

A Study on India Post Payments Bank as a Tool to Drive Financial Inclusion in India

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ABSTRACT:—Financial inclusion is an important tool to eliminate poverty, because poor, disadvantaged and under privileged group is struggling to access to fiancé and they are basically financially illiterate, including them into the banking system is the only way to direct them into the development path, hence government of India is taking various steps to avoid financial exclusion, the recent step taken by the government is to launch INDIA POST PAYMENTS BANK under the control of postal department in order to reach the people in the remote areas and offer them the financial services at minimal cost who has previous life long experience in handing and providing financial services. The study attempts to understand the concept India post payments bank and the services offered by it to drive financial inclusion.

KEYWORDS—Financial inclusion, IPPS, India Post Payments Bank, payments bank, doorstep banking

1. INTRODUCTION

Easy access to sources of finance i.e., Financial Inclusion is believed to be an important tool to poverty alleviation and inclusive growth. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. Access to finance by the poor, disadvantaged and underprivileged group is a prerequisite of poverty alleviation on one hand and the economic growth on the other. In the struggle against poverty, the financial inclusion is a crucial element. Large sections of the rural population have no access to financial services and their only recourse is to borrow from moneylenders at the exorbitant charges causing exploitation. The main reason why the large section of the rural population still remains under below poverty is financial exclusion, which is proving to be a major obstacle in the path of India's economic growth. The Reserve Bank of India (RBI)'s dictate (2005) obligated the Banks to adopt the national policy of financial inclusion and take initiatives and suitable measures therefore. The objective data derived from the RBI's reports and other empirical studies unequivocally pinpoint that the main reasons of financial exclusion are lack of opportunities and access to finance, financial illiteracy, besides poor performance, apathy and negative approaches of the Banks. Therefore, financial inclusion, today, has become the national objective and major concern for the economic policy decision makers. Following the recommendation of Khan Commission-2004, various reformative measures have been taken by Reserve Bank of India and Government of

India to promote the extent of Financial Inclusion in India. To achieve maximum financial inclusion, banks and other financial institutions throughout the country scaled up their initiatives to achieve their targets for Financial Inclusion. And government is also investing our country's resources in various ways to reach the unbankable sections of our society. One such idea is involving India's postal department as one of the driving forces of achieving financial inclusion. This study tries to understand the concept of payments bank and how India Post Payments Bank is used as a tool achieve financial inclusion.

OBJECTIVES OF THE STUDY:

- To understand the functions of INDIA POSTPAYMENTS BANKS
- To analyse various services provided by India post payments banks to drive financial inclusion
- To analyse how it is different from other payments bank
- To find out the challenges Faced by India Post Payments Bank

2. RESEARCH METHODOLOGY:

The study is based on secondary data collected from various websites, journals, articles, books etc.,

LIMITATIONS OF THE STUDY:

- The study is the based on the secondary data only
- IPPB has started its function only few months back hence official statistics is not available to find the true picture of the IPPB

3. REVIEW OF LITERATURE:

Vyas, Gaur & Singh (2016), discussed the evolution of payment banks. The study evaluates the scope of payment banks in fulfilling the objectives of financial inclusion. They also compare the Indian scenario with the success of M-Pesa in Kenya.

Krishnakumar (2015) analysed the existing business operations of payment banks and proposed a theoretical model as an improvement over the existing model. They argue that the current telecom boom along with innovation in technology can assist in reform the banking sector and provide impetus for the cause of financial inclusion.

Winn (2015) outlined the mobile payment mechanisms in Kenya, Brazil and India.

Mas (2009) Few studies have analysed the concept of payment bank. In a landmark article he discussed the regulations for branchless banking which includes payment banks in India. The study argued that the regulatory framework needs to evolve to foster competition by a broad range of players. It also stresses that the existing regulations should be modified to reduce the cost of entry and provide scope for business model innovations.

Rama Pal and Rupayan Pal (June 2012) analyzed in their article Income Related Inequality in Financial Inclusion and Role of Banks : Evidence on Financial Exclusion in India, income related inequality in financial inclusion in India using a representative household level survey data, linked to State level factors. This paper also provides estimates of the effects of various socio, economic and demographic characteristics of households on propensity of a household to use formal financial services, and compare that for rural and urban sectors. A notable result is that greater availability of banking services fosters financial inclusion, particularly among the poor.

RoshnyUnnikrishnan et. al (2012), analyzed in their study "Enabling Financial Inclusion at the bottom of the Economic Pyramid", the importance of financial inclusion in economic empowerment. This study identified the variables in enabling financial inclusion, analyzed the barriers to effective financial inclusion and the prerogative steps to be taken to overcome the barriers and enable inclusive growth. The study concluded by identifying the variables that empower the masses financially and stating the importance of social inclusion in relation to financial inclusion and also by reinforcing the importance of self-sustenance at the bottom of the economic pyramid.

