut this transfer cost to less than half.

This cross-border facility was launched, through token transactions, by RBI Governor, Shaktikanta Das, and MAS' Managing Director, Ravi Menon, using the UPI-PayNow linkage. The prime ministers of the two countries witnessed the event. A [statement released](#) by the RBI said, "The UPI-PayNow linkage will enable users of the two fast payment systems in either country to make convenient, safe, instant and cost-effective cross-border funds transfers using their respective mobile apps." At the moment, the RBI has permitted an Indian user to remit up to S\$1,000 per day. During the transaction, the system will dynamically calculate and display the amount in both currencies for the ease and convenience of the user. According to MAS' Chief Fintech Officer, Sopnendu Mohanty, the two national digital infrastructures are expected to lead to development of greater digital connectivity and interoperability between India and Singapore. He also [observed](#) that "By reducing the cost and inefficiencies of remittances between Singapore and India, the PayNow-UPI linkage will directly benefit individuals and businesses in Singapore and India that greatly rely on this mode of payment."

In the initial phase of the linkage, four banks in India viz. State Bank of India, Indian Overseas Bank, Indian Bank and ICICI Bank, will facilitate both inward and outward remittances while Axis Bank and DBS India will facilitate inward remittances. DBS Singapore and Liquid Group (a non-bank financial institution) have been selected to provide the service for users in Singapore. It is expected that more banks will join as service providers later.

The UPI-PayNow linkage is the product of extensive collaboration between the RBI and MAS, and Payment System Operators of both countries viz. NPCI International Payments Limited (NIPL) and Banking Computer Services Pte Ltd, and participating banks and non-bank financial institutions. This interlinkage aligns with the G20's financial inclusion priorities that focus on driving faster, cheaper and more transparent cross-border payments. Thus, the UPI-PayNow initiative will be a significant milestone in the development of infrastructure for cross-border payments between India and Singapore.

UPI, a seven-year-old payments infrastructure developed by a coalition of retail banks, has become the most popular way Indians transact online. The system has been adopted by scores of local and global firms, including Walmart, Google and Facebook. The payment infrastructure processes over eight billion transactions a month with transactions worth ₹12.82 trillion (S\$208 billion) [as per December 2022]. There has been a significant uptake in the uptake of UPI. According to NIPL data, approximately 74 billion UPI transactions worth ₹125.94 trillion (S\$2 trillion) were conducted in 2022 against 38 billion transactions amounting to ₹71.54 trillion (S\$28 billion) in 2021. Similarly, Singapore's PayNow also offers interoperability between banks and payments apps in the nation, allowing users from one payment app to make transactions to those on other apps.

It is of significance that India's UPI has substantially expanded its global footprint and is increasingly adopted for transactions by inbound foreign travellers from the G20 countries. The adoption is for merchant payments as well as inward remittances by non-resident Indians (NRIs) from certain select countries. India has signed MoUs with 13 countries that wish to adopt UPI for digital payments. The cost-effective transfer facility from Indians abroad will be instrumental in boosting remittances and if the India-Singapore payments linkage proves successful, it can be replicated with other countries too. Considering that inward remittances account for about three per cent of India's gross domestic product (GDP), this facility will be a major safety net if its trade deficit widens.

Singapore has been among India's most trusted and valued business partners. Cross-border retail payments and remittances between the two countries amount to over US\$1 billion (S\$1.34 billion) annually. The share of remittances to India by NRIs from the United States, the United Kingdom and Singapore has increased from 26 per cent to over 36 per cent between 2016-17 and 2020-21. The Indian diaspora accounts for over nine per cent of the population of Singapore, whose GDP per capita is among the highest in the world. The UPI-PayNow connectivity is expected to see widespread usage among Indian migrant workers and students based in Singapore. This will bolster confidence among the Indian expatriate community about the viability and reliability of the new venture. PayNow's fast payment system linkage with Thailand's PromptPay initiated in April 2021 has met with increasing success. The India-Singapore digital payments linkage has been launched with the hope for a similar success. It is believed that both countries are poised for a substantial boost in such tie-ups.

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