

## A STUDY ON THE ROLE OF INDIA POST PAYMENT BANK IN FINANCIAL INCLUSION

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### ABSTRACT

*Economic growth and social advancement depend on financial inclusion, which makes it possible for people and enterprises to access and use a variety of financial services that meet their requirements and preferences. The Indian government has taken an innovative step to promote financial inclusion in the country by establishing the India Post Payment Bank (IPPB). It is a government-owned business whose objective is to provide financial services throughout the whole nation by taking advantage of the huge India Post network. The purpose of this research paper is to present an overview of the India Post Payment Bank (IPPB) and examine its role in promoting financial inclusion in India. The study discusses IPPB's features and also highlights the major challenges faced by IPPB. The study is descriptive based on the secondary data. The findings of the study show the remarkable growth of India post payment bank in Customer base, total deposit collected, digital transactions, and DBT beneficiaries. India Post Payment Bank has emerged as a key player in driving financial inclusion. Its extensive reach, affordable services, digital solutions, and collaborative approach have opened doors to the formal financial system for millions of underserved individuals.*

**KEYWORDS:** *India Post Payment Bank, Financial Inclusion, Financial Services, Payment Banks, Postal Financial Services.*

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### Introduction

Financial inclusion is the process of including people and organizations in the formal financial system and ensuring their access to a range of financial services that are suitable for their needs. It involves removing obstacles that prevent people from participating in the financial industry and utilizing financial instruments to enhance their quality of life. Financial inclusion is essential for making daily life easier and assisting people and organizations in making plans for both short- and long-term objectives, including unexpected emergencies. People are more inclined to utilize other financial instruments, such as savings, credit, and insurance when they have access to financial services, which can eventually improve their entire quality of life.

The sustainable population of the country is still under-banked and lacks access to basic financial services, especially in rural and remote areas. The government of India has taken an innovative step to address this problem by establishing a new type of bank called "Payment Bank". The RBI set up a committee in Sep 2013 to study "Comprehensive financial services for small business and low-income households" under the chairmanship of RBI member Nachiket Mor. The committee submitted the report of the study in January 2014. The committee gave some key suggestions one of the important

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suggestions was to establish a "Payment Bank" for people who don't have access to basic banking services so every Indian has a global bank account by January 2016. The creation of Payment Banks is one of the initiatives the Reserve Bank of India (RBI) has put in place to encourage financial inclusion in India. The RBI established Payment Banks in 2015 and granted permission for 11 entities to function as Payment Banks. The India Post payment bank is one of the banks among 11 payment banks under the Department of Post.

### Review of Literature

**(Joseph & Reena, 2019)** In the analysis of the IPPB's contribution to financial inclusion, researcher points out some of the IPPB's major difficulties, including those relating to their long-term effectiveness and efficiency. He advises the government to continue working on financial inclusion despite a few notable successes and to look into creative new approaches.

**(Sahu & Minj, 2021)** Study about the challenges faced by India post payment bank. He said that IPPB is confronted with challenges including a lack of internet literacy, a lack of understanding of mobile phone services, and an improper revenue model. He suggests that IPPB make use of its financial literacy program and explore innovative ways to increase its revenue.

**(Minj & Pandey, 2021)** The paper attempted to examine India Post and India Post's payment role in financial inclusion. The findings of the study revealed that India Post plays a very important role in financial inclusion by adopting recent reforms and technology. The study also said that IPPB is transforming postal services with a combination of postal and banking services.

**(Mondal, 2022)** The study analyzed the IPPB's major banking data to see how it affected financial inclusion. According to the study's findings, IPPB has a good impact on financial inclusion with its extensive staff network, AePS, and door-to-door banking services. The study concludes that IPPB will encourage digital financial inclusion and aid in the transition away from a cash-based economy.

### Objective of the Study

- To provide the overview of the INDIA POST PAYMENT BANK (IPPB).
- To examine the role of IPPB in promoting financial inclusion in India.
- To analyze the major challenges faced by IPPB.

### Research Methodology

The research study is descriptive and conceptual on the base of secondary data. The secondary data has been collected from different journals, newspapers, websites, government reports, RBI reports, and IPPB annual reports.

### India Post Payment Bank

A 100% government-owned bank called India Post Payment Bank was established by the Ministry of Communication. On August 19, 2015, the Reserve Bank of India granted the India Post a license to operate a payment bank. The IPPB registered as a public limited company on August 17, 2016, to establish a payment bank. A pilot project launch took place in Ranchi and Raipur on August 18, 2018. The union cabinet granted the creation of a payment bank and approved a cost of \$1,435 crore for IPPB. On October 1, 2018, at Talkodra Stadium in New Delhi, Prime Minister Narendra Modi officially launched the IPPB. India Post Payment Bank launched 650 branches with 3250 access points and 15000 agents for doorstep banking service now it has 1,55,000 access points with 2.5 doorstep agents in 650 branches. It is working with the aim of "No consumer is too small, no transaction is too insignificant and no deposit is too little".

