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ROLE OF INDIAN POSTAL SERVICE SECTOR IN FINANCIAL INCLUSION WITH SPECIAL CONSIDERATION TO INDIA POST PAYMENTS BANK (IPPB)

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ABSTRACT

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. It plays a major role in inclusive growth of the country. During post liberalization period the banking sector has grown enormously keeping pace with the country's remarkable economic growth. Indian post offices, at the same time, are providing banking services to the Indian masses since 1882. Indian postal sector which provides easy financial services to the people throughout the country also served as banker to the Indian rural masses much before financial inclusion became a buzzword. In order to further the cause of financial inclusion by providing basic banking, remittance services and payments services to customers, India Post Payments Bank (IPPB) has been incorporated as a public sector company under the Department of Post with 100% Government of India equity. IPPB is expected to provide designated financial services at low cost to target population. This paper aims to study the role of Indian post offices in financial inclusion. Further an attempt has also been made to examine the future prospects of India Post Payments Bank.

1. INTRODUCTION:

The Department of Posts (DoP), trading as India Post, is a government-operated postal system in India. Generally referred to within India as "the post office", it is the most widely distributed postal system in the world. India post was founded in 1st April, 1854 and has its Headquarters in Dak Bhawan, Sansad Marg, New Delhi.

It is involved in 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 DoP 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.

The Electronic Indian Postal Order (e-IPO) was introduced on 22nd March, 2013 initially only for citizens living abroad. The postal orders can be used for online payment of fees for access to information under the RTI Act of 2005. The service was expanded to include all Indian citizens on 14th February, 2014.

Postal Life Insurance was introduced on 1st February 1884 with the express approval of the Secretary of State (for India) to Her Majesty, the Queen Empress of India. It was essentially a welfare scheme for the benefit of Postal employees in 1884 and later extended to the employees of Telegraph Department in 1888. Today it covers employees of Central and State Governments, Universities; Government aided Educational Institutions, Nationalised Banks, Local bodies, Joint Ventures having a minimum of 10% Government/PSU stake, Credit Co-operative societies etc. and staff of the Defence services and Para-Military forces. Apart from single insurance policies, PLI also manages a Group Insurance scheme for the Extra Departmental Employees (Gramin Dak Sevaks) of the Department of Posts. It was extended to all rural residents on 24th March, 1995.

Policies for government employees include Santhosh (endowment assurance), Suraksha (whole-life insurance), Suvidha (convertible whole-life assurance), Sumangal (anticipated endowment policy) and Yugal Suraksha (joint life endowment assurance). It started Rural Postal Life Insurance (RPLI) for rural public in 1995.

The post office offers a number of savings plans, including Recurring Deposit Account, Sukanya Samriddhi Account (SSA), National Savings Certificates (NSC), Kisan Vikas Patra (KVP), Public Provident Fund, Savings bank account, Monthly-income plans, Senior-citizens' savings plans and Time deposit accounts.

In 2013 it was revealed that the Indian postal service had formulated plans to enter the banking industry after RBI guidelines for the issuance of new banking licences were released. In August 2015, the RBI had granted in-principle approval to 11 applicants to set up payments banks, including India Post. As of 29th February 2016, 18231 post offices utilized Core Banking Solutions (CBS) in 9583 post offices. ATMs were installed at 576 post office locations and Debit cards issued to Post Office Savings Bank customers. In September 2017, it was announced that by 2018 all of the 1.55 lakh post offices and every postman and grameen dak sevak will be equipped with a device which will provide full range of payment options that the India Post Payment Bank (IPPB) plans to provide. The India Post Payment Bank Limited leverages network, resources and reach to make

low-cost, quality and simple financial services easily accessible to customers in the country.

2. OBJECTIVES OF THE STUDY:

- To study the role of Indian post offices in Financial Inclusion.
- To examine the future prospects of India Post Payments Bank (IPPB).

3. RESEARCH METHODOLOGY:

• RESEARCH DESIGN:

The research design of the paper is basically descriptive.

