

## India Post Payments Bank in Rural India: An Evolution

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### ABSTRACT

*The dynamics of banking in rural India is an important pivot for the nation's social development and growth. A portion of India's population residing in rural areas, ensuring their access to banking services is imperative for inclusive growth. This paper elaborates the initiatives of Government to promote financial inclusion in rural territories of the country by establishing a new venture through the Postal Department. IPPB represents a significant evolution of BFSI in this catchment to serve the financial needs of the unbanked and underbanked population. IPPB caters a role in financial inclusion and to provide digital banking solutions amongst rural population. This paper describes the various initiatives taken by IPPB to provide ease of basic banking facilities for the rural communities, evolution of various line of products that caters to rural India, support various government departments to distribute DBT Schemes and scholarships to the beneficiaries through bank, in turn achieving sustainable financial inclusion.*

**Keywords:** Government of India, RBI, NPCI, IPPB, Rural banking, Digital Banking

### Introduction

Digital India is an initiative taken by Government for the citizens to avail the services digitally and electronically. As a part of this initiative, Government has taken various stands to change the economy as cashless economy and make it as a digital paperless economy over a period of time especially catering rural population. Recent development in Banking Financial Services and Insurance industry are Payment banks, which has become the most popular primary medium to perform digital transactions [1].

Every household will have access to effective and ease of banking, varied and growth-oriented solutions, enabling them to achieve financial security and independence. IPPB was established as payment bank under the Department of Posts, Ministry of Communication, which has increased its influence and coverage by leveraging the postal network throughout the country to address the financial needs of the rural population.

### Objective of the Study

The main objective is to understand the origination, mission & vision, evolution and impact of India Post Payments Bank towards building financially inclusive rural India enabled with digital banking.

## **Methodology**

This article is based on exploratory research. Secondary sources have been adopted for data collection. The relevant data were collected from the existing journals, articles published, RBI guidelines and amendments through RBI website, and other relevant websites.

## **Origination of Payment Banks RBI**

The payments bank has been registered as a public limited company under the Companies Act, 2013, licensed under Section 22, Banking Regulation Act 1949, with conditions restricting its activities mainly to accept the deposits, payments and remittance services [2]. It will be governed by RBI under Banking Regulation Act 1949 and RBI Act 1934; FEMA Act, 1999; Payment and Settlement Systems Act, 2007; DICGC Act 1961; also relevant Statuaries and Directives, and Guidelines/Instructions issued by regulators periodically. The payments bank gets scheduled bank status once the operations commence when found suitable as per Section 42 (6) (a) of the Reserve Bank of India Act, 1934.

## **Origination of IPPB**

The origin of IPPB was based on the recommendations of the Nachiketa Mor Committee on Comprehensive Financial Services. Government approved setting up IPPB in August 2015, with Department of Posts as the promoter and the National Payments Corporation of India (NPCI) as the agency which performs implementation [3]. The idea was to leverage the infrastructure of India Post, which includes thousands of postal outlets across the country, to extend BFSI services to the last mile of the country, particularly in rural remote territories where traditional banks had limited presence.

Approval from the RBI to operate as a payments bank in January 2017. It officially commenced its operations on January 30, 2017, with pilot services being launched in Ranchi and Raipur.

It has been incorporated under Department of Posts with 100% GOI equity and governed by the RBI. IPPB is the third largest entity to receive permit from RBI with a largest network of 650 HQ branches in every district. Around 1,65,000 post offices will act as an access point to offer various products and services of the bank digitally to its customers.

India Post has an excellence and legacy of 150 + years in Indian market, which has built trust among the citizens of India by offering wide range of financial and non-financial products under Ministry of Communication and Ministry of Finance. IPPB was originated with 60 Crs plus existing Department of Post customers as a base in India effectively commenced operations on 01st September 2018 throughout the country flagged by Hon'ble PMO India.

