

# The Game Changer for Financial Inclusion- Post Payment Bank

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**Abstract**—Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. Financial inclusion means the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluding. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. Traditionally the commercial banks provide these services. Financial access to the lower income strata of the society at an affordable cost is a prerequisite for poverty reduction and social cohesion. It is a key step for progress and growth. Several initiatives have been taken by the Government of India (GoI), Reserve Bank of India (RBI) and various other agencies to improve the financial inclusion (FI) scenario in the country. Few of the important initiatives are Nationalization of banks, set up Regional Rural Banks, set up National Bank for Agriculture and Rural Development, start No-frills accounts, start Pradhan Mantri Jan Dhan Yojana. Other steps include encouraging banks to open accounts in unbanked areas, the introduction of alternative channels such as Microfinance Institutes (MFI), Self Help Groups (SHGs) and Business Correspondents (BC), also establishing differentiated banks-payment and small banks. Although India has made a lot of progress towards achieving financial inclusion, a lot needs to be done to ensure financial inclusion so that the Indian Government is working on setting up 650 India Post Payments Bank and gearing up to facilitate financial inclusion through all of 155K post offices, the aim is that through 650 post payments bank, we can push financial inclusion in 155K villages. Clearly, this step towards achieving financial inclusion had to begin with providing a bank account to a majority of our population. The objective is to provide easy to use and trustworthy financial services and products to the unbaked and under-banked populace of the country. The target segments for Post payment banks include migrant labourers, daily wage earners, blue collar workers, housewives, pensioners and micro/ small & medium enterprises. On January 30, 2017, India Post Payments Bank (IPPB) kicked off its operations by rolling out pilot services in Raipur and Ranchi, the capitals of Chhattisgarh and Jharkhand respectively. The government is driving force behind the creation of a revolutionary payments interface in the form of Post payment banks which promises to be a real game changer.

## 1. INTRODUCTION

Financial access to the lower income of the society at an affordable cost is a prerequisite for poverty reduction and social cohesion, it is the key step for progress and growth, so

that the Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include- nationalisation of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting Businesses correspondents ad business facilitators to be appointed by banks to provide door step delivery of banking services, zero balance accounts, also establishing differentiated banks-payment and small banks. The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population. India is a country of 1.2 billion people, spread across 29 states and 7 union territories. There are around 6,00,000 villages and 640 districts in our country. 70 percentage of the total population lives in villages, and only 38 per cent of the scheduled commercial banks are working in rural area, A vast majority of the population, especially in rural areas, is excluded from the easy access to finance. Still the rural area is unaffected. To overcome from this difficulty government and RBI decide to introduce post office as Indian Post payment bank. India Post does have the largest reach in the rural parts of the country and the idea of financial inclusion through postmen seems very promising Accessibility of financial services at affordable and appropriate prices. Hence, an inclusive financial system as Post payment bank start working widely in India. Financial access can surely improve the financial condition and living standard of the poor and the deprived section. IPPB will be established as 100% subsidiary of the Department of Post (DOP). It will leverage the widespread network of DOP, its local knowledge and deeper customer awareness. The dak sevaks will work as Businesses correspondents (BCs) for IPPB to provide doorstep delivery of its services. Overall, it will strengthen the financial services offered through the postal network by adopting new age technologies such as mobile and internet banking, micro ATM, MPOS, digital wallets and improved customer service through doorstep banking, service agents, voice banking services.

IPPB's objective is to provide easy to use and trustworthy financial services and products to the unbaked and under-banked populace of the country. The target segments for IPPB include migrant labourers, daily wage earners, blue collar workers, housewives, pensioners and micro/ small & medium enterprises.

In order to achieve this objective, government has proposed to open 650 branches of IPPB to cover all the districts of the country by 2018. These branches will be linked to the post offices, which will operate as customer access points for the payment bank. IPPB will ensure the delivery of all types of government to citizen payments like subsidy payments, MNERGA wages and DBT through the postal network and its own branches.