• SOURCES OF DATA:

The study is based on secondary data. Secondary data was collected from Annual Administrative Report, Annual Report and websites of the India post. Supporting literature from relevant sources, journals, research reports, websites etc. also forms the sources of secondary data.

4. REVIEW OF LITERATURE:

a) Mala, M., Dr.Vasanthi, G. (2016) “PROBLEMS AND CHALLENGES OF INDIAN POST IN FINANCIAL INCLUSION”.

The objective of the paper is to study the role of post office in financial inclusion, problems and challenges of Indian post in financial inclusion. The study concludes that post offices and their capabilities can work as an alternative banking solution for the better improvement of financial inclusion. Hence utilizing of post office networks can provide another way forward in extending financial inclusion.

b) Anand, M.B., Dr. Srinivas, D.L., Dr. Ramesh, H.H. (2013) “PERFORMANCES OF INDIAN POSTAL SERVICES”.

The objective of the study is to explore the growth and performance of Postal services and future opportunities in India. The study concludes that the growth of Indian post and its performance over the years is not so impressive and India Post should apply itself towards the challenge of achieving high volumes of money orders, should deliver lightweight, low-cost bank accounts to all Indian citizens and especially to the financially excluded population.

c) Malakar, D. (2013) “ROLE OF INDIAN POST IN FINANCIAL INCLUSION”.

The objective of the study is to assess the role of post office in financial inclusion, challenges before the post office in providing financial services and to provide some suggestions for making Indian post a good conduit for financial inclusion. The study concludes that the Indian Post can lead the way in financial inclusion with its given network and reach. It can increase its importance and profit provided it can bring together all the stakeholders in to a single platform, bring the necessary reforms, adopt the innovation and take some policy appropriate with the situation.

d) Dr. Meena Kumari, K., (2017) “INDIA POST PAYMENTS BANK- PROBLEMS AND PROSPECT”.

The objective of the study is to examine the role and objectives of payments banks with special reference to

India Post Payments Bank, relevance in achieving financial inclusion objective, prospective challenges and problems, suggestions for overcoming those. The study concludes that Payments Bank established by the Department of Posts has the potential to be the most accessible banking network in the country. With the postal delivery system combined with digital platform such as mobile, internet banking, prepaid instruments, debit cards, ATMs, etc., Payments bank is set to be the face of transformation of post offices and be major drivers in financial inclusion initiative of the Government of India.

5. ORIGIN OF INDIAN POST:

The first post office in India was established by East India Company in the year 1688 in Bombay followed by Calcutta and Madras. It was named as 'Company Mail'. The Post Office Department of the East India Company was first established on March 31, 1774 at Calcutta, followed in 1778 at Madras and in 1792 at Bombay. The present type of post office came in to being in the year 1854 under the Post Office Act of 1854. By 1861, there were 889 post offices handling nearly 43 million letters and over 4.5 million newspapers annually. The first superintendent of the post office was appointed in 1870 and based in Allahabad and in 1876; British India became the first non-founding member of the General Postal Union. Since Independence in 1947, the postal service continues to function on a nationwide basis, providing a variety of services. The structure of the organisation has the directorate at its apex; below it are circle offices, regional offices, the superintendent's offices, head post offices, sub-post offices and branch offices. In April 1959, the Indian Postal Department adopted the motto "Service before Self"; it revised its logo in September 2008. The number of post offices in India increased from 23,344 in 1947 to 1,54,866 as on 31st March 2011. Out of the total post offices in India 1,39,040 numbers post offices are in rural areas.

