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India Post Payments Bank – Problems and Prospect in Akola Region

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ABSTRACT: Payments Bank is a new kind of bank which 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 branches 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.

I. INTRODUCTION

With around 60 percent of the population still under banked, a need was felt for establishment of a Payments Bank which specializes in providing a channel for savings and for remittance and payment services. Payments Bank is a specialized bank formed with differentiated bank license and has limited purpose. The primary objective of setting up of payments banks is to further financial inclusion by providing small savings accounts and payments or remittance services to unbanked segments of population such as migrant workforce, low income households, small businesses and other unorganized entities. It facilitates a large volume of low value transactions in deposits and payments or remittances, in a secure technology-driven environment. As per the Reserve Bank of India Guidelines for Licensing of “Payments Banks” issued in November 27, 2014, the following are the guidelines:

On 19 August 2015, the India post received licence to run a payments bank from the Reserve Bank of India. On 17 August 2016, it was registered as a public limited government company for setting up a payments bank. Indian Post Payment Bank (IPPB) is operating with the Department of Posts under Ministry of Communications.

The pilot project of IPPB was inaugurated on 30 January 2017 at Raipur and Ranchi. In August 2018, the Union Cabinet approved a cost of ₹1,435 cr. (US\$180 million) for setting up the bank. The first phase of the bank with 650 branches and 3,250 post offices as access points was inaugurated on 1 September 2018. Over ten thousand postmen have been roped into the first phase. By September 2020, the bank had acquired about 3.5 crore customers. The bank had acquired about 4 cr. customers by December 2020. In January 2022, India Post Payments Bank has crossed 5 crore customers mark.

The payments bank will be registered as a public limited company under the Companies Act, 2013 with a minimum equity capital of Rs. 100 crore. It is a Scheduled bank and will be governed by the provisions of the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999, Payment and Settlement Systems Act, 2007, Deposit Insurance and Credit Guarantee Corporation Act, 1961, other relevant Statutes and Directives issued from time to time.

It can be promoted by existing non-bank Pre-paid Payment Instrument (PPI) issuers authorized under the Payment and Settlement Systems Act, 2007 and other entities such as individuals, professionals, Non-Banking Finance Companies, mobile telephone companies, super-market chains, companies, real sector cooperatives and public sector entities.

Maximum permitted balance in current or savings account is Rs. 100,000 per individual customer with aggregate withdrawals and transfers in a month not exceeding rupees ten thousand.

It is required to maintain 25% of its current and fixed deposits as Cash Reserve Ratio (CRR) with RBI, invest minimum 75 per cent of its demand deposit balances in Government securities or Treasury Bills which are recognized by RBI as eligible securities for maintenance of Statutory Liquidity Ratio (SLR).

Introducing an easier and quicker way of opening an online account with IPPB's digital savings account! That's right, no more paper work is required. One can enjoy a range of best digital savings account services on their mobile phone.

The process is simple –:

1. The applicant needs to download their mobile app
2. Enter his/her PAN number, Aadhaar number
3. Start banking with them.

II. LITERATURE REVIEW

Kesavan (2015) attempted to understand changes in the banking sector over a period of time and observed that innovative and new services are being provided through the establishment of Payments Bank. It would be beneficial to the customers as well as to the banking system as a whole.

Mehra (2015) observed that establishment of Payments Bank represents an effort to redefine banking in India. It would enable poorer citizens who primarily transact in cash to take their first step into formal banking and accelerate India's journey to cash less economy.

Kohil and Patel (2016) were of the view that though credit is important, payments and savings are also central to efficient financial system. Payments Bank would help in channelizing savings of unbanked population by providing last mile connectivity in rural areas where physical access is difficult. Such savings could be used for productive purposes which would contribute to the growth of the economy. Its profitability is directly linked to economies of scale and identified the following factors as essential for it to succeed: designing right products, patient capital with adequate levels of investment, strong marketing and well managed distribution networks.

III. RESEARCH METHODOLOGY

Research methodology deals specially with the manner in which data is collected, analyzed and interpreted. The methodology may include publication research, interviews, surveys and other research techniques. It examines the regulatory framework, potentiality in promoting financial inclusion, possible challenges in promoting financial inclusion and provides suggestions for overcoming those. The study is based on secondary data collected from published sources such as reports published by RBI, Department of Posts, World Bank, News Paper reports, etc. The data collected is analysed and presented to provide a simple and lucid narrative

a) Problem Identification:

- Shortage of labor.
- Technical problems like server issue
- Shortage of branches

b) Need & Objectives :-

India post payments bank is established with a corpus of Rs. 800 crore contributed by the Government of India and is expected to be professionally run with a chief executive at the helm. It is to become operational with 650 branches and 5000 ATMs and has a potential to generate employment to 3500 banking professionals. Grameen daksevak in rural post offices would be given handheld devices for digital connectivity. It is expected to use the already established network of post offices by India post or Department of Posts for extending services along with mobile banking, internet banking, etc. It is established with the objective of bringing large number of individuals and small businesses under the ambit of formal financial banking institutions.

