

# The India Post Payments Bank

The India Post Payments Bank launched on September 1, 2018, by PM Narendra Modi is a payments bank that aims at making banking services available at people's doorstep. This article will abreast you with IPPB, its aim, functions, benefits and challenges of India Post Payments Bank.

## Indian Post Payments Bank

IPPB is a wholly-owned payments bank, a subsidiary of the Indian postal department, which with 100 per cent Government of India equity works through a network of post offices and nearly 3 lakh postmen.

Indian Post Payments Bank with the vision of building the most affordable, accessible, and trusted bank for the common man and driving the agenda of financial inclusion for the under-banked population will be governed by RBI.

Though the services of Indian Post Payments Bank is for all the citizens but the primary focus of IPPB is serving the low-income households, social sector beneficiaries, unorganised sector, migrant labourers, MSMEs - Micro Small and Medium Enterprises, and Panchayats in rural areas also the under-banked and unbanked segments in both the urban and rural areas.

IPPB offers services through a mix of physical and digital platforms. Channels used for delivering IPPB services include:

- Doorstep, mobile and internet banking
- Counter operations
- Pre-paid instruments such as PoS, mobile wallets, MPoS, etc.
- ATMs/micro ATMs

## Opportunities Of IPPB

- Currently, there are about 50,000 bank branches in rural India, while the Department of Post alone has almost 1,30,000 service points in rural India, which, if converted into points of banking service, can extend the presence of IPPB banking services in rural India by 3.5 times.
- Coupled with convenient, simple, and affordable digital solutions, IPPB intends to leverage the trust that the public has on India Post.
- To provide doorstep banking services for 3,00,000 employees of Indian postal services are provided with biometric and handheld devices.
- IPPB may help increase rural per capita income through domestic savings by tapping the savings of rural people.

- IPPB will reduce the exploitation of rural people by money lenders and provide effective financial services.
- The expansion of rural banking services has become difficult as the mounting pressure of NPAs turned banks towards the over-burdening task of recovery of credit. IPPB will reduce this pressure and ease the expansion of banking services.

## India Post Payments Bank Services

The IPPB is like any other bank but on a much smaller scale. However, it does not involve any credit risk. Opening up an account in the IPPB can be simply done through the Indian Post Payments Bank App (IPPB App) just by providing details like your Aadhar number with KYC verification.

One of the most distinctive features of the India Post Payments Bank IPPB is its doorstep banking service, which makes it very accessible. Through this model, banking has the potential to reach the doorstep of every Indian citizen.

## IPPB App Services

1. The doorstep banking facility offers a range of services including account opening, cash deposits and withdrawals, money transfers, recharge and bill payments, third-party services like insurance, loans, investments and other account-related services.
2. The account-related services include updating PAN and nomination details, requesting account statements, and issuing standing instructions.
3. The IPPB app will also offer RTGS, IMPS and NEFT services for the transfer of funds.

## Salient Features Of Indian Post Payments Bank

- The IPPB offers three types of savings accounts: regular, digital and basic.
- No fee for withdrawals made from IPPB ATM or PNB ATM since it has a tie-up with Punjab National Bank.
- The bank will offer a 4% interest rate in all the savings accounts.
- It also offers Forex services at lower charges.
- Unlike most banks, there will be no need to maintain a minimum quarterly average balance.
- No charges for the lack of a minimum account balance.
- The IPPB also offers a QR card service that will help one access their bank account and make transactions without having to remember their account number. Using the QR card, all transactions can be authenticated via biometric verification.
- Indian Post Payments Bank offers a free debit card with an annual maintenance fee of Rs. 100/- from the second year.
- Using a network of post offices, and the services of over 3,00,000 postmen, the IPPB will reach customers without the traditional bank branches.

- IPPB provides third-party products like loans and insurance through the other banks or companies that it has tied up with.
- In the absence of traditional bank branches, the IPPB aims to reach its customers through their mobile phones. That is why it has the chance to flourish among people who are tech-savvy and comfortable with technology.
- The IPPB will encourage anyone above 18 years of age to open digital savings accounts, using their Aadhar and PAN cards. The KYC formalities for such accounts must be completed within 12 months.
- Once the KYC formalities are done, the digital savings account will be upgraded to a regular savings account. As far as deposits are concerned, customers are allowed a maximum yearly cumulative deposit of 2,00,000/- Rupees, in the account.
- Post offices have also been permitted to link the 17 crore Postal Savings Accounts with the IPPB accounts. The India Post Payments Bank (IPPB) will benefit those sections of society that remain outside the banking sector like migrant labourers and low-income households.
- With the government allocating additional funds to meet the requirements of the operations of the IPPB, it is looking to compete with Private Payment Banks.

