

Role of India Post Payment Bank to Rejuvenate Indian Postal Services

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Abstract

Mieko Nishimizu, the president of the South Asia Region at the World Bank aptly mentioned about Indian Postal service: “You can think of India Post now as an old fashioned network trapped in the bricks and mortar of a dying mail service. Or you can think of India Post as an extraordinary human network that facilitates incredible access to virtually all Indians. Imagine the development potential of such a network with such access to people”. This thought is the essence of this paper in which we will discuss about the role of India Post Payment Bank to change the current scenario of India post in both Financial and working aspects. As the traditional work of India post is declining, and revenue deficit is increasing year by year and new technology based services are now in the first preference of the customers. India Post Payment Bank is an important tool for transforming and rejuvenating postal banking services as well as other services of India post. After introduction of payment banks in India, IPPB was launched by the Government of India to use the largest network of the world, to provide easy and affordable banking services to each and every common citizen of India. It can play an important role to rejuvenate Indian Postal services.

Keywords: *Postal services, India post payment bank (IPPB), Post Office Saving Bank Account (POSB), Technology based services.*

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Introduction

India Post is the largest network of postal services in the world. It is run by the Ministry of Communication and Information Technology Government of India. It provides its services with the help of a huge network of 154965 post offices in which 89.74% are situated in rural areas where as 10.26% are in urban areas of India. It is working through 25585 departmental post offices, 129380 Gramin dak post offices, 184417 Departmental employees and 249000 gramian dak sewaks all over India. It provides Mail, Parcel, Money Transfer, Banking, Insurance and retail services to their customers. Digitalization has changed the role of postal sector as the volume of mail services declined because of new technological advancement and availability of mobile phone in market. Consumer's demand for transactional mail has dropped due to the changes in habits of people of writing letters, whereas direct mail volume have tended to rise, publishing mail and social mail services have also declined due to more communication means and media are available with faster and cheaper service .Private courier services are also affecting postal services as they are using modern and faster means of transportation in place of the traditional means which India post is using. Mail services are a part of the services provided by India post like parcel services, postal banking services, postal insurance services, philately services, Business post services etc. (Indiapost).

Postal History in ancient India

We can find the history of using messengers to convey messages in ancient India is found in Atharvaveda, one of the important Veda. Chanakya the founder of Mourya Empire and writer of the book Arthashastra, wrote about the use of runners to send messages, collect information and revenue by common people by the Maharajas at that time was common. These service providers are called "Dakpal". In the beginning these services are used by Businessmen to send their tread messages but later it was open for all the people to send their personal as well as tread messages. In 712 AC (C.E.) sultans Muhammad bin Quasim established a department to carry official messages named Diwan-i-Barid means Department of post. He also added Horse riders with runners for speedy message delivery. Muhammad Bin tuglak the Sultan of Delhi made this system more systematic between years 1206 to 1210 and gave it name "Mamluk Dyanasty". This service was further expanded by Sultan Alauddin Khiliji by establishing "Dak Chowkies" between years 1296 to 1300. The most important development was done by the Sultan Shershah Suri by constructing National Highway called Grand Trunk Road as a trade route up to the Himalayan base. He used to build 1700 "serais" or we can say rest houses in this road each serai had two horses

with messengers to send royal messages with the runner facility. Later Akbar the Great the Mughal emperor Added camel services in sending posts.

Postal History in British India

The first post office in India was established by East India Company in year 1688 in Bombay. It was named as “Company Mail”. The era of modern postal history was started with the British rule in India when the modern Post offices were established and made strong by Lords Robert Clive and Warren Hastings. The General Post Office’s in Calcutta, Madras and Bombay were established in the year 1774, 1786 and 1793 respectively. The present type of post offices came into existence in year the 1854 under the “Post Office Act 1854”. In year 1861 total number of post offices in India were 889 and in due course of time they increase by 1.5 lakhs post offices in the country up to year 2017-18, which makes it the largest network in the world (Malakar, 2013).

History of postal banking

Postal banking system is a system working as a financial institution operated by post offices of the country. It accepts the deposits by the people so that they keep their money safely, earn good return on their money and also get an easy access for themselves whenever they want their money back. We can say that this system is actually set up for the poor countrymen and low income group to promote economic uplift among them.

