

A Study on India Post Payment Bank – Benefits & Key challenges

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Abstract— *India 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. The India Post Payments Bank launched on September 1, 2018, payments bank that aims at making banking services available at people’s doorstep. This research paper covers the IPPB, its aim, functions, benefits and challenges of India Post Payments Bank.*

Keywords: *Bank, Benefits, Challenges, Functions,*
“Every customer is important, every transaction is significant and every deposit is valuable, no matter the value”



1. INTRODUCTION

India Post Payments Bank (IPPB) was launched on September 1, 2018. It is an initiative of the government aimed at making banking services available at people’s doorstep. It has enabled over 1.36 lakh post offices, of which more than 1.13 lakh are located in rural India, to provide a complete suite of banking services. About 1.8 lakh postmen and women have been equipped with smart phones and biometric devices to provide doorstep banking services. India Post Payments Bank presents banking with a difference which aims to provide simple, inclusive, convenient and efficient banking system to the nation. IPPB’s economic and premium technology setup for payment and settlements.

2. OBJECTIVE OF THE STUDY

- ❖ To study about India post payment bank (IPPB)
- ❖ To identify the benefits & challenges in payment banks

3. RESEARCH METHODOLOGY

This paper is a conceptual paper. Here data is collected from national and international journals, published government reports, News paper, websites.

Indian Post Payment Bank (IPPB)

India Post Payments Bank (IPPB) was setup under the Department of Post, Ministry of Communication with 100% equity owned by Government of India. IPPB has expanded its strength across India covering post offices, through a network of 650 IPPB branches/controlling offices, working on a hub and spoke model.

India Post Payments Bank programme helps a nation to get a good progress, when every citizen has an opportunity to prosper, regardless of their way of life. With simple, diverse and growth-oriented offerings, IPPB aims to provide every household in India an access to efficient banking services and enable them to become financially secure and empowered.

In this IPPB scheme, your 12-digit Aadhaar card number will be your account number, which you can use in your Indian Post Payment Bank account. Banking-related tasks such as making deposits, withdrawing, transferring money, many payment services can be done from this Payments bank.

IPPB has now also become the single largest platform in the country for providing Interoperable Doorstep banking services to customer of ANY BANK, leveraging the last mile unprecedented reach of the postal network. The enablement of post offices to provide banking services has brought down the average 'distance to a rural banking service point' from 5-6 kms (rural bank branch infrastructure) to 2.5 km (average distance to a post office). The sheer ability of the last mile doorstep banking service providers (postmen/ GDS) to reach every village on an almost daily basis has brought down the distance to access banking services to '0 kms', thus truly capturing the essence of Aapka Bank, Aapke Dwaar

1. REGULAR SAVINGS ACCOUNT

Minimum balance: The account can be opened with zero balance unlike a post office savings account that requires minimum of Rs 20. Further, there is no requirement to maintain a monthly average balance in the account. Anybody above 10 years with KYC can open this account. One can make unlimited cash deposits and withdrawals in this account.

QR Card – It provides a unique, secure and convenient way to access bank account without the hassle of remembering account number.

Assisted UPI – Removes the entry barriers for customers' on-boarding to Unified Payments Interface (UPI) and facilitating UPI transactions even by those without a smart phone and a debit card.

Maximum balance: The maximum end-of-day balance in the account cannot exceed Rs 1 lakh.

Doorstep banking: Gramin Dak Sevak (GDS) or the postman will be there to fulfill the doorstep banking of IPPB.

Restrictions: One cannot open a joint regular savings account since the account can be held only under a single person's name.

IPPB along with Airtel Payments Bank, and Paytm Payments Bank have the following common features which are mandated by law:

- ❖ Payment banks restrict activities to acceptance of demand deposits, remittance services, Internet banking and other specified services but cannot undertake lending services.
- ❖ A payment bank can accept only savings and current deposits of up to Rs 1 lakh per customer. They can issue ATM or debit cards but not credit cards.

2. BASIC SAVINGS ACCOUNT

The second type of savings account that can be opened in IPPB is the Basic Savings Account that will be similar to the regular account. It will have all the features and benefits such as doorstep banking, using of QR Card etc offered by the regular savings account, however, it will allow only four cash withdrawals in a month.

3. DIGITAL SAVINGS ACCOUNT

The third type of savings account that can be opened in IPPB is the digital savings account that can be opened from the IPPB Mobile App available on Android phone. Anyone above the age of 18 years, having Aadhaar and PAN card, can open this account. The total cumulative deposit permissible in the account is Rs 2 lakh a year. For unlimited access, one needs to undergo full KYC using biometric based Aadhaar verification to upgrade the digital savings account.