HemavathyRamasubbian and GanesanDuraiswamy (2012) suggested, in their article The Aid of Banking Sectors in Supporting Financial Inclusion – An Implementation

Perspective from Tamil Nadu State, India, that though over the past six years the FI strategy had improved the life style of BPL, but missing focus on savings and credit improvement strategies degrades the benefits of FI. This paper surveys analyzes the issues pertaining to implementation of financial inclusion in economically down trodden districts of Tamil Nadu, India.

4 INDIA POSTAL DEPARTMENT:

Indian postal department is playing an important role in the country's socio economic development over more than 150 years, it touches the life of Indian citizen in different ways by delivering mails, accepting deposits under Small Savings Schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The postal department also acts as an agent for Government of India in discharging other services for citizens such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wage disbursement and old age pension payments. With 1, 55,015 Post Offices, the India postal department has the most widely distributed postal network in the world.

Adding to it the government of India decided to reach the rural people and offer them the financial services by launching INDIA POST PAYMENTS BANK, which is basically started with the aims to provide access to efficient banking services to every household in India by enabling them to become financially secure and empowered.

India Post Payments Bank (IPPB) was setup under the Department of Posts, Ministry of Communication with 100% equity owned by Government of India. IPPB was launched as a pilot project on 30 January 2017 in Ranchi (Jharkhand) and Raipur (Chhattisgarh). IPPB got launched by Prime Minister Narendra Modi at Talkatora Stadium in New Delhi on 1st September 2018. IPPB will provide the banking services to urban and rural areas, but it's primary focus would be on rural segment.

IPPB has launched 650 head offices in each district throughout India in the ratio of one branch in every district initially to offer the financial services to the rural poor and unbankable section of the society and it has changed 3,250 post offices in India as banking access point. And it also employed more than 15,000 postmen as Gramin dak sevak to provide doorstep banking services to the rural India. And they are planning to link the 1.55 lakh post office and 3 lakh postal employees which is spread across India into IPPB.

5. PRODUCTS OFFERED:

Regular Savings Account: this is just like any other banks savings account, it can be opened by anyone at the bank access point or at their door step, interest at the rate of 4% per annum is provided, unlimited cash withdrawals and deposits are allowed. Zero balance can be maintained; maximum balance the account holder can have under this account is Rs.1,00,000 above which will be transferred to the post office savings account

Digital Savings Account: this is a digital savings account which can be operated through IPPB's mobile app any one above the age of 18 years with Aadhaar card and pan card can open this digital savings account.

Basic Savings Account: it is similar to the regular savings account but only four cash withdrawal is allowed.

Features of savings account:

- Convenient banking
- Quick and paperless account opening
- Interest rate of 4% p.a. is provided
- There is no compulsion to maintain monthly average balance
- Minimum amount required to open the savings account is Rs.20
- Account statement is provided every quarterly at free of cost
- Customer can get their mini statement through SMS
- QR card is provided to give simplified banking services to the customer
- Instant fund transfers through IMPS
- Bill payment and recharges can be done through their payment bank app
- Customer can have the option of linking their payment bank savings account into the POSA (Post Office Savings Account)

Services offered:

- Mobile banking
- SMS banking
- Missed call banking
- Phone banking
- QR code

Door Step banking: this service can be used by the customers to open account and they can also deposit or withdraw cash and avail all other services from their home itself at a nominal charges (Rs.25 for cash transaction and Rs.15 for digital transaction) this enables the government to reach the people even in the remote areas and provide the financial services required to them.

Payment services:

- Bill payments –customers can recharge and pay other utility bills

- Remittance & fund transfer- IMPS, NEFT , RTGS and UPI services is also provided
- Direct benefit transfer – government subsidies and other benefits can be transferred to the customer's account directly.

Current Account: this merchant services can be availed by small merchant, kirana stores and small businessmen, merchant app, periodic statement, unlimited digital payments and acceptance can be availed at free of cost. It encourages cashless and paperless transactions and helps the small scale business men to march towards the digital India at ease.

Salary account: this account is provided to all kinds of salaried employees.

Third party products:

- **Group term insurance:** This product offers insurance to the underprivileged at a nominal cost and it can be availed easily
- **SukanyaSamriddhi Account:** This scheme is launched to secure the future of the girl child in the family of every household, this is basically offered by India Post department but the customers can avail the services through India Post Payments Bank
- **Public Provident Fund:** Public Provident Fund is long term and popular scheme. It was introduced by the National Savings Organisation in 1968 to help investors mobilise small savings. Investments under the scheme have respectable returns, along with income tax benefits.
- **Recurring Deposit Account:** Delighting its customers, IPPB introduces a feature allowing you to make payments to your recurring deposit account. The facility can be availed through multiple channels like Doorstep services, Mobile banking and Post Offices counters.
- **Loan Against Recurring Deposit:** A customer who has a Recurring Deposit Account Post Office can easily avail loan against it. After completing one year of Recurring Deposit account, Customer can withdraw up to 50% of the balance. These products of post office savings account can be availed through India post payments Bank savings account.

IPPB AS A TOOL TO DRIVE FINANCIAL INCLUSION:

1. It provides savings account to the under privileged with zero balance, this enable the poor people who are financially poor to enter into the banking system.

