

## NPCI pilots APBS and UPI tools to digitize the Microfinance Industry

Mumbai: National Payments Corporation of India (NPCI) has begun a pilot project to digitize the transactions in Micro Finance Institutions (MFIs). The process has been initiated to bring payments to the last mile by digitizing transactions of Svantra Microfinance where in RBL Bank will be disbursing loans and HDFC Bank will be receiving the loan repayments.

A simple innovative use of the Aadhaar Payment Bridge System (APBS) and USSD-based \*99# infrastructure has made this possible. The customer's Aadhaar numbers are collected and sent to the disbursing bank for onward direct credit to account using APBS. For repayment a string of numbers viz. \*99\*1\*4\*1# is being saved as a contact number in the MFI customer's feature phone during MFI group meetings. The customer has to dial the contact, enter the amount and Unified Payments Interface (UPI) PIN on the feature phone and the repayment gets done successfully.

"Potential of such a system in MFI sector itself for digitization of payments is as high as 80 million annual disbursements and over 900 million repayment transactions." says Mr. A. P. Hota, MD & CEO, NPCI

NPCI has released a guide booklet titled 'UPI & APBS Digitizing Microfinance - An NPCI Initiative' for the same.

### Background

There are 268 MFIs catering to over 40 million low income customers with an outstanding portfolio of Rs. 53,500 crore and repayment rate of over 99 per cent. While digitization has been implemented in backend processes, the products are still delivered in operational models which are high on human touch and there is use of cash based disbursement and repayments. Digitizing cash based operations has the potential to bring a host of benefits to MFIs as it mitigates cash carrying risks and improves operational efficiency by saving time for frontline staff. It can aid in the diversification of products offered to consumers and enable the innovation of customer centric offerings based on critical insights sourced from digital data collected over time on customer behaviour. It was under this context that NPCI, in its endeavour to bring payments to the last mile, started a pilot to digitize MFI transactions.

### About NPCI

National Payments Corporation of India (NPCI) was set up in 2009 as the central infrastructure for various retail payment systems in India and was envisaged by the Reserve Bank of India (RBI) as the payment utility in the country.

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