Key Metrics as of March 31, 2020

- 2.36 crore customers
- Aggregate Financial Transactions Valued at Over Rs. 14,500 crore
- First Payments Bank to receive Scheduled Bank status
- Banking Services at 136,000+ Post Offices of which 110,000 are in rural India
- 174,000 + Postmen & GDS Providing Interoperable Doorstep Banking Services
- All service channels available in 13 languages

4. ONE – STOP FINANCIAL PROVIDER

- ❖ Instant account can open your doorstep or in post office counters
- ❖ Aadhaar based Direct Benefit Transfer (DBT)
- ❖ Simple and secure, instant, 24 × 7 money transfer
- ❖ Hassle-free cash withdrawals and deposits
- ❖ Pay your bills in a convenient way
- ❖ Simple, affordable and reliable services

Business Performance for FY 19-20: DBT Inwards as Destination Bank

Particulars	FY 2018 - 19 Inception till March 31, 2019	FY 2019 - 20 Apr 1, 2019 – Mar 31, 2020	% increase
Amount of DBT credits 126	560	708 4	776
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5. CUSTOMER SERVICE

IPPB believes that providing prompt and efficient service is essential not only to attract new customers, but also to retain the existing ones. Customer service and satisfaction are important priority focus areas of the Bank. The Bank shall make all efforts to provide prompt and efficient service to its customers.

5. BENEFITS OF IPPB

Financial Literacy: Wealth always creates more wealth. Small savings are channelized properly for a long time then it provides good returns in the future. And in such a situation, trustworthy advice and services have been designed in such a way that it brings everyone under its control.

Expansion of Rural Banking- IPPB will help reinvigorate the postal system, at the same time expanding Rural Banking through its wide network of branches across India.

Access to Diversified Services - Post Office savings Bank (POSB) accounts linked to IPPB will allow lakhs of POSB accounts access to banking thereby enabling them to enjoy internet banking, mobile banking, electronic fund transfers, online bill payments, digital payments etc. across the spectrum of banks 24x7. Facilities such as third-party payment, insurance and mutual funds etc will provide financial accessibility to diverse financial services.

Social & Financial Inclusion - There are many Indians who have not yet had access to banking facilities. Due to which they are deprived of government benefits, loans, and insurance, even the facility of interest in saving. The IPPB is two steps ahead in this matter and they are making every effort to reach the water of these unbanked and under-banked sections of society at the earliest. No matter how bad it is in demographical geographies.

Push to MSMEs - Rural MSMEs will benefit from financial services offered by IPPB. Effective DBT - IPPB will enable better penetration of schemes and better delivery of benefits. Banking through IPPB would give a boost to Government's initiatives like promoting digital transactions and Direct Benefits Transfer (DBT).

Employment-IPPB will generate employment opportunity for more than 3500 banking professionals, who will be engaged in propagating financial literacy across the country. **Credibility** - It will also not have to gain the trust of customers like its competitors, especially in the rural areas, as the local postman is still an integral part of the day-today lives of the rural populace. The IPPB is two steps ahead in this matter and they are making every effort to reach the water of these unbanked and under-banked sections of society at the earliest.

Virtual/Digital Debit Card

- Card can be generated, blocked, unblocked from self-service mobile banking app
- Customer care facility for assisting permanent blocking of card
- Individuals can set their own per day per transaction limits
- Acceptance on all RuPay enabled e-commerce/ merchant sites in India

6. CHALLENGES OF IPPB:

Low Awareness - Due to low financial and digital literacy among rural masses, they might be discouraged to opt for formal financial services under IPPB.

Strict Regulation - Given the severe restrictions imposed by the RBI on how it can employ its funds, the odds seem to be stacked against the IPPB at the moment.

User Charges - To generate revenues, it plans to charge fees on money transfers and other financial services – which may act as a disincentive for rural customers.

Lack of Infrastructure - Lack of 24/7 electricity, internet services and infrastructure in rural areas is another constraint.

Human Resource - The staff needs extensive training in handling the banking products - especially insurance and pension products - as they are different from the current financial products in India Post's portfolio. The real success will depend on the implementation of technology and staff's adaptation to new technology.

Technology - The post office payment bank will have to quickly move to an online platform to make it easier for customers to access their accounts and conduct transactions. With existing infrastructure and resources it is a challenge.

7. CONCLUSION:

The RBI gave the approval to the payment bank to reach the people in rural area through the post office. It helps the small savers in rural area to transform the rural remittances. The IPPB reach the common man at their door step and render their services enormously. In the modern era people forget the post office in their busy schedule but the RBI innovative idea to launch the payment bank through post office is a next step for the growth of our economy. IPPB faces a few challenges to reach initially but it reached the pinnacle success by crossing 2.36 crore customers. The article clearly shows the benefits and the growth of IPPB.

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