The first postal banking account was opened in 1861 in Great Britain where the focus consumers are the rich and wealthy people generally lived in the cities. In due course, the service began to encourage the common people to encourage saving habits and also to provide rich people a safe alternative to keep their money next to their doorsteps .By the year 1871 in USA and in the year 1883 France, Italy and Japan also started the same. These postal banking system do not have separate banks but they open saving bank accounts in the post offices, and soon after other countries also started postal banking services for India by the year 1896, small savings were mobilizing through postal banking accounts. They are offering different types of Accounts like saving, recurring, Fixed Account as well as certificates of different social security schemes. The new form of postal banking is India Post Payment Bank, one of the license holder from Reserve bank of India which is ready to give its contribution for the financial inclusion of the country and to provide easy and doorstep banking facilities to the rural population of the country.

Postal banking service is an important service of India Post. The national Postal Policy also visualizes an important and continuous role of India post in giving banking and financial services to the common people of India. Post offices can play substantial role in financial inclusion of the country with the help of its huge network not only in parallel and traditional functions but also in new technology based services by using mobile and internet facilities to provide its services to the far most rural areas of the country. We can say that challenges before the India post are:-

1. To plan the future of India Post in present changing technology based environment in postal services where the competition is with private courier companies.
2. To increase the contribution of India Post to resolve the problem of financial inclusion of the country. (Department of post, 2010).

Objectives of the study

- 1) To study Current Financial situation of Indian Postal Services.
- 2) To study the importance of payment banks in current economy.
- 3) To study the importance of India Post Payment Bank to cope up with current situation.

Limitation of the study

- 1) This study is limited to the services provided by Department of Post (India Post) and India Post Payment Bank.
- 2) This study is based on the secondary data received from the newspapers, magazines, web sites and Annual Reports of Department of post.

Current Financial situation of Indian Postal Services

The Indian postal services is a heavily subsidizes entity of Government of India as it is providing public interest based services on no profit basis. A billion dollar plus budget has been allotted for modernization and IT initiation in all kinds of postal services like mail services, premium services, human resource development, estate management and rural business etc. We can see the revenue and expenditure statement of India post in table no 1 in which we can see that the India Post is regularly running in deficit and the amount

of deficit is increasing every year since last five years. The deficit in the year 2012-13 is 54258.85 which increase to 119699.50 in the year 2016-17. The percentage of increases is 120.60% which is though covered by the general revenue of government but it is not a good sign for any service for its survival where it has to compete with private competitors and also takes a challenge of modernization of a large network (All Govt india).

Table 1. Statement of revenue and expenditure of India post during last five years

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total Revenue	93664.98	107304.16	116359.8	129397.9	115110.00
Expenditure	147923.83	162035.19	178945.8	189469.7	234809.50
Deficit	54258.85	54731.03	62586.00	60071.8	119699.50

(Department of Post, 2013-14 to 2017-18)

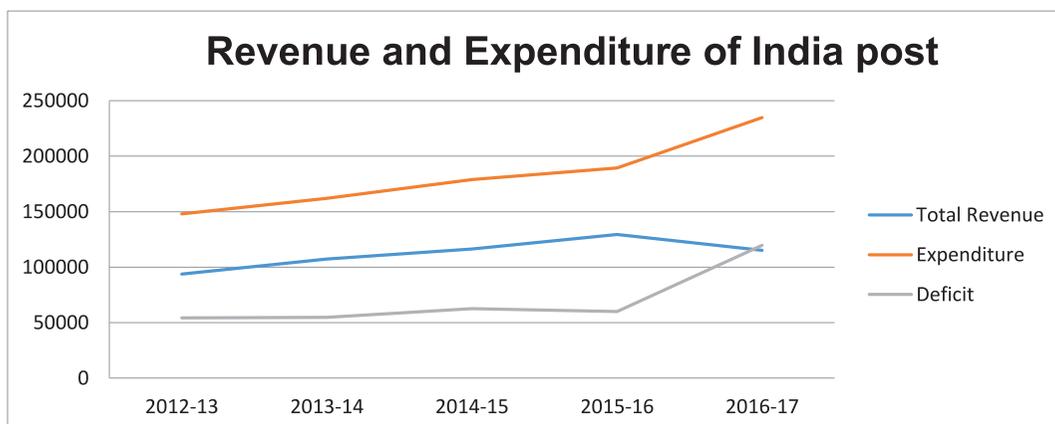


Figure 1. Revenue and expenditure of India post

(Department of Post, 2013-14 to 2017-18)

