

India Post Payments Banking System

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Abstract

India Post Payments Banking system is a new kind of banking system. It is promoted with the express purpose of extending the reach of banking to vast majority of the unbanked and under banked segments of the population. Payments bank promoted by India Post is expected to use the physical network of post offices as well as digital platforms such as mobile, internet banking, debit cards, point of sale devices, etc. to provide the designated financial services at low cost to target population. Payments Bank might be able to provide last mile connectivity especially in those areas which do not have any bank branch but has a post office. Its' huge presence in rural areas and the trust that it enjoys among vast segments of population might enable it to succeed where commercial banks have failed. The present study examines 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.

Keywords: Post Payment Banking System, Rural Network, Daksevak.

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1. INTRODUCTION

India Post Payments Bank (IPPB) is a Government owned payments bank operating under department of posts, Ministry of Communications which aims to utilize all of India 155015 post offices as access points and 300,00 postal service workers to provide house to house banking services. The first phase of the bank with 650 branches and 3250 post offices as access points was inaugurated on 1st September, 2018. Over ten thousand postmen have been roped into the first phase.

1.1 Strengths of India Post Payments Bank

1.1.1 Rural network of India Post-With about 90% of its branches in provincial regions, India post's rustic system is bigger than all the business banks set up together. Thus, IPPB can use on India Post's huge system of post workplaces to connect with the rustic and semi-urban unbanked with almost 90% of its branches in country zones, India post's provincial system is bigger than all the business banks set up together. Thus, IPPB can use on India Post's huge system of post workplaces to connect with the rustic and semi-urban unbanked populace. Government of India support.

1.1.2 Complete Stake of Administration-Among all the payments bank players, IPPB will be the main substance with complete stake of the administration. This connection will be commonly valuable for both, with government accomplishing its money related incorporation plan and IPPB getting solid administrative and monetary help.

1.1.3 Country wide presence-Notwithstanding the last mile nearness through the mailmen/ladies filling in as BCs, IPPB additionally has plans to set up 650 branches to oversee and control its tasks. It will help IPPB to convey its administrations consistently in every one of the parts of the nation.

1.1.4 Customer connects- Generally, mailmen are all around regarded crosswise over networks. When they function as BCs for IPPB, it will normally mitigate the office hazard in the money related exchanges and will help IPPB get clients effortlessly.

1.1.5 Experience of providing financial services-India post has an ordeal of giving investment funds items, payments and settlement administrations, protection and outsider items, for example, shared assets. Indeed, it has one of biggest store base in this nation, second on to SBI. This will give an edge to IPPB over the entirety of its rivals.

1.2 Weaknesses of India Post Payments Bank

1.2.1 Human resource capabilities-Daksevak are the foundation of the doorstep conveyance arrangement of postal administrations. Their client associates and nearby learning will be extremely essential to IPPB for starting client obtaining. Be that as it may, there are noteworthy contrasts between the conveyance of postal administrations and the budgetary administrations. So as to serenely convey these new items and administrations, daksevak should have a legitimate comprehension of the considerable number of items and in the meantime they ought to have the capacity to impart the advantages of these administrations to the country masses. Furthermore, the up and coming innovative gadgets, for example, miniaturized scale ATMs, portable POS will substantiate interest in preparing of the daksevak. Investigation of the present age and instructive profile of the grameendaksevak from Karnataka circle outlines that about

24% of the daksevakhs are over the age of 55 and just 5% are graduates or more. Given these attributes, it will be exceptionally hard to actualize the proposed arrangement if IPPB needs to prevalently depend on daksevakhs for the last mile conveyance. Expenditure revenue gap.

1.2.2 Department of Postal (DoP) has been experiencing the income shortage since mid-sixties. The net shortfall of the office has developed from Rs. 5,473 Crore in FY 14 to Rs. 6,259 Crore FY 15, mirroring a development of 14.35% y-o-y. High reliance on human capital and lower innovation substitution has brought about greater expenses because of pay climbs influenced by the administration. Additionally, the silly extension of the foundation and labor has brought about the gross uses becoming quicker than the development of the incomes. The payments bank should borne extra capital uses to fabricate the required foundation and acquire the essential innovation in the underlying years. According to the business specialists, the payments banks would take something like 3-4 years to earn back the original investment. So given the history and the approaching enormous consumptions, dealing with the funds in a financially savvy way will be a test before IPPB authorities.

1.3 Opportunities of India Post Payments Bank

1.3.1 Independent identity-In the proposed structure, IPPB will be set up as a backup of DoP. The items and administrations offered by POSB are as of now managed by the Ministry of Finance and the job of POSB is constrained to operationalising these administrations. Be that as it may, with the self-sufficiency IPPB can put its whole administration drive behind the take off of imaginative administrations and can make an effect in the potential managing an account scene of the nation.

1.3.1 Collaborations with private players-India post has made effective coordinated efforts with private players like Western Union Financial Services for giving cash exchange administrations. With numerous players appearing in cooperating with the India Post for payments bank, IPPB can use the aptitude of these approaching players to convey most extreme collaborations to the business.

1.3.3 Large unbanked population- India still has a large unbaked population of 233 million. Also, many of the account holders don't transact even once after opening the account due to multiple reasons such as proximity of bank, illiteracy about the financial services. If IPPB is able to reach out to these unbanked and under-kept money populace and ready to address their worries, it can undiscovered a tremendous potential business opportunity.

