

NPCI - National Payments Corporation of India, Initiatives, Achievement

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The National Payments Corporation of India (NPCI) was established in 2008, to create a robust and secure infrastructure for payments and settlements across the country. Since then it has been instrumental in revolutionizing the **digital payments ecosystem** in India. It has introduced various payment systems that have not only promoted a cashless economy but also enhanced **financial inclusion**.

NPCI, through its innovations like **UPI**, **RuPay**, and **IMPS**, has played a pivotal role in transforming how individuals and businesses transact, contributing to the growth of digital payments and positioning India as a global leader in this space.

What is NPCI?

The **National Payments Corporation of India (NPCI)** was incorporated in 2008 as an umbrella organization for operating retail payments and settlement systems across India. It was an initiative launched by the **Reserve Bank of India (RBI)** and the **Indian Banks' Association (IBA)** under the provisions of the **Payment and Settlement Systems Act, 2007**.

- **Promoter Banks:** The ten core promoter banks that supported the formation of NPCI include the State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank Limited, HDFC Bank Limited, Citibank N.A., and HSBC.

NPCI Key Objectives

NPCI was established to create a robust, secure, and efficient infrastructure for payment and settlement systems in the country, to promote a **cashless economy** and enhance **financial inclusion**. The organization aims to standardize and streamline various payment systems, making them accessible, reliable, and cost-effective for consumers and financial institutions alike. Through its initiatives, NPCI strives to drive **innovation**, foster financial inclusion, and build a seamless **digital payment ecosystem** in India.

NPCI Major Initiatives

NPCI has launched several innovative payment systems to revolutionize the financial landscape of India. These initiatives aim to provide seamless, secure, and cost-effective solutions for digital transactions while promoting financial inclusion and supporting a cashless economy. Some of the most significant initiatives by NPCI include **UPI**, **RuPay**, **IMPS**, **AePS**, **BBPS** etc. Each of these initiatives has played a pivotal role in transforming the way individuals and businesses conduct financial transactions across the country.

Unified Payments Interface (UPI)

UPI, launched by NPCI in 2016, is a real-time payment system that enables seamless, instant fund transfers between different banks through smartphones. It facilitates both **person-to-person (P2P)** and **person-to-merchant (P2M)** transactions, providing an efficient and user-friendly platform for digital payments.

RuPay

RuPay is India's **domestic card payment network**, developed by NPCI to provide a cost-effective alternative to international payment systems like **Visa** and **MasterCard**. Launched in 2012, RuPay offers a wide range of card products, including debit, credit, and prepaid cards.

Immediate Payment Service (IMPS)

IMPS is an instant, **real-time payment** system that allows users to transfer funds 24/7, even on holidays. With Immediate Payment Service (IMPS), India has become the leading country in the world in real-time payments in the retail sector.

Bharat Bill Payment System (BBPS)

BBPS is an integrated platform launched by NPCI for facilitating bill payments across a wide range of utility services, such as **electricity, water, gas, and telecom**. It provides a one-stop solution for consumers to pay their bills securely and conveniently.

Aadhaar-enabled Payment System (AePS)

AePS is an innovative payment system that leverages **Aadhaar**, India's unique biometric identification system, to facilitate secure financial transactions. It allows users to access basic banking services such as withdrawals, deposits, and fund transfers using only their Aadhaar number and biometric authentication.

National Financial Switch (NFS)

NFS is the backbone of **India's ATM network**, allowing interbank electronic fund transfers across various banks' ATMs. The platform enables customers to access their accounts and perform cash withdrawals, fund transfers, and balance inquiries at ATMs of any bank.

National Electronic Toll Collection (NETC)

The National Electronic Toll Collection (NETC) initiative, developed by NPCI, aims to streamline the toll collection process at national, state and city toll plazas. NETC uses **FASTags**, affixed with **RFID (Radio Frequency Identification)** technology to enable automatic toll payments, reducing traffic congestion and improving the efficiency of toll operations.

NPCI Achievements

NPCI has made significant strides in transforming the digital payments ecosystem in India. Its innovative initiatives have contributed to the widespread adoption of cashless transactions and enhanced financial inclusion. The organization's efforts have positioned India as a **global leader in digital payments**, with millions of users benefiting from NPCI's secure, accessible, and cost-effective payment solutions. Key achievements include:

- **Digital Payments Growth:** As of FY 2023-24, digital payment transaction volumes grew to **₹18,737 crore**, a remarkable increase from ₹2,071 crore in FY 2017-18, representing a Compounded Annual Growth Rate (CAGR) of 44%.
 - This surge highlights the widespread adoption and trust in NPCI's platforms such as UPI, which has become a cornerstone of India's digital payment infrastructure.
- **Financial Inclusion:** NPCI's initiatives have significantly contributed to financial inclusion. Over the years, millions of people have gained access to banking and digital payment systems through NPCI-driven products like UPI, RuPay, AePS, and BBPS.
- **Security and Innovation:** The introduction of **two-factor authentication**, encryption methods, and security standards in UPI, RuPay, and IMPS has made digital transactions in India safer and more reliable. NPCI's constant focus on innovation has paved the way for India's leadership in digital payments.

NPCI Challenges

Despite its significant achievements, NPCI faces several challenges in sustaining and expanding its digital payments ecosystem. The rapid growth of digital transactions has put pressure on its infrastructure, requiring constant upgrades to handle increasing volumes securely and efficiently. Key challenges include:

- **Cybersecurity Risks:** With the increasing volume of digital transactions, ensuring the security of the payment infrastructure has become a major challenge. Cyberattacks, data breaches, and fraud attempts require NPCI to continuously enhance its security protocols.
- **Infrastructure Scalability:** As digital payment usage grows rapidly, NPCI must continuously upgrade its technological infrastructure to manage the increasing transaction volumes without disruptions, maintaining speed, security, and reliability.
- **Digital Literacy and Financial Inclusion:** Although NPCI has made significant progress in financial inclusion, a lack of digital literacy in rural and remote areas continues to be a barrier. NPCI needs to address this challenge by working on education and awareness programs to bring more people into the digital payments ecosystem.

NPCI UPSC PYQs

Question 1) Consider the following statements: (**UPSC Prelims 2017**)

1. National Payments Corporation of India (NPCI) helps in promoting financial inclusion in the country.
2. NPCI has launched RuPay, a card payment scheme.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

Ans. (c)

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