## 2. HOW WILL IPPB WORK

IPPB aspires to be the most accessible, affordable and trusted bank for the common man. This is reflected in its motto – “No customer is too small, no transaction too insignificant, and no deposit too little.” To fulfill this objective, the first 650 branches of IPPB will be located in postal district headquarters and all the branches under that particular head post office will be enabled by the payments bank services. Apart from the vision and structure, IPPBs will work to ease access and handhold the adoption of new age banking and payments instruments among citizens of all walks of life through the delivery by postmen and Grameen Dak sevaks, savings agents and other franchisees who will take banking to the doorsteps of people. IPPB will offer three distinct accounts to its customers: Safal, the regular account; Sugam, a basic savings bank deposit account (BSBDA); and Saral, BSBDA-Small. While Safal is a regular account packed with features, Sugam is a Basic Savings Bank Deposit Account (BSBDA). Saral is a smaller version of BSBDA that is aimed at people with limited banking experience.

All three bank account options will request its customers to make a 100 initial minimum deposit, with no minimum balance requirements. Both Safal and Sugam need KYC (know your customer) details for verification and a minimum age of 10 years, but Saral can be opened by anyone above the age of 10 without KYC. Importantly, there are no charges on cash withdrawals, unlike Airtel Payments Bank. Interest on deposits in IPPB has a three-tiered structure, which depends on the quarterly average balance (QAB) in an account. Interest rates have been fixed as 4.5% if the quarterly average balance is up to ₹25,000, 5% if it is between ₹25,000 and 50,000, and 5.5% if above ₹50,000. Also, it is paid out quarterly as opposed to per annum.

## 3. HERE ARE SOME OTHER KEY FEATURES OF IPPB:

Fund transfer facility via National Electronic Funds Transfer (NEFT), Immediate Payment Service (IMPS), Aadhaar-

Enabled Payment System (AEPS), Unified Payments Interface (UPI) and USSD (\*99#).

- **Aadhaar based- KYC** will be used for instant account verification.
- **Direct Benefit Transfer** – this allows funds from disbursing agency to transfer subsidies directly to the people through their bank account.
- **Doorstep banking** – Cash deposit, cash withdrawal, balance enquiry and Aadhaar-to-Aadhaar funds transfer.
- Interest rates up to 5.5 percent on money deposit.
- Free first debit card for all accounts.
- No minimum quarterly average balance requirement.
- Free cash withdrawals at India Post ATMs and Punjab National Bank ATMs.

## 4. EFFECT OF IPPB IN FINANCIAL INCLUSION

India Post does have the largest reach in the rural parts of the country and the idea of financial inclusion through postmen seems very promising, the execution has to be well done to have mass impact. The postmen need to be well-trained and equipped as even basic banking involves much more than delivering courier (packages) and letters. India Post has around 170 million savings bank accounts. “By December 2018, 2 lakh postmen and gramin dak sevaks carrying mobile phones will offer doorstep banking to customers predominantly in rural areas. Eventually, this number will increase to 3.5 lakh,”

The bank plans to start with 3,250 access points—five each in 650 districts—and scale up the number every month. It will employ 3,000 people—roughly half the staff will be on deputation from state-run banks and India Post.

The bank is in the process of training postmen to carry out basic banking facilities such as opening bank accounts and conducting transactions on the mobile phone. Besides assisting customers, the postmen will also teach them how to perform transactions on their own. They will receive monetary incentives for both assisted and eventually self-service transactions.

Customers will be able to access a range of services including net banking, National Electronic Funds Transfer (NEFT), Real-time Gross Settlement (RTGS) and Immediate Payment Service (IMPS). They will be able to pay utility bills, invest in mutual funds and buy insurance products on the app.

The gramin dak sevaks and postmen will be trained by banking institutions. An internal survey by the department showed that between 70% and 80% of postmen use smartphones for personal use and are active on social networking sites and should be able to use the app with ease. At present, the post office accepts payments of around Rs

46,000 crore in cash every year. With the entire network moving towards accepting digital payments, a significant portion of this amount could be handled by the banking network, an indication of the potential available for business.

Think of the huge number of government subsidies and cash programs that are meant to encourage development in villages, and consider how, to access these payments, villagers would have had to travel for hours to nearby cities in order to visit a bank branch, where the experience was frequently alienating. Instead, the friendly postman villagers meet every day could be their banking relationship manager!

Also, India's domestic remittance market is estimated to be about 800 billion- 900 billion and growing. With money transfers made possible through mobile phones, a big chunk of it, especially that of the migrant labour, could shift to this new platform. Payment banks can also play a crucial role in implementing the government's direct benefit transfer scheme, where subsidies on healthcare, education and gas are paid directly to beneficiaries' accounts.