The Most Fundamental duty of Indian postal service is the collection, processing, transmission and delivery of mail. Mail is collected from 57379 letter boxes with the help of 154866 Post Offices, around 300000 employees serving in India Post which is the largest postal network in India. In addition to regular mail services the department also provides different kinds of premium products including speed post, business post, logistic post, media post, greeting post and express parcel etc. for faster delivery of mail. We can see the mail traffic during last five years in the table no. 2 where registered and unregistered mail traffic is in fluctuating situation and in premium product traffic, there is a big drop in the

traffic between year 2012-13 and 2013-14 and it has increased in last four years from year 13-14 to year 2016-17. Mail services are duly affected due to changes in the new and faster means of communication like mobile and internet.

Table 2.Statement of Mail Traffic during last five years (in millions)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Registered Mail	179.3	200.81	204.8	198.3	183.4
Unregistered Mail	5416.3	5507.96	5407.1	5614.9	5526.6
Premium Products	459.8	379.48	412.6	427.2	478.7
Total	6055.4	6088.25	6024.5	6240.4	6188.7

(Department of Post, 2013-14 to 2017-18)

India Post saving accounts are connected with core banking system just like any nationalized bank where common man comes and opens account with a minimum balance, deposits money, receives interest for the money, and does all types of banking transactions. We can see the status of number of saving bank accounts and deposit balance in post offices. Even though India post is running in deficit condition the deposit in saving bank account is increasing every year. In year 2012-13 where it is 4100825.6, it becomes 5392755.1 in year 2016-17 with the growth of 31.5% which is a positive sign for India Post. The common man still believes that India post is the most reliable service for depositing their money. Though the numbers of accounts are decreasing order they are not making effect on increase in deposits. The dead accounts with no transactions for long time are permanently closed while making core banking solution.

Table 3.Statement of saving Bank schemes during last five years

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Number of Accounts	312070823	349136167	399319009	400054521	356714046
Deposit Balances In Cores without NSC/ KVP	4100825.6	4331880.9	4488753.8	4862646.6	5392755.1
Deposit Balances In Cores with NSC/ KVP	6031699.5	6150215.6	6193174.4	6392540.6	6900787.0

(Department of Post, 2013-14 to 2017-18)

