Role of UPI in Shaping Foreign Policy

Source: IE

Why in News?

India's digital strength has reached new heights with the United Payments Interface (UPI) **surpassing 10 billion transactions**, signifying not only domestic **success but also its vital role in foreign policy.**

- Transactions on UPI have grown by over 50% year-on-year. **UPI crossed 1 billion monthly transactions for the first time in October 2019.**

How does UPI Contribute to India's Foreign Policy?

- **Digital Diplomacy**:
    - India aims to assume a leadership role in the **Global South** by pioneering **digital governance.**
    - India's **digital public infrastructure (DPI)** push is a differentiator from China's focus on physical infrastructure development in developing countries.
    - **International Expansion:**
        - Since June 2023, India has signed agreements with countries like **Armenia, Sierra Leone, Suriname, Antigua & Barbuda and** Papua New Guinea **to share** India Stack.
        - Similarly, UPI has also been taken to international markets such as France, UAE, Singapore and Sri Lanka, with countries like Japan, Mauritius, and Saudi Arabia having shown an interest in adopting the payment system.
- **Global Digital Public Infrastructure Repository (GDPIR):**
    - India plans to establish the **GDPIR to share DPI practices globally.**
    - The GDPIR aims to **facilitate the exchange of tools and resources related to DPI among** G20 **members and beyond.**
- **Economic Diplomacy:**
    - UPI's success attracts **foreign investments and partnerships**, contributing to **India's economic diplomacy efforts and strengthening bilateral relations.**

What is India Stack?

- India Stack is a **set of APIs (Application programming interfaces)** that allows governments, businesses, startups, and developers to utilize a unique digital Infrastructure to solve India's hard problems towards **presence-less, paperless, and cashless service delivery.**

- India Stack is a **government-led initiative that focuses on building a robust digital infrastructure** to enable various digital services across different sectors.
    - The components of this collection are **owned and maintained by different agencies**.
- INDIA STACK aims to streamline and enhance **identity verification, data exchange, and digital payment processes to make them more accessible and efficient for citizens.**
- It includes digital public goods, which are digital resources and tools made available to the public to support various digital services and initiatives.
- The India Stack comprises three key layers: **identity, payments, and data management.**
    - **Identity Layer (Aadhaar):**
        - **Aadhaar** serves as the cornerstone of India Stack, offering digital identity products.
        - It is issued by the **Unique Identification Authority of India (UIDAI)** under the Ministry of Electronics and Information Technology.
        - Aadhaar is considered a **proof of residence and not a proof of citizenship, and it does not grant any rights to domicile in India.**
    - **Payments Layer (UPI):**
        - UPI forms the second layer, ensuring **interoperability among money custodians, payment rails, and front-end payment applications.**
        - Managed by the **National Payments Corporation of India (NPCI),** UPI is licensed to **third-party private entities like PhonePe, Google Pay, and Paytm.**
    - **Data Governance Layer:**
        - Digital Locker is built on **Data Empowerment and Protection Architecture(DEPA)** ; it incorporates a consent management system, enabling the secure sharing of information for better financial, health, and telecom-related products and services.
        - It consists of a set of **digital identity products centered around Aadhaar.** It can be used to r**emotely authenticate via two-factor or biometric authentication**, receive digitally signed records such as driver's licenses, educational diplomas, and insurance policies, and sign documents or messages using a government-backed digital signature service.
- Aside from UPI, a number of digital solutions that the Indian government has rolled out in the last few years, including CoWin, DigiLocker, Aarogya Setu, and Government e-Marketplace (GeM), all utilize the three fundamental layers of the Indian Stack.
- The **vision of India Stack is not limited to one country (India); it can be applied to any nation,** be it a developed one or an emerging one.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Consider the following statements: (2018)

1. Aadhaar card can be used as a proof of citizenship or domicile.
2. Once issued, Aadhaar number cannot be deactivated or omitted by the Issuing Authority.

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: (d)