India Post offer Small Savings and Deposit products for all type of population, it has built portfolio of customer base by offering customized services like POSB, RD, FD, TD, SCS, SSY, PPF, PMJJBY, APY, PLI, RPLI and SGB over a period of time. They have currently 60 Crs + live customers in their kitty. India Post has 1.55 Lakhs Post offices with 3.5 Lakhs of employees working across the country which is again a huge strength in terms of network and human capital. The main reason that made India Government to think about opening a bank through India Post is to extend banking services to financially weak and excluded population [4].

Financial inclusion and Digital economy made Indian Government to approach RBI seeking license to start up a bank through Post Office. RBI has given a leverage to open up a small bank which will be unique in nature to serve the customers and prove the excellence over a period of time. That made India Post to start up a bank in the name of India Post Payments Bank. With ease of offerings, IPPB aims to give effective banking services to every rural citizen which capitalizes the financial inclusion agenda in rural markets of the country with customized services like Door Step banking, Biometric Aadhaar enabled and Digital payment banking services to every citizen of the Country. IPPB also provides digital banking solutions to its existing Department of Posts POSB customers by linking it with an IPPB account. Through IPPB Mobile Application, customers can pay their DOP based RD, PPF, SSA and Fund transfers through sweep-in/sweep-out facility by utilizing RTGS/NEFT/UPI services [5].

Since origination, IPPB is committed to promote financial inclusion, providing basic banking services, and leveraging digital technology to reach the last mile of the country.

### **Mission and Vision of IPPB**

Leveraging technology and the extensive postal network to provide accessible, affordable and most trustable banking services to the society, especially in villages [6].

### **Mission of IPPB**

**Financial Inclusion:** IPPB promotes financial inclusion by reaching all the Gramin population who doesn't have a banking background through its wide spread network of post offices.

**Accessible Banking:** The mission of IPPB is to provide banking services available to every citizen of India, regardless of their location or socioeconomic status, by leveraging digital technology and the trusted postal infrastructure.

**Customer-Centric Approach:** IPPB prioritizes the needs and preferences of the customers by offering convenient, customer-friendly banking solutions and superior service delivery

through various channels.

**Partnerships and Collaboration:** IPPB seeks to collaborate with all other government sector entities, financial entities and other stakeholders to expand its range of services, enhance operational efficiency and maximize the impact of its initiatives.

### **Vision of IPPB**

**Universal Banking Access:** IPPB envisions a future where every individual in India has access to the basic banking service that includes savings accounts, payments, remittances, and credit facilities, through the postal network and digital channels.

**Empowering Communities:** IPPB aims to empower individuals and communities by providing them with the tools and resources to manage their financial resources effectively, and assists to take financial decisions and improve their overall well-being.

**Digital Transformation:** IPPB aspires to lead the digital transformation of banking services in India by leveraging innovative technologies, such as mobile banking, biometric authentication, and data analytics, to enhance customer experience and operational efficiency.

**Financial Literacy and Education:** IPPB promotes digital and financial literacy awareness education among its customers and the broader population, empowering them to build a secure financial future and add value to the nation's economic growth.

**Trust and Integrity:** IPPB upholds the highest standards of trust, integrity, and transparency in its operations, ensuring the security and confidentiality of customer data and transactions.

### **Evaluation and Impact of IPPB**

It represents a significant evaluation in BFSI in rural India. Established by the GOI, IPPB leverages the extensive postal network of India to provide BFSI services, especially targeting rural and underserved areas.

**Leveraging Postal Network:** Postal networks in India is one of largest infrastructures in the world, with thousands of outlets spread across the country, even in remote villages. The idea behind IPPB was to utilize this existing infrastructure to extend banking services to every part of the country, particularly in villages where other banks were not present.

**Financial Inclusion:** Primary goal of IPPB is to promote financial inclusion by offering basic banking services to people are not included in the formal banking system. By providing services such as savings accounts, deposits, remittances, and bill payments through its network of post offices, IPPB aims to bring banking closer to the masses, including those in rural and remote regions.