### Feature of India Post Payment Bank

- India Post payment bank can accept deposit of current and savings account with a maximum limit of 2 lakh per user.
- IPPB offers four types of savings accounts to customers: regular, basic, digital, and premium accounts.
- IPPB offers various methods for deposit and withdrawal which include post office counter transactions, ATM, Mobile banking, internet banking, and electronic transfer.
- A debit card is offered without charge by Indian Post Payments Bank with an annual maintenance fee of Rs. 100.

- Effective as of June 1, 2022, IPPB provides 2% annual interest on accounts up to Rs. 1 lakh and 2.25% annual interest on incremental balances beyond Rs. 1 lakh and up to Rs. 2 lakh.
- IPPB only focuses on financial services it does not provide credit facilities to the customers. It is not allowed to provide loans and credit card facilities.
- IPPB offers doorstep banking which allows customer to get the banking service at their doorstep. The postmen use the QR card and Bio-matrix machine for doorstep banking and act as doorstep bankers.
- The QR code-based payment offered by IPPB so customers can easily make transactions without remembering any password or Number.
- The IPPB has a Mobile Banking App that enables users to perform various banking services on their smart phones.
- The IPPB offers access to third-party services including insurance and mutual funds, as well as social security payments like MNREGA salary and direct benefit transfer.

### Services and Product of India Post Payment Bank

#### Savings Account

The India Post Payment offers 4 types of savings accounts which are as follows:

- **Regular Saving Account-** The regular savings account is open by any person from any bank access point or at their doorstep. The function of a regular savings account is the same as any other bank savings account. It allows one to open a zero-balance account without the commitment of maintaining a minimum balance. The customer can hold a maximum of 2 lakh in this account, the amount above the 2 lakh at the end day can be transferred into the customer's post office savings account.
- **Digital Saving Account-** This account is specially designed for those people who are very user friendly with technology. Any person above 18 with an Adhaar/PAN card can easily open this account using the IPPB app. It offers secure online banking Customers can easily make payments, get information about their account anywhere, and enjoy the banking service through mobile and internet banking. The KYC is mandatory within 12 months if customers fail to complete the KYC process the account should be closed automatically.
- **Basic savings Account-** The account is similar to a regular savings account but it has some restrictions over the cash withdrawal. The account is allowed only 4 cash withdrawals in a month.
- **Premium Saving Account-** The premium account is for those customers who want to use some value-added services like free doorstep banking, free cash deposit and withdrawal, and cash back on transactions. A person can easily open a premium account with the KYC process. The charges taken from the new or existing customer of Rs, 149 and the annual renewal subscription is Rs.99. The account holder needs to maintain 2000 amounts annually in this Post office savings account.
  - **Current Account-** The current account can easily opened at a nearby post office or doorstep of customers. This account is specially designed for small businesses, kirana stores, or individuals to expand their business. The IPPB also provides a Merchant app to fulfill the business requirements and it supports digital India by providing digital paperless transactions. It can be easily opened with zero balance and Users can enjoy the banking service without the burden of maintaining balance.
  - **Doorstep Banking:** This service is designed for those who don't want to leave house comfort or people not physically able to visit a branch for banking services. The customer can enjoy the banking service at the doorstep with a nominal charge. The postmen use biometrics and QR cards for the service. The charges are taken by the IPPB based on the transactions. This service makes accessible banking services in remote areas where the banking service is not available. The services offered by IPPB through doorstep banking are as follows:

- Account opening
- Cash deposit/withdrawal
- Bills and recharge payment
- Money transfer
- Account-related services
- Services of AePS
- Insurance and Mutual fund services
- Financial services
- **Mobile Banking**:-To access an IPPB account and perform transactions from the comfort of a mobile phone, IPPB offers a simple mobile banking service. It provides a mobile banking app called “India Post Payment Bank” Anyone can easily download it from the Play Store and enjoy banking services anywhere time.
- **SMS Banking**:-IPPB offers an SMS banking service where the customer can easily get the information of their accounts by just sending one message to the SMS banking number 7738062873.
- **Missed Call Banking**: - Missed call banking allows the customer to obtain information about their accounts easily. By using this service, the user can get the mini statement as well as information about their available balance.
- **Phone Banking**: - IPPB phone banking service enables the customer to easily handle their account without visiting a branch. Customers can access a wide range of services and information by dialing IPPB's Phone Banking service at 155299.With the help of IPPB's phone banking service customer can use doorstep banking services, have 24-hour access to their account information, and get quick services by without visiting a branch and save their time.
- **QR CARD**: -An innovative financial product that completely changes the way banking is done is the IPPB QR Card. The authentication process is carried out using one-time password verification and an official valid document for validation to protect the confidentiality and privacy of the transaction. Customers do not need any PIN/PASSWORD they just scan and use the service of money transfer, shopping, and cash transactions. The benefit of a QR Card is that your money will still be safe in your account even if it is lost or stolen.