- Demand Deposits-Savings account of upto Rs. 1 lakh and Current Accounts with special focus on Micro Small and Medium Enterprises (MSMEs), small entrepreneurs, village panchayats, Self Help Groups (SHGs) etc
- Direct Benefits Transfer (DBT) of social security payments to beneficiaries



- Utility bill payments for electricity, water, telephone, gas etc
 - Payments of various Central and State Government and Municipal dues and fees of various Universities / educational institutions
 - Person to Person remittances both domestic and cross-border with special focus on migrant labourers, low income households
 - Distribution of third party financial products such as insurance, mutual funds, pension and credit products.
- Primary data is collected by questionnaire and by personal interview.
 - Discussion .
 - Through direct interaction with their employee and customer.

1. Secondary Data Collection Method

- The secondary data will be collected through RBI, Department of Posts, World Bank, News Paper reports.
- From Internet
- Research type: Descriptive type of research

c) Data Analysis:

1. Primary Data Collection Method

- Primary data is collected by questionnaire and by personal interview.
- Discussion .
- Through direct interaction with their employee and customer.

2. Secondary Data Collection Method

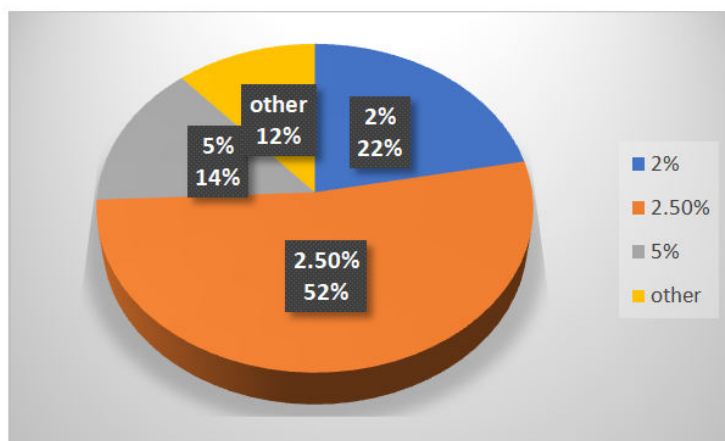
- The secondary data will be collected through RBI, Department of Posts, World Bank, News Paper reports.
 - From Internet
- Research type: Descriptive type of research

d) Sampling:

- Sample size would be around 100 respondents. Employee and customer.

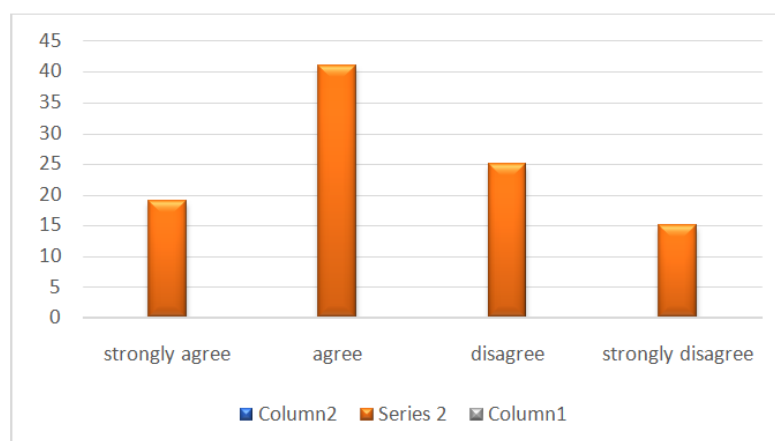
DATA ANALYSIS:

1. What interest you get on amount in bank account?





2. Satisfied with service provided?



Limitations:

1. Time limit of their working hour.
2. Findings totally depend upon the willingness and condition of the respondents.
3. Technical problems can't explain by respondent.

IV.CONCLUSIONS

Payments Bank established by the Department of Posts has the potential to be the most accessible banking network in the country. With the postal delivery system combined with digital platform such as mobile, internet banking, prepaid instruments, debit cards, ATMs, point of sale devices, Payments bank is set to be the face of transformation of post offices and be major drivers in financial inclusion initiative of the Government of India. However, to realize its potential, it is necessary to undertake modernization of post offices so as to provide uniform service. As post man is to be interface between the bank and the customer, he should be adequately trained to provide banking services. Products should be tailored to the requirements of customers and high level of awareness should be created about them. Once it succeeds in being an effective channel for providing savings, payments and remittance facilities, its activities can be extended to encompass extension of credit as well.

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