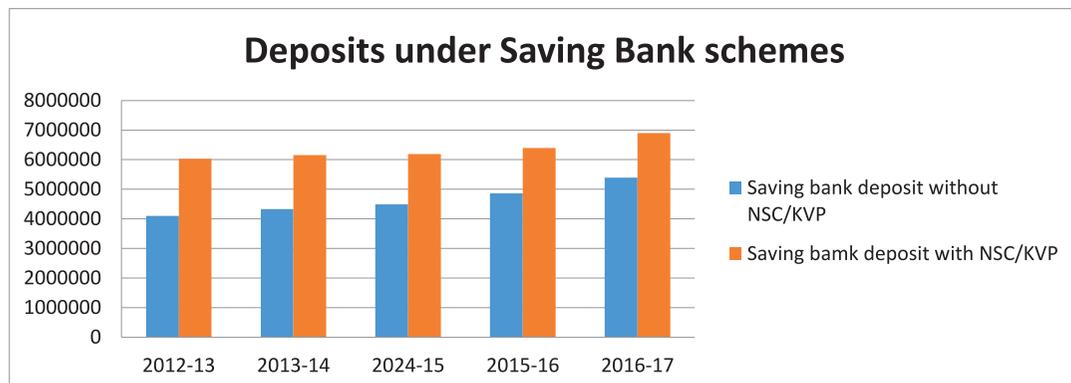


Figure 2. Deposit under saving bank schemes

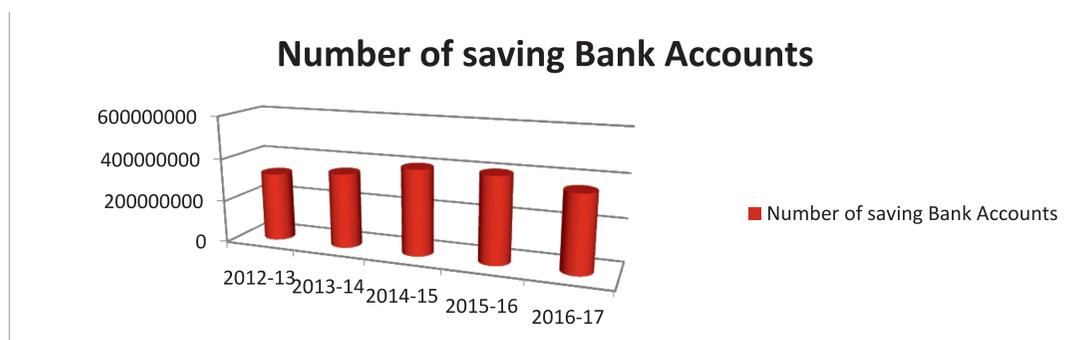


Figure 3. Number of saving bank accounts

(Department of Post, 2013-14 to 2017-18)

Before studying IPPB let us take a look at payment Banks

Payment Banks

“Payment banks are new stripped –down type of banks, which are expected to reach customers mainly through their mobile phones rather than traditional bank branches” (Saini)

The works of payment banks are:

1. Payment banks can accept deposits up to Rs.100000 and pay interest for it, like saving banks do for their saving bank account holder.

2. They are not eligible to grant loan to their customers.
3. They can provide customer friendly services like ATM card, Cashless Transaction facilities, foray cards to travelers, Automatic Payment of Bills, Direct Money Transfer facilities through phone and so on.

In other countries of the world Specially in Developing Countries payment banks are running Successfully, to connect the rural area with new advanced and technology based banking facilities available at urban areas, India is moving towards the status of cashless transaction based economy and government is also implementing direct transfer scheme where it provides subsidy to people like education sector, Health Care, LPG Gas, etc. are paid directly to the account of the person. We can say that payment bank can play a vital role to connect rural citizens, low income people and households, small business men, emigrant labourer with new banking Service at low transaction cost. Banks cannot open their branches in remote rural areas of the country but now mobile phone network is available easily even in rural areas of country with huge coverage facilities. Banks can help to provide quick banking services to villagers through their payment bank services (Talwar, 2016).

So we can say that the purpose of payment bank is to create a differentiated banking system whose focal point is to impel electronic payment methods in the country.

Origin of payment Banks in India

Indian Banking is observing a vibrant period due to the continuous changes in the policies of Reserve Bank of India and also Government of India. Reserve bank of India formed a committee in the year 2013 on comprehensive financial service for small business and low income households to suggest how to provide rural persons better banking services based on new technology. In the year 2014, the committee suggested to form a new category of banks called payment banks. In the year 2015 RBI realized guidelines for formation of payment bank and Government of India declared that India post will use its largest network to run payment bank in remote and rural areas of the country and in the same year RBI Grant full license to 11 applicants under section 22 of Banking Regulation Act 1949.

India Post Payment Bank

IPPB was established from 100% government equity as a public limited company.

It is working under department of post, government of India in year 2016. It is working under department of post (GOI) in collaboration with Punjab national Bank. As India post has the largest network, it can enjoy the advantages of its reach to the people and also trust the people have for India Post to achieve the goal to become largest payment bank for the common people of India with its simple, reasonable and suitable services which will offer to the rural population. Its services are available to all citizens but its primary stakeholders are migrant laborers, employees working in unorganized sectors, small and medium enterprises, gram panchayat, low income persons and also social sectors of the country. Its aim is to cover the under banked and unbanked areas of the country not only in rural but in urban areas also. Post office saving bank accounts will automatically be linked with India Post Payment Bank which will make RTGS and NEFT and other online payment system possible under this scheme. The system integration will link lakhs of post office account to other banking world. This enables customers to enjoy various banking facilities like mobile banking, digital payments, online bill payments, electronic fund transfer, internet banking etc. (Department of post, 2017-18).

IPPB will be located at district headquarters and all the branches working under the headquarters of India post. In beginning IPPB had 650 branches, 3250 access points which increased by time to 1,50,000 access point with a huge postal network. IPPB will work with the help of the postmen, grameen dak sevaks, saving agents and other franchisees of India post for the ease access, payment and delivery of all the banking facilities to the doorsteps of common people. It provides doorstep banking; mobile banking, phone banking, SMS banking, missed call banking and post office counters services for account opening Aadhar card based direct benefit transfer, 24 hours money transfer in a secure and simple way, Bills payment in an easy way and easy cash withdrawal (India Post Payment Bank).