**Diversified Product and Service of India Post Payment Bank**

In the financial year 2020–21, IPPB introduced a variety of diverse products and services to fulfill the demands and preferences of its customers to provide a smooth, modern, and built-for-the-new normal comprehensive & 360 degree banking experience. It can offer services such as money transfers, bill payments, AePS service, virtual debit cards, and government-to-citizen services, etc.

POST OFFICE CUSTOMERS	CUSTOMER OR MERCHANT OF IPPB	G2C SERVICES	CUSTOMER OF ANY OTHER BANK
<ul style="list-style-type: none"> <li>•Linkage with an IPPB account to provide interconnection for Post Office Savings accounts</li> <li>•Post Office programs like SSA and PPF, RD and LARD can operate done digital payment</li> <li>•Digital payments for the premium for postal life insurance</li> <li>•Digital transactions from Postal Counter</li> </ul>	<ul style="list-style-type: none"> <li>•Saving and currents accounts</li> <li>•Easy fund transfer</li> <li>•Virtual debit card service</li> <li>•Recharge and bharat bill payment service</li> <li>•Term, endowment, and annuity life insurance</li> <li>•Motor, group accident, and health insurance.</li> <li>•Mutual fund</li> </ul>	<ul style="list-style-type: none"> <li>•Social Benefits Enrolment &amp; Distribution under DBT</li> <li>•Digital Life Certificate service for Pensioners</li> <li>•Service for updating Aadhaar Mobile Numbers</li> <li>•Child Aadhaar Enrolment</li> <li>•Insurance of PMJJB</li> </ul>	<ul style="list-style-type: none"> <li>•Any Account Cash Withdrawal using AePS</li> <li>•Depositing Cash into Any Account using DMT</li> <li>•Payment in cash for bills, loans, insurance premium, EMIs, etc.</li> <li>•Customers and merchants can make payments using the DakPay UPI app from ANY Bank account.</li> </ul>

(Source: Annual report of IPPB year 2021-22)

### Performance Highlights of India Post Payment Bank

IPPB Business	As of March 31, 2021	As of March 31, 2022	YOY Growth in %
Total customer	4.31 cr	5.26 cr	22.04
Total Deposit	2300 cr	3691 cr	60.48
Value of digital financial transactions	58709 cr	154367 cr	162.94
Number of digital financial transactions	15.91 cr	83.34 cr	426.96
Value of AePS transactions	11733 cr	20939 cr	78.46
Total DBT Beneficiaries	72.98 lakh	1.06 cr	45.21
Value of digital transaction to Dop Scheme	2361 cr	5416 cr	129.39
Number of Mobile App Downloads	86 lakh	1.34 cr	55.81
Number of IPPB accounts linked with POSA	21.85 lakh	28.68 lakh	31.26

(Source: Annual report of IPPB year 2021-22)

The above table shows the highlights of IPPB's growth in digital financial services and its role in providing financial services to a large number of people. The bank customer base increased by 22.04 % and remarkable 60.48 % growth in total deposits. The India Post Payment Bank shows significant growth in customer base, total deposit, Digital Transactions, and Government scheme beneficiaries.

### Other Performance Highlights

- It mainly focuses on remote and rural area by opening 90 % accounts in rural areas.
- Out of total accounts approximately 50% of accounts were held by the women and over 55.40% Women received DBT from the various scheme from government.
- Opened 98 % of accounts at customer doorstep using Micro ATM.
- Issued 46.47 lakh Rupay debit cards to the customer.
- Issued 8.47 Digital life Certificate.
- Enrolled 1.75 lakh customers under PMJJBY.

### Role of India Post Payment Bank in Financial Inclusion

- IPPB established an assessment banking point at every post office that enables customers, especially in remote areas. With a vast network of over 1.55 lakh post offices, it offers essential banking services to rural people as per users' requirements.
- The IPPB is the only organization having a full stake in the government among the entire payment bank. It enables financial support from the government helps to invest in infrastructure and technology and promotes financial inclusion through its services and products.
- The IPPB offers doorstep banking services for those who find it difficult to visit the branch due to some difficulties like geographic constraints, physical disability, and transport issues. It allows the customer to get banking services at their doorstep without visiting the branches at a nominal charge.
- It provides zero-balanced accounts with minimum documents and a simple process. It is very helpful for the financially poor people or the unbanked population to enter into the formal financial system.
- India Post's postal networking and services have helped them in gain a great deal of public trust and IPPB works under the India Post so it is simple to educate individuals about the need for financial inclusion.
- Postmen and Gramin Dak Sevak serve as bankers in door-to-door banking services. They serve as familiar faces, which helps people to trust them and use the service.
- IPPB adopted digital services it launched a mobile app where the customer can easily perform banking activities anywhere using their Smartphone. Services like SMS banking, phone banking, and internet banking allow the customer to get their account information.

