

A STUDY ON INDIA POST PAYMENTS BANK

Gaurav Sahu*
Manoj Minj**

ABSTRACT

It is an explorative study on India Post payments Bank. India Post Payments Bank (IPPB) was launched by the prime minister on Pan India Basis on 1st September 2018. IPPB is an initiative to provide accessible and affordable basic banking service to all the citizens through wide network of India Post which is the biggest postal network in the world. The focus group of India Post Payment Bank are include Homemakers, senior citizens, urban migrants, people in rural India, and the unorganized retail sector, students etc. This research was conducted to explore opportunities and challenges of India Post Payment Bank.

Keywords: *Payments Bank, India Post Payments Bank, Financial Inclusion, India Post.*

Introduction

Payments bank are similar to traditional banks which provide basic banking services but are restricted to provide credit facilities i.e., loans and credit cards. Payments Bank operates in digital platforms. Reserve Bank of India conceptualised the concept of Payments Bank main object was financial inclusion of unbanked and under banked population of India. At present six payments Banks are operational. Airtel Payments Bank was the first payments bank to get licence followed by India post payments Bank. Indian Post payments Bank was launched on a Pan India basis on 1st Sep 2018 with the vision to build the most accessible, affordable, and trusted bank for the common man. The focus groups of IPPB include Homemakers, senior citizens, urban migrants, people in rural India, and the unorganized retail sector. India Post Payments Bank (IPPB) is a public company wholly owned by the Government of India. India post payment bank utilizes the large network of India post which is nearly 1.56 lakh post office as access points and 2.5 lakh doorsteps banking agents in every district, town, and village of India which has increased the size of rural banking infrastructure by 7 times.

India Post Payments Bank is built on the five elements Accessibility, Affordability, Ease of banking, digital Ecosystem and Financial literacy. Vision of IPPB is to provide most accessible, affordable and trusted bank for the common bank. IPPB is leveraging the network of India post to provide the financial services to unbanked and under banked sector of India. IPPB is using the mobile platform to provide financial services and operating complete cash less eco system. IPPB is promote financial inclusion through educating customers about savings, investments insurance etc.

Literature Review

Reena Agarwal, (2016) has observed in her research payments bank will digitalise the existing banking sector and will contribute in financial inclusion. Payments banks will ease the banking and will make banking faster and easy for customers.

Meena Kumari, (2017) has highlighted the problems and challenges in achieving financial inclusion. She also discussed need and objective of introduction of India Post payments Bank and its role in financial inclusion.

G. Sabitha Srinivas, (2017) observed that opening new branch in every village is uneconomical and payments bank provide banking services on digital platform which is cost effective. Payments Bank plays a vital role in building cashless economy.

* Assistant Professor, Atal Bihari Vajpayee Vishwavidyalaya, Bilaspur, C.G., India.
** Research Scholar, Hemchand Yadav Vishwavidyalaya, Durg, C.G., India.

Objectives of the Study

- To study Services offered by India Post payments Banks.
- To study prospective challenges faced by India Post payments bank.
- To provide suggestions to overcome challenges.

Methodology

This research is explorative in nature it studies the emergence of India post Payments Bank, the services offered by it and prospective opportunity and Challenges for India Post Payments Bank. This research is based on the secondary Data collected from published resources such as Annual Reports of Department of Post, IPPB, RBI, newspaper reports etc.

Services Offered by India Post Payments Bank

The focus group of India post payments bank are Students, Senior citizen, Homemakers, Small business, Urban Migrants, Kirana Stores, Farmers and DBT Beneficiaries. Following are the services offered by India post payments banks:

- **Deposits:** IPPB provide facility to open both saving and current account to its customers. Account can be opened digitally through IPPB app. IPPB app is available in google play store and for iPhone users. Anyone having Aadhaar card and PAN card can open account through IPPB's Mobile App. Digitally open account is subjected to closure if KYC is not completed within 12 months of account opening by visiting any access points or with the GDS/Postman. IPPB account can be linked to Post office saving account.
- **Money Transfer:** IPPB provide variety of Payments options like Immediate Payment Service (IMPS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS), Assisted Unified Payments Interface (Assisted UPI), Aadhaar Enable Payment System (Aeps) to its customers.
- **Direct Benefit Transfer(DBT):**This scheme was launched to reduce leakages by cutting the middle men and transferring the benefits like scholarships Social welfare benefits, MGNREGA and government subsidies to beneficiary's bank account directly. Customer can link his Aadhar card with IPPB saving Account for receiving DBT in his account.
- **Third Part Products:** IPPB is restricted to provide credit services i.e.,to issue credit cards and advance loans. But IPPB can promote and sell third party products like loans, insurance, investments plan, post office saving schemes etc.
- **Bills and Utility Payments:** IPPB Customer can make bills and utility payments though IPPB Mobile App. With IPPB customer can make payments to major billers and utility service providers. IPPB Customer can recharge its Mobile, DTH, Broadband, they can also pay electricity, water, Gasbills and even insurance premium.
- **Merchant services:** India Post Payments Bank merchants services provide simplified platform to accept digital payments through its app. IPPB provide cost effective payment acceptance solution with acceptance of unlimited digital payments. Merchant can easily the transaction details and accounts statements. Approximately 60% of merchants belong to unorganised retail sector and IPPB is targeting this segment to provide its merchant payments services.