## IPPB Challenges

1. Considering the vastness of the India Post Payments Bank (IPPB), there are bound to be some challenges that it will face, and these are not mere teething troubles. Burdened with the legacy of the India Post, the IPPB would take some time before it can showcase its fullest capabilities. In the financial year of 2016-17, India Post had a revenue deficit of Rs. 11,969/- crores. In the financial year 2015-16, India Post had a revenue deficit of Rs. 6,007/- crore rupees. Thus the revenue deficit in 2016-17 was almost double that of the financial year 2015-16.
2. As per RBI rules, all payments banks are required to invest 75% of their total demand deposits in government-linked securities and treasury bills, making it difficult for IPPB to turn a profit.
3. Another challenge is the lack of tech-infrastructure in the country's remotest rural areas. However, the Government is confident that it will be able to overcome these hurdles and that the IPPB will be a successful venture.
4. The launch of the IPPB has marked a tectonic shift in India's banking landscape- opening doors of rural India to endless possibilities in the banking sector. However, the mammoth government initiative does have some hurdles that need to be crossed and which seem to be more than mere teething troubles.
5. Another major challenge facing the India Post Payments Bank (IPPB) is its infrastructure. The biggest being in remote rural areas. With the plan of making the postman a mobile bank, it seems difficult in areas where electricity and internet connectivity are an issue. With 90% of the post offices situated in rural areas, this is a challenge that may need urgent attention.

6. One would also need to ensure adequate training for the staff. There are frequent power failures in rural areas, thus to run all these services in a seamless manner and without any disruption, proper infrastructure and facilities are required.
7. Further, the Department of Posts is facing a lack of manpower as well. There is a shortage of manpower to the tune of 40%.
8. The IPPB activities will also be run through postmen, but there is an acute shortage in postmen staff. Thus, all postmen posts should be filled up.

However, the postal department is taking several steps to raise their earnings by providing services like selling application forms of educational institutions and recruitment agencies, railway ticket booking, facilities for Aadhar registration and upgradation, passport services, Gold Bond Schemes, etc. Shifting to e-commerce is also providing an added push, raising the revenue earned to 345 crore rupees in 2016 from 172 crore rupees in 2014-15.

For the success of IPPB, rural infrastructure has to be strengthened. The dependence on the postman which is one of the biggest advantages of the IPPB is also its biggest challenge, as along with the post, he will have an added responsibility. The government is saying that it is providing all training and equipment to the India Post employees to beat all the odds to make this ambitious initiative a resounding success.

Post Independence, the Department of Posts had a huge responsibility of connecting every corner of the country. In order to keep up with the pace of an advancing population, and its increasing needs, the government has over the years, taken several steps to enhance the postal network and skills of the department.

#### **An account of the reforms:**

- For more than 150 years, the Department of Posts has been the backbone of India's communication network. After Independence, the need for providing communication had doubled across the country.
- In 1947, there were only 23,344 post offices across the country. Of this number 19,184 post offices were in rural areas. 4,160 post offices were in urban areas.
- With the rapid rise in population, the demand for post offices has also increased. In light of the increased pressure, the government has been taking several steps to improve the functioning of the postal department.
- As the reforms came, inland letters changed to Speed post. And Speed post has now become an e-post.

#### **Timeline of Indian Postal Services:**

- In the year 1879, Postcards were introduced.
- The Indian Postal Order came in 1930. For faster and more precise delivery.
- The Postal Index Number or PIN Code was introduced in 1972.

- In 1977, the Department of Posts, introduced the Value Payable Posts (VPP), parcels and insured parcels.
- In 1985, a rapid demand and increased stress on communication led to the division of the India Post into:
  1. The department of Posts and
  2. The department of Telecommunications
- In 1986, Speed Posts were introduced.
- By 1994, people could send money to their loved ones, living in other parts of the country through Money Orders.
- Post Independence, the Indian Postal Network expanded over 7 times. However, postal reforms continue even today.

The Union Cabinet under the Chairmanship of Prime Minister has given its approval for setting up the India Post Payments Bank (IPPB) as a Public Limited Company under the Department of Posts, with 100% Government of India (GOI) equity.

The India Post Payments Bank is a non-full service bank that has been recently joined as a Public Limited Company under the Department of Posts with 100% Government of India equity.

The four key features of India Post Payments Bank are:

- Financial Literacy
- Streamlining Payments
- Financial Inclusion
- Ease Of Accessibility

The aim of this bank is to accelerate financial inclusion. They will not lend to customers and will have to store their funds in government papers and bank deposits. They can accept demand deposits, issue ATM or debit cards but not credit cards. They can carry out payments and remittance services through various channels and accept demand deposits. They can also offer card acceptance mechanisms to third parties such as the 'Apple Pay.'

The total expenditure involved in this project is Rs 800 Crore. All citizens, especially 40% of the country's population that is outside the ambit of formal banking in the country will benefit from this project. The project rolled out in the entire country in a phased manner.