- IIPB focused on financial literacy among the underbanked or unbanked areas. It conducted seminars, workshops, campaigns; and training programmed to educate people about saving habits, digital payments, basic banking services, and the benefits of formal banking to make them financially strong.
- To provide innovative and advanced services to people IPPB collaborates with the fintech startup. It helps to increase the service of digital payments, Insurance products, loans, and other financial services. This partnership of fintech technology and IPPB's extensive reach has the potential to bridge the financial gap and promote financial inclusion and the growth of the economy.
- IPPB offers ATM services so that customers may access money quickly. Using the IPPB ATM, the consumer can easily perform their banking transaction. Customers can handle their finances with the use of this service and some bank partnerships with IPPB without paying any additional fees.
- The AEPS service offered by India Post Payments Bank (IPPB) assists those who have an Aadhaar number but may not have traditional identity documents. Through AEPS, people can use their Aadhaar-enabled bank accounts and carry out regular banking activities.
- The IPPB QR service offers a convenient way to access bank accounts without having to remember account numbers or PINs. It promotes secure and convenient banking by allowing users to start transactions using OTP authentication. It is a flexible instrument that promotes financial inclusion by providing easily accessible banking services.
- IPPB also makes it possible for payments for DoP products, facilitates the issuance of digital life certificates, and offers access to third-party insurance.
- Government grants, benefits, and welfare payments can be transferred directly to beneficiaries' IPPB accounts through the IPPBDBT (Direct Benefit Transfer) service. This service, which ensures quick and transparent distribution of money to people, especially those in distant and underserved areas, is essential for promoting financial inclusion.

#### **Challenges Faced by India Post Payment Bank**

- The rural population's need for credit may not be met by IPPB since it is unable to provide credit services. Rural customers could be forced to turn to money lenders as a result, which would defeat the purpose of financial inclusion.
- Commercial banks and other well-known payment Banks are IPPB's biggest competitors. These banks are competing with IPPB in the same market and provide similar services.
- Unlike other banks, IPPB has a unique revenue model. Traditional banks primarily generate revenue from interest, but IPPB is restricted from offering credit services and instead generates income through transaction fees and other services. Generating revenue using the current revenue model is challenging.
- According to RBI, Only three payment banks out of all payment banks are profitable. Even after recording a deficit from 2018 to 2022, the IPPB has not yet reached break-even. In 2022-23 the IPPB shows first time profit of 22.16 cr. It is major challenge for IPPB to remain profitable.
- To provide banking services, IPPB uses the present network of post offices and postal workers. The proper training in digital service is required to deliver higher-quality services in remote areas. A major challenge for IPPB is to provide effective training to around 30, 00,000 employees so they can easily provide the service.
- It may be difficult to encourage financial literacy and inform consumers about the advantages and use of banking services provided by IPPB, particularly among unbanked communities.
- A service fee, ranging from Rs. 15 to Rs. 35, is imposed by IPPB on each transaction. Because of the high service charge, customers could refuse to use IPPB services, which could have an impact on acceptance and utilization.
- To safeguard client data and transactions, IPPB must concentrate on the security framework. Fraud prevention measures and maintaining strong cyber security become significant challenges for IPPB to safeguard consumer transactions from fraud.

- The IPPB's consumer base is expanding daily, requiring effective customer service to meet their demands and keep their satisfaction with the service. It might be difficult to handle customer problems, resolve their daily complaints, and offer personalized help to customers.
- As technology develops, updating, maintaining, or integrating new technology becomes highly expensive and difficult. Without this, IPPB would be unable to offer a high-quality service and remain competitive.

### Conclusion

Payment banks have emerged as widely favorable avenues for digital transactions gaining substantial popularity in recent times. Payment banks are in a good position to respond to the changing demands of customers and a business looking for quick and secure digital payment solutions as the digital economy develops. Postal services were transformed into financial services through an effort by India Post Payment Bank, wherein postmen now arrive at customers' doorsteps not just with letters and packages but also with devices that can deliver a variety of financial services. India Post Payment Bank has emerged as a key player in driving financial inclusion. India post-payment banks play a significant role in the financial service sector and digital financial services. It shows a remarkable growth in customer base, total deposits, and digital transactions. Its extensive reach, affordable services, digital solutions, and collaborative approach have opened doors to the formal financial system for millions of underserved individuals. IPPB contributes significantly to developing a more equitable and financially empowered society by consistently broadening its offers and adjusting to the demands of its clients.

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