India Post Payment Bank is working with a Motto “No consumer is too small, no transaction is too insignificant and no deposit is too little”. (India Post Payment Bank)

Vision of India Post Payment Bank

1. Building most accessible, affordable and trusted bank for common man.
 2. Spearheading financial inclusion agenda for under banked populace (Annual report, DOP, 2018)
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Functions / Channels of India Post Payment bank

1. Prompt and easily available counter operations.
2. ATM / Micro ATM facilities near by their house.
3. Aadhar card based mobile banking and internet banking services at customers doorsteps.
4. Prepaid instruments for customer's convenience such as mobile wallets etc.
5. Direct Benefit Transfer like fund from disbursing agency to transfer subsidies directly to the people through their bank account.
6. Doorstep banking means Cash deposit, cash withdrawal, balance enquiry and Aadhar to Aadhar funds transfer (Department of post, 2017-18).

Types of Account in India Post Payment Bank

Consumers can open 3 types of accounts in IPPB.

1. Safal: One of the regular post office accounts.
2. Sugam: A basic saving bank deposit account.
3. Saral: A basic saving bank account especially for the people with limited banking experience.

To open a new account it requires minimum amount of Rs. 100 with no minimum balance requirement. Saral does not require any KYC (Know your customer) whereas, Safal and Sugam needs KYC while opening the account in IPPB. Interest rates on deposits are fixed as 4.5% on quarterly average amount of Rs. 25,000; 5% between Rs. 25,000 to Rs 50,000 and 5.5% on the amount above Rs 50,000 (Dhawan, 2018) (Pal, 2017) (Nathani, 2018).

The IPPB project will enable micro enterprises to come on floorboard for digital transactions, which appears to have multiple challenges in using digital payment solutions. The Kirana merchants, small sellers, homemade food sellers etc. are the small merchant who largely operate in informal economy. They are generally illiterate or their literacy rate is low, their business operations are in small scale. They have to face so many difficulties while using digital payment solutions. They do have difficulties in approaching institutional

credit system and also to collect dues from their customers. IPPB can provide credit merits through a payment acceptance network for micro enterprises with Financial Software and System (FSS) it ensures that merchants are able to accept payment over any channel online, unified payment interface(UPI), quick response (QR) codes, Aadhar and IPPB accounts. FSS will also provide merchant management and settlement solutions including on boarding fee calculation, reconciliation and settlement (IPPB tie up with FSS could be game changer for micro enterprises, 2018).

Benefits of IPPB for rural population:

According to a survey most of the rural areas of the country are still in under banked or unbanked condition. Easy and accessible payment network is not available to the rural population. In India banking facilities are not available in remote and rural areas as the cost of infrastructural development is very high for banking system whereas the post office is available in almost villages of India due to its huge network. India post payment bank can provide these benefits to its rural consumers:

1. **Benefit of Relevance:** The most important benefit is the “Benefit of Relevance”. The relevance of post offices are declining due to changing methods of technology, Banking and payment methods. India post payment bank is going to provide rural population services equipped with new technology. It gives Indian postal services new identity and relevance according to the time.
 2. **Benefit of Doorstep Banking:** IPPB will provide doorstep banking to its rural customers. Commercial banks cannot provide doorstep banking in rural areas where as IPPB can provide its rural consumers innovative services and interface through the combination of physical and digital channels called post offices in all over the country.
 3. **Benefits of Personal Assistance:** IPPB will provide personal assistance **with** the help of postmen for rural consumers like senior citizens, families of migrant labours and small merchants etc.
 4. **Benefit of local connection:** IPPB will provide its services to rural population through its trusted network of post offices where the staff like postmen, gramin Dak Sevak are local people so they can connect to the villagers easily. People also trust them more than the person from other place then their area because local relationship is more important for the people lives in rural areas. This characteristic
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makes IPPB a unique payment bank then other banking institution.

5. **Benefit of online and mobile banking facilities:** The main aim of IPPB is to focus on basic banking facilities to rural consumers through Different types of Accounts, payment and remittance facilities to poor, low income households, marginal and small shop keepers etc.
6. **Benefits of Social welfare and financial support schemes:** IPPB is going to provide the benefits of Government's social welfare scheme like MNRGA, health Insurance, Loan from other commercial banks etc. to rural population.

Advantages of IPPB

Indian Postal services will gain advantages of payment banks in several ways.