6. FINANCIAL INCLUSION:

Financial Inclusion means the delivery of basic financial services to every section of the society at affordable prices. The key objective of financial inclusion is offering affordable financial services to the disadvantaged and low-income segments of society. In India the basic concept of financial inclusion is having a saving or current account with any financial institution. In reality it includes loans, insurance services and much more. In advanced economics, financial inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy. In emerging economics, it is a question of both access to financial products and knowledge about their fairness and transparency. Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further by bringing low income groups within the perimeter of formal banking sector, financial inclusion protects their financial wealth and other resources. Financial inclusion also mitigates the exploitation of vulnerable sections by facilitating easy access to formal credit. Importance of spreading financial inclusion is:

- Majority of the Indian population remain unbanked and their credit needs are served by informal channels which are avenues for exploitation.
- The condition is worse in rural areas and among the weaker sections of the society.
- This has led to financial instability among the lower income groups.

7. ROLE OF INDIAN POST IN FINANCIAL INCLUSION:

Financial inclusion is assumed to be one of the key drivers of our vision of an inclusive society and inclusive economy. India has the largest postal network playing a crucial role in the socio-economic development of the country for many years. The Indian postal sector has been offering financial services to the Indian masses and acting as banker to the rural people throughout its branches. These services include post office savings schemes, postal life insurance, mutual fund, money remittance, forex services etc.

➤ As per the Annual Report 2017-18, India Post has implemented DIGITAL ADVANCEMENT OF RURAL POST OFFICE FOR A NEW INDIA (DARPAN) Project with Core Banking Solution (CBS) which will enable Department of Posts to rollout various social sector schemes on behalf of the Central and State governments through a network of 1.29 lakh Branch Post Offices in the rural areas. Rural Branch Post Offices will be provided with a Hand Held Device enabled with biometric identification and Micro ATM functionality to perform various financial and postal transactions. As on 17th January, 2018, 51361 Branch Post Offices have been covered under Darpan project.

➤ Department of Posts has a predominantly Rural Network of 1,39,067 Post Offices in rural areas out of the total 1,54,965 Post Offices in the country. The Rural Business (RB) Division of the Department of Posts (DoP) has been given the mandate of leveraging the Rural Network spread across the length and breadth of country to provide accessible and affordable Financial and postal services to the people in rural areas.

➤ Over the years, Financial Inclusion has emerged as the main focus of the activities of the RB Division. The Division has been actively involved in the implementation of various Governments sponsored Social Security Schemes like:- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS) etc.

➤ One of the most important areas of work of the RB Division is to bring people living in the rural areas into the ambit of formal financial services, through opening of Post Office Savings Bank accounts and disbursement of social security scheme payments.

➤ Government of India has enacted Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in September 2005. The Act seeks to provide at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The scheme has come into force in all districts in the country with effect from 1st April 2008.

- Department of Posts has been actively involved in the disbursement of wages through Post Office Savings Bank accounts for MGNREGS beneficiaries. Starting with Andhra Pradesh Postal Circle in 2005, the scheme of disbursement of MGNREGS wages through Post Office accounts has been made operational in the entire country, with the exception of Delhi and J&K Postal Circles. The Scheme is presently operational in more than 96,000 Post Offices across the country and an amount of Rs.6152 crores have been disbursed in the year 2016-17.
- Department of Posts also undertakes payment of pensions under National Social Assistance Programme (NSAP) of the Ministry of Rural Development (MoRD) and disbursement of benefits under Direct Benefit Programmes of various Ministries of the Government of India through National Automated Clearing House (NACH) Platform.
- The following table shows the distribution of post offices in rural and urban areas throughout the country during the last seven years i.e., from the year 2011-12:

YEAR	RURAL	URBAN	TOTAL
2011-12	139040 (89.78%)	15826 (10.22%)	154866
2012-13	139086 (89.84%)	15736 (10.16%)	154822
2013-14	139164 (89.87%)	15692 (10.13%)	154856
2014-15	139182 (89.86%)	15700 (10.14%)	154882
2015-16	139222 (89.86%)	15717 (10.14%)	154939
2016-17	138955 (89.70%)	15955 (10.30%)	154910
2017-18	139067 (89.74%)	15898 (10.26%)	154965

Source: Annual Reports of India Post (2011-12 to 2017-18)

The above table shows that the number of post offices in rural areas is more when compared to urban areas.