1.4 Threats of India Post Payments Bank

1.4.1 Competition from private players-IPPB should build up different capabilities so as to set up a fruitful paymentsbank. Most significant skills will be mechanical refinement, last mile conveyance and cost-adequacy. While IPPB can develop champ on the last mile conveyance, practically, the various private players will have a high ground in innovation and cost viability. These private players are like-wise endeavoring to solidify their last mile nearness by tying up with retail/kirana stores, portable energize focuses. Furthermore, the vast majority of these players have profound pockets and can without much of a stretch support momentary misfortunes to catch long haul business openings. Thus, by and large, the challenge will be extremely furious in this space. High customer demands-The technology is advancing at a rapid

pace. IPPB will need to constantly innovate its offerings to fulfil the growing demands of its customers.

1.4.2 Autonomy of IPPB-Postal division was before completely dependent on the Finance Ministry for its treasury tasks. With the freedom, IPPB should deal with its own treasury tasks. According to the RBI controls, 75% of the stores needs be put resources into government securities. While this will keep any more hazardous speculations by the payments banks, IPPB should be extremely productive in its venture choices to keep up generally safe and in the meantime get higher returns. Since postal division does not have any related knowledge of such contributing exercises, taking care of such the store base in a proficient way will be a test before IPPB.

2. ANCILLARY SERVICES FOR IPPB

- IPPB can use its scale to produce contiguous incomes by encouraging client's cooperation in bigger exchange biological system. It can investigate the likelihood of offering items which are contiguous center keeping money framework.
- **Payment bank counters as collection & distribution centre-**The payments bank counters can be utilized as accumulation habitats for different paymentss, for example, service charge paymentss, NBFC/MFI advance reimbursement focuses. They can likewise utilize these counters to move other third part items.
- **Assisted e-commerce-**Payments banks can utilize its BC system to offer helped web based business by encouraging buy and conveyance of items through online commercial center. It can have associations with driving online business players of the nation like Flipkart, Amazon and Snap bargain.
- **Data analysis and business insights-**IPPB can utilize the created information of different individual and dealer exchanges to convey business bits of knowledge for various purposes. A nitty gritty investigation of this information will open chances to adapt the key experiences.

3. CREATING ALTERNATE MODELS FOR CREDIT HISTORY

Numerous unbanked/under-saved money clients are not ready to get to the formal managing an account credit because of no history of budgetary exchanges or no verifications of stable pay. IPPB because of close cooperation and long association with such clients can concoct creative approaches to quantify the ICO assessments of such clients. Such models can be sold to NBFCs/MFIs/Banks for a potential business opportunity. The commission on these administrations ought to be determined considering the settled and the variable expenses related with these administrations and by keeping a decent amount of the benefits with IPPB. A detailed scope of IPPB as approved by different stakeholders is mentioned below

| S.No. | Scope of IPPB | Deliverable | Illustrations/ Example/ Segments |
|-------|---|--|---|
| 1- | Assessing different administrations that can be offered through | <ul style="list-style-type: none"> • Identifying different administrations that can be offered under the IPPB rooftop. • Evaluating and setting up | Financial services- <ul style="list-style-type: none"> • Terminating transactions- • End exchanges regularly sold once, and are undoubtedly outsider |



| | | | |
|----|--|---|--|
| | IPPB channel | <p>possibility for different items/administrations.</p> <p>Note-The attention will be on settlements side and less on the investment funds side of the capacities</p> | <p>items like gold coins, yearly disaster protection approach, reserve funds declarations, vehicle protection and so forth.</p> <ul style="list-style-type: none"> • Relationship products- relationship items ordinarily long haul administrations, for example, life coverage (blessing type), amassing reserve funds or RDs and so forth. • Passive products- Passive items where IPPB will be in a pipeline for giving administrations, for example, DBT <p>Ancillary services-</p> <ul style="list-style-type: none"> • Payment of service bills • Assisted web based business <p>Payment Bank competitors-</p> <ul style="list-style-type: none"> • Telecom player- Airtel, Vodafone. • Technological players- Paytm, FINO PayTech. • Big industrial players- Reliance, Aditya Birla <p>Non Payment Bank competition-</p> <ul style="list-style-type: none"> • Formal players- Western Union/ Money gram, banks. • Informal channels- Moneylenders <p>Global post bank players-</p> <ul style="list-style-type: none"> • Japan Post Bank • South Korea Post Bank |
| 2- | Competition Assessment | <ul style="list-style-type: none"> • Analysing the qualities and shortcomings of real players being for the payments banks permit. • Assessing the upper hand of the players in light of their current business set-up and their related knowledge. • Assessing the challenge from non-payments bank players and casual channels | |
| 3- | Best practices & learning's from global scan | <ul style="list-style-type: none"> • Understanding payments bank identical component in different nations. • Analysing explanations for their prosperity/ disappointments | |

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|----|--------------------|---|---|
| 4- | Last mile delivery | <ul style="list-style-type: none"> • Deriving bits of knowledge for IPPB. • Evaluating alternatives for last mile conveyance of administrations based on innovation, labor and budgetary appraisal. • Recommending proper channels to move distinctive administrations | <p><u>Doorstep banking-</u></p> <ul style="list-style-type: none"> • Doorstep saving money through GraminDakSevaks/Business Correspondents. • Local touch focuses, for example, nearby kirana (mother and pop stores) and prepaid versatile energize outlets |
|----|--------------------|---|---|

Source: Annual Report, 2018

4. RECOMMENDATIONS

With everything taken into account, portion bank is an inconceivable movement which has the whole deal ability of changing our budgetary consolidation circumstance. It will open up a lot of chances for Department of Post. Regardless, the test from prominent private players would encourage IPPB to unendingly patch up its commitments. IPPB can never again depend just on its profound established knowledge of expansive dissemination arrange, anyway needs to update its advantages and abilities to remain forceful in the business focus. This will provoke real cash related costs on its bookkeeping report in the basic years, regardless at whatever point joined with fundamental business decisions can surpass the costs in the more drawn out run.

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