**Digital Banking Services:** While IPPB initially focused on basic banking services accessible through its physical network of post offices, it has also embraced digital banking to cater to the

evolving needs of customers. Through its mobile banking app and other digital channels, IPPB enables customers, including those in rural areas, to access banking services conveniently using their smartphones.

**Government Schemes and Subsidies:** IPPB facilitates the disbursement of government subsidies, welfare payments, and other benefits to beneficiaries across the country. By leveraging its extensive reach and technology infrastructure, IPPB ensures that these payments reach the intended recipients efficiently and securely, thus reducing leakages and enhancing transparency.

**Partnerships and Collaborations:** IPPB has partnered with financial institutions, government agencies, and private entities to expand its range of services and offerings. These collaborations enable IPPB to offer insurance products, loans, investment options, and other financial products to its customers, further enhancing its value proposition.

**Customer Education and Awareness:** As part of its evolution, IPPB has also focused on customer education and awareness initiatives to promote financial literacy and empower customers, especially in rural areas and supports in taking financial decisions. These efforts contribute to building a financially inclusive society and fostering economic empowerment at the grassroots level.

### **Services of IPPB**

IPPB provides a comprehensive suite of product and services, through its own product portfolio and also in partnership/alliances with best-in-class financial service providers, to its customers [7]. IPPB, as a one-stop Financial Services point, offers below key benefits to its millions of underbanked and unbanked customers:

- Superior Zero Balance Savings Accounts with savings interest.
- Hassle Free and Paperless Account Opening; Aadhaar based eKYC, Instant onboarding.
- DBT Accounts and School/College Students Scholarship accounts.
- Major Beneficiaries as MNREGS, OAP, KMUT, PM KISAN, PMMVY, Pre-matric and post matric scholarship beneficiaries.
- QR card for each customer; No requirement to remember account number.
- Multiple Channels of Account Operations; Mobile app for Tech savvy customers to Assisted Banking at access points (post office counters) along with doorstep services through Grameen Dak Sevaks/ Postmen.
- Free cash transactions at Post offices; Enhanced proximity to banking access points compared to far away banks.

- Doorstep banking facility with nominal doorstep charges; Toll free number for scheduling doorstep.
- AEPS, CELC Services, Digital life certificates, Bill payments at door step.
- Digital payments capability at nearby merchant outlets using QR Codes, UPI
- Fund transfers from IPPB accounts through NEFT/RTGS/IMPS/ assisted UPI to any account in the country and IPPB-POSB Linking as well.
- Complete suite of inter-operable services and other BFSI products (loans/insurance/investments)
- online real-time CBS integrated delivery channels viz. Counter/desktop, Agent App, Mobile Banking App and Merchant App and QR based UPI Payments
- Integrations with PFMS, NACH, ABPS, BBPS & Payment systems like IMPS, Assisted UPI, NEFT and RTGS
- General Insurance, Life Insurance, loan referral products

### **Conclusion**

IPPB represents a transformative evolution in the landscape of financial services, particularly in rural India. Leveraging the extensive postal network and digital technology, IPPB has emerged as an important tool to drive financial inclusion and empowerment in underserved communities.

Through its mission is to provide a basic service of banking easily accessible to all and its vision of universal banking access, IPPB has successfully brought basic banking services closer to the masses, especially those in remote areas. By providing convenient and affordable banking solutions, facilitating government payments and subsidies, and promoting financial literacy, IPPB has empowered individuals and communities to effectively budget their income and participate in the formal economy.

Moreover, IPPB's collaboration with other government departments, financial institutions, and technology partners, has further strengthened its impact and reach. As a result, IPPB continues to evolve, innovate, and expand its range of services to meet the actual needs of its customers and contribute to the social and economic development of rural India.

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