Challenges faced by India Post Payments Banks

- **Limited Scope of Income Generation:** Main source of income of conventional banks are interest earned from lending and income from investing deposits. As payments banks are restricted to advance loan and payments banks are required to invests 75% of deposits in government securities and remain 25% in current and fixed deposits of conventional banks.
- **Behavioural Barriers:** India Post Payments Banks is experiencing Less usage of its products and services. More than 60% of account holders have not performed any financial transaction from its inception.
- **Existing Competitors:** At present six payments banks are operating in India including IPPB. India Post Payments Bank has to compete not only with existing Payments Banks but also with traditional banks.

- **Lack of awareness:** Payments Banks are new concept investors are not aware about payments banks. IPPB mainly focuses on rural population where people are not much literate. IPPB operates on digital platform and people are still not comfortable with cashless ecosystem.
- **Lack of internet and mobile services literacy:** IPPB provide its through mobile application. Major targeted segment of IPPB is in remote areas of India where population is not familiar with the usage of Internet and featured phones.

Suggestions to Overcome Challenges

- Interest from lending money is primary source of income for conventional banks but payments banks are restricted to lent money so Payments bank should find unconventional ways to generate income. Data monetisation, commission on cross selling of third-party products, creating credit access platforms by partnering with other banks etc are some source to generate income through unconventional ways.
- IPPB is running biggest financial literacy awareness program in India. IPPB is educating rural population about insurance, savings, investments etc. Behavioural barriers and lack of technological literacy can be overcome by spreading awareness among general public.
- India Post Payments Bank has the leverage of postal network on department of post which is the largest postal network in the world. IPPB also has the existing customer base of post office customers it provides IPPB an edge against the existing competitors. To compete with private players IPPB should properly utilise the post office existing customer's base.

Conclusion

Indian Post payments Bank was launched with the vision to build the most accessible, affordable, and trusted bank for the common man. The focus of IPPB is financial inclusion of unbanked and under banked sector of India and to create cashless ecosystem. IPPB running the largest training programme of financial literacy and digital literacy. India Post Payments Bank has the leverage of largest postal network in the world. IPPB has increased the size of rural banking infrastructure by seven times. As IPPB is not allowed to advance loans which is the primary income source of banks, IPPB need to more focus on new ways of income generation.

References

- ✓ Agrawal, R., (2017), "Disruption in Banking in Emerging Market Economy: An Empirical Study of India" Economic Analysis Vol. 50, page no 20-31.
- ✓ Meena Kumari, K. (2017). India Post Payments Bank – Problems and Prospect. IRA International Journal of Management & Social Sciences (ISSN 2455-2267, 7(2), 364-372. doi:<http://dx.doi.org/10.21013/jmss.v7.n2.p28>
- ✓ Minj, M. Mishra, A. &Soni, R. (2020) "A study on Evolution of Payments Banks in India" Journal of Xidian University Volume 5 Page no. 440.
- ✓ Bhansali S, Bhatt T, Chhatwani M, Despande A, and Iyer G (2018) "Role of Payments Banks in India: Opportunities and Challenges" , International Journal of Advances in management and economics, Vol-7, issue 1, Jan-Feb. 2018.
- ✓ Srinivas, G.S., (2017), "Financial Inclusion-Role of Payment Banks in India", IRA-International Journal of Management & Social Sciences, Vol-01 Page no. 91-96.
- ✓ <http://csbc.org.in/work/increasing-the-uptake-of-india-post-payments-bank-services>
- ✓ <https://www.thehindu.com/opinion/editorial/post-office-solutions/article24896851.ece>
- ✓ <https://ippbonline.com>
- ✓ <https://www.indiapost.gov.in>.