- The incorporation of India Post Payments Bank (IPPB) under Department of Posts on 17th August, 2016 will primarily focus on serving social sector beneficiaries, migrant labourers, un-organised sector employees, Micro Small and Medium Enterprises (MSMEs), Panchayats, low income households, in rural areas and the unbanked and under-banked segments in both the rural and urban areas.

8. INDIA POST PAYMENTS BANK(IPPB):

India Post Payment Bank is the third entity to receive payments bank permit after Bharti Airtel and Paytm. As mandated by the RBI, the India Post Payment Bank (IPPB) would focus on providing basic financial services such as acceptance of demand deposits, internet banking and other specified services except lending services. It provides all kinds of payments; including social security payments, utility bill payments, person to person

remittances (both domestic and cross-border), current and savings accounts up to a balance of Rs 1 lac, distribution of insurance, mutual funds, pension products and acting as business correspondent to other banks for credit products especially in rural areas and among the underserved segments of the society. They can issue debit cards but not credit cards and can also issue prepaid payment instruments. AP Singh has been appointed as interim MD and CEO of the IPPB. The Public Investment Board (PIB) has recommended that the payments bank may be set up as a public limited company under the Department of Posts with 100 percent government equity. The Union Government has announced that IPPB will become operational in all 650 districts of the country by April 2018 to facilitate inclusion. IPPB started its operations on 30th January, 2017 by opening two pilot branches, one at Raipur and the other at Ranchi.

Needs and Objectives of IPPB-

- Further the cause of financial inclusion by providing basic banking, remittance services and payments services to customers.
- Facilitate spread of financial services like insurance, pensions, mutual funds to customers especially from rural areas and the unbanked and under-banked segments.
- Generate opportunities for propagating financial literacy across the country by using state of the art banking and payments technology.
- Generate new employment opportunities.
- Encourage citizens to move towards a cashless economy by creating the largest bank network in the world in terms of accessibility.

9. FUTURE PROSPECTS OF INDIA POST PAYMENTS BANK (IPPB):

- India Post Payment Bank is expected to play a key role in monetary transaction made by the common mass. If IPPB is extended to the remote corner of the country, the rural folks will get the opportunity to save their hard earned money which they can utilize in the hours of need and will be saved from the clutches of the moneylenders.
- IPPB favours and effectively plan the day-to-day living of the people and help them to lead an organised living without any stringency.
- All leading bankers do not establish their branches in the remote corners of the country whereas post offices are situated everywhere in rural areas so if IPPB open operational centres in those areas the people of village and other interior areas will certainly be benefited.
- IPPB will mobilize the employability of many educated youths.
- IPPB will facilitate the availability of financial services that meet the specific needs of users without discrimination and are the key objective of financial inclusion.

10. FINDINGS AND DISCUSSIONS:

The major findings of the study are as follows-

- India Post has implemented DARPAN Project with Core Banking Solution (CBS) which will enable Department of Posts to rollout various

social sector schemes on behalf of the Central and State governments through a network of 1.29 lakh Branch Post Offices in the rural areas.

- Department of Posts has a predominantly Rural Network of 1,39,067 Post Offices in rural areas out of the total 1,54,965 Post Offices in the country to provide accessible and affordable Financial and postal services to the people in rural areas.
- Department of Posts has been actively involved in the disbursement of wages through Post Office Savings Bank accounts for MGNREGS beneficiaries.
- The incorporation of India Post Payments Bank (IPPB) under Department of Posts will focus on serving the unbanked and under banked sections of the society.

11. CONCLUSION:

India post has been playing a very important role in financial inclusion with its given network and reach especially in the rural areas. It has adopted various reform measures for innovation and technological up gradation in the country. IPPB established by the Department of Posts has the potential to be the most accessible banking network in the country. With a combination of postal and banking services, IPPB is set to be the face of transformation of post offices and one of the major drivers in inclusion initiative of the Government of India.

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