2. IPPS is under India Post which has huge amount trust among the people through their postal networking and services so it is easy to create awareness among people about the need for financial inclusion and the necessity to enter into the banking system.
3. It provides door step banking by involving their postmen into the banking system as Gramin dak sevaks they provide services like account opening with zero charges, digital payment, cash withdrawal, cash deposits etc., at the door step of the account holder with nominal charges this is an innovative tool to reach the people who are unreachable in the remote corners of the country.
4. Involving postmen who have long time relationship with people in the locality where they work is a way forward to gain the trust of the people on the banking system and services.
5. Through IPPS financial illiteracy of the people can be reduced and they can be enlightened about the various services, products and schemes offered by the government and banks to a greater extent
6. IPPS will have a personal touch with the customers through their earlier experiences with the banking services.
7. There is no restriction in the number of deposits and withdrawals into the account maximum up to 1,00,000, this will drive the people to adopt the habit of savings
8. It offers digital services like SMS banking, mobile banking, missed call banking, phone banking etc., the customers can get their account balance through their mobile app itself, this will help the government to drive the into the digital platform of banking and paperless banking system can be achieved.
9. It gives QR code not only to the current account holders, it is given to the other types of account holders as well this helps the people to make payments at ease without any hindrances.
10. It is fully funded by the government of India, hence all the government products, schemes and services can be directly delivered to the unbankable section of the society.
11. The customer can open bank accounts by following simple procedures and norms with their AADHAR card.

IPPB HOW IT DIFFERS FROM OTHER PAYMENTS BANK IN INDIA

1. Unlike other payments this offers door step banking, this gives a personal touch to the services provided by them compared to the other banks.
2. They provided interest at the rate of 4% to the savings account holders, whereas private payments banks don't give any such interest to their customers apart from cash back offers.
3. They also provide third party services like remittance, insurance, sukanya samridhi account, public provident fund, recurring deposits, loan against recurring deposits etc., at affordable cost to enable the poor people to be financial secure.
4. The prime aim of India Post Payments is to achieve financial inclusion whereas the private payments bank work on profit motive concept.
5. It primarily focuses on unbanked and underbanked sections of the society whereas private payments bank focuses on those areas where they can generate revenues like metro cities.
6. It performs both the functions of a bank and payments bank.

CHALLENGES FACED BY IPPB:

1. Huge amount of competition from the other market players who are already well experienced and well equipped in the digital payments services.
2. IPPB can accept maximum amount of 1,00,000 per savings account upon which has to be transferred to the post office savings account
3. Too much of dependence on the government hence independent decisions can't be made quickly.
4. They can accept deposits but can't lend that money to the people.
5. As per RBI guidelines, payments bank has to invest there 75% of their deposits into RBI listed government and other securities and investment platforms. And remaining 25% can be invested in other forms of investment. Hence their earning capacity and profitability is restricted.
6. Too much of dependence on technology will hinder in gaining the confidence of the unbankable section of the society because it's difficult to change the attitude of the people to a certain extent.

7. There is always a chance of online fraud, phishing, identity data theft etc., hence safe and secure banking is always in question.
8. Too much of amount to be invested in order to make innovative changes in the system of banking
9. There are no offers like discount, cashbacks, coupons etc., is provided unlike their competitors.
10. There are no sufficient linkages between the postal networks.
11. Only minimal no of ATMS and bank access points have been set up as of now
12. Financially illiterate people have to be kept on updated, equipped, with the innovations in the banking technology and changes in the financial services.
13. It started its financial operations only from September 2018 hence it has a long way to go in order to become successful payment banks in the country.

SUGGESTIONS:

1. They have to link all their postal branches at a rapid speed to manage the competitions in the market.
2. They should keep their technology updated and inform the same to the customer often.
3. They can link themselves with other big banking networks, NBFC's and other financial institutions in order to develop the payment banking network and reach the people who live in remote corners without the knowledge of financial system, services and unbankable. This will help the government to achieve the target of financial inclusion effectively and efficiently.
4. They should come up with new and innovative promotional offers and products like cash backs, discount, coupons etc., in order to meet the challenges in the market by their competitors like Paytm, Paisapay, Phonepe, jio money, google pay and other mobile wallet networks.
5. They can launch their own digital financial services.
6. They should concentrate on customer grievances and should manage it efficiently and effectively.

5. CONCLUSION:

Payment banks are becoming the most popular medium of digital transactions. India is going towards a cashless economy, which is more feasible and adaptable in relation to the recent technological and economic trends. Launching India Post Payment Bank wholly funded by the

government of India is one of the applauded step to drive financial inclusion. But the big challenge is how well this payment bank function effectively and efficiently in the long run. Future sustainability and stability of the payments in the present and future market conditions is the one which government has to concentrate on. And the government should not depend upon these few steps to achieve financial inclusion they should further come up with more innovative and effective methods to drive financial inclusion. India Post payments bank can be used as one of the too to drive financial inclusion but we can't depend on it alone.

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