1. All POSB will automatically get connected to IPPB Accounts however customer is free to choose the option to go with IPPB account or not.
 2. Now Customers of POSB will be able to use the superior banking system then they are using currently. They will also use their funds deposited in POSB to pay their various bills, Premiums and EMI. They can invest their deposits in mutual funds by using internet friendly operating system linked with their POSB Accounts.
 3. Government of India is taking initiative to make India Digital. India Post will also making its efforts by developing the capability of paying and receiving deposits online, providing customers internet based doorstep, mobile, e-Commerce, Mass transit and other facilities online to its customers.
 4. IPPB will conduct the educational and awareness campaign for their target customers, Individuals and merchants to communicate the benefit of digital transaction, sustained marketing with the help of India post and new innovations related to postal industry working with the aim of making India digital.
 5. Customers can enjoy the partnership benefits of India post payment bank with corporate banks and financial institution like mutual fund, insurance etc.
 6. India post can make a comfortable and reliable customer's relationship by providing modern technology based grievances system. Customers can go to the nearest IPPB Branch or raise their queries, complaints or requests online by IPPB call centers, Email or with the help of their mobile phones.
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Challenges before India post Payment Bank

1. There are also some challenges before India post Payment Bank has to face. One of the most important problems is the lack of clarity on the business model for payment bank. It is an Innovative but untested model, neither full bank nor simple mobile money providers.
2. It requires dedication of employees for their work and innovative ideas to reach to the population to get success. The modern technology is available and the challenge is largely in implement it well, as Employees are not very much trained and not familiar with the working of IPPB.
3. IPPB will have to face competition with the private entities which are also in the market after getting license from RBI.

Importance of India Post Payment Bank to cope up with current situation

A report on Harnessing the India post network for financial field was submitted by the exert committee which was produced jointly by the department of Financial service, Department of economic Affairs and Invest India Economic Foundation (IIEF) and important recommendations are given by the committee to government of India if we analyze these recommendations we can say that some of these recommendations are also the base of the formation of India Post Payment Bank. These recommendations are as follows:

1. India post should deliver light weight low cost bank accounts to all the Indian citizens and especially to the financial excluded population.
 2. It is must for India post to build a payment infrastructure, through an array of contract with partners by connecting all the post office saving bank Accounts and Accounts of Its partners to successfully become a person to person money order payee service with the help of mobile services and internet and web browser facilities (post) (Jain, 2015).
 3. It is must for India Post to join with more partners who provide it new services based on mobile, internet etc and new and better technological choice so that it can expand its size of the network.
 4. The role of Post office saving bank as an agent of ministry of finance should be revisited and expanded to enable India post to play a larger, direct role in financial
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inclusion and build appropriate enabling architecture. (Department of post, 2010).

India post will need a modern electronic saving account and modern electronic payment network with a low cost low value payment solution.

An efficient POSB Accounts that can be operated at any post office in the country and can be accessed through a mobile phone is the preference of today's consumers. The consumers will be able to access their accounts easily and India post will be able to further increase its consumer's base and more effectively increase its services. (Department of post, 2010).

Now we can think over the important facts that shows that India Post Payment Bank will Rejuvenate India post and will be the most successful postal service of the world:

1. It can take advantages of its huge postal network spread not only in urban but also in rural areas of the Country.
 2. Bank Branches are generally situated in cities and the villages more developed as they are nearer to cities. Villagers would have had to travel for hours to nearby cities in order to visit a bank branch so they do not connect their self with bank personals but the postmen and gramin dak sevaks are local persons they are friendlier with them. They meet them every day and even after the duty hours they are available to them to clear their queries about the services.
 3. There are so many cash programs are run by government of India to encourage the development of rural areas like MNREGA for the common people of Villages. IPPB can access these beneficiaries more easily to give them benefits of these programs.
 4. Payment banks can also play a vital role in executing the direct benefit transfer scheme of Government of India, where subsidies on healthcare, education and gas are paid directly to beneficiaries' accounts.
 5. IPPB money transfers can be made possible through mobile phones , with the help of post men of the village post office a big facility for the people, especially that of the migrant labour and the person working in other states of the country.
 6. IPPB can also make tie-ups with other banks, non-banking companies.(NBFCS), Mutual funds and insurance companies to earn money and also to provide these services to rural population called as third party products.
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The payment bank venture of India post has always been the hope that it can also be a positive pressure making Institution for India post to improve access to the financial services and also to rejuvenate India Post.

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