

A STUDY ON INDIA POST PAYMENTS BANK AS A TOOL TO DRIVE FINANCIAL INCLUSION IN INDIA

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ABSTRACT: -

Financial inclusion is an important tool to eliminate poverty, because poor, disadvantaged and under privileged group is struggling to access to finance and they are basically financially illiterate, including them into the banking system is the only way to direct them into the development path, hence government of India is taking various steps to avoid financial Exclusion, the recent step taken by the government is to launch INDIA POST PAYMENTS BANK under the control of postal department in order to reach the people in the remote areas and offer them the financial services at minimal cost who has previous life long experience in handing and providing financial services. The study aims to understand the concept of India Post Payments Bank and the services it offers to drive financial inclusion.

KEYWORDS — Financial inclusion, IPPB, India Post Payments Bank, payments bank, doorstep banking

INTRODUCTION

Easy access to sources of finance, i.e., Financial Inclusion, is believed to be an important tool for poverty alleviation and inclusive growth. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. Access to finance by the poor, disadvantaged, and underprivileged group is a prerequisite of poverty alleviation on one

hand and economic growth on the other. In the struggle against poverty, financial inclusion is a crucial element. Large sections of the rural population have no access to financial services, and their only recourse is to borrow from moneylenders at exorbitant charges, causing exploitation. The main reason why a large section of the rural population still remains below the poverty line is financial exclusion, which is proving to be a major obstacle in the path of India's economic growth. The Reserve Bank of India (RBI)'s dictate (2005) obligated the Banks to adopt the national policy of financial inclusion and take initiatives and suitable measures therefore. The objective data derived from the RBI's reports and other empirical studies unequivocally pinpoint that the main reasons of financial exclusion are lack of opportunities and access to finance, financial illiteracy, besides poor performance, apathy and negative approaches of the Banks. Therefore, financial inclusion today has become the national objective and a major concern for economic policy decision-makers. Following the recommendations of the Khan Commission (2004), the Reserve Bank of India and the Government of India have taken various reformative measures to expand the extent of Financial Inclusion in India. To achieve maximum financial inclusion, banks and other financial institutions across the country scaled up their initiatives to meet their targets. And the

government is also investing our country's resources in various ways to reach the unbanked sections of our society. One such idea is involving India 's postal department as one of the driving forces of achieving financial inclusion. This study seeks to understand the concept of payment banks and how the India Post Payments Bank is used as a tool for achieving financial inclusion. Financial inclusion has emerged as a major developmental priority in India, aiming to ensure that every individual—especially those in rural, remote, and underserved regions—has access to affordable and secure financial services. Despite continuous policy reforms and technological developments, a significant portion of the Indian population still remains outside the formal banking network due to geographical barriers, lack of awareness, low digital literacy, and limited bank branch penetration. In this context, the India Post Payments Bank (IPPB), established under the Department of Posts, Government of India represents a transformative initiative to bridge the financial inclusion gap. Launched in 2018, IPPB leverages the vast postal network of over 1.5 lakh post offices and more than 3 lakh postal employees, including Garmin Dark Savakis (GDS), to deliver doorstep banking services across the nation. Its objective is to utilize the trusted reach of the postal system and integrate it with modern digital banking technologies. By offering services such as savings accounts, remittances, Adherer-enabled payment services (AEPS), direct benefit transfers (DBT), and digital payments, IPPB plays a crucial role in expanding financial access for millions of unbanked and under banked households.

Given that financial inclusion contributes to poverty alleviation, fosters entrepreneurship, and facilitates equitable economic growth, the role of IPPB is particularly significant. Unlike conventional banks, IPPB implements a low-cost, technology-oriented approach to address

structural impediments to financial access in rural areas. Features such as doorstep banking, QR-based biometric authentication, and a streamlined account-opening process make it especially appropriate for marginalized populations.

This study examines IPPB's contribution as an emerging tool of financial inclusion in India. It seeks to assess the extent to which IPPB has improved access to financial services, enhanced digital financial literacy, and promoted inclusive growth. The research also evaluates customer awareness, satisfaction, usage patterns, and the overall effectiveness of IPPB's initiatives in bridging the urban–rural financial divide. By analyzing both opportunities and challenges faced by IPPB, the study aims to provide deep insights into its potential to serve as a catalyst for inclusive financial development in India.

OBJECTIVES OF THE STUDY:

1. To understand the functions of INDIA Post BANKS
2. To analyses various services provided by India Post Payments Banks to drive financial inclusion
3. To analyses how it is different from other payment banks
4. To find out the challenges faced by India Post Payments Bank

RESEARCH METHODOLOGY:

The study is based on secondary data collected from various websites, journals, articles, books, etc.

LIMITATIONS OF THE STUDY:

- The study is based on the secondary data only
- IPPB has started its function only a few months back, hence official statistics are not available to find the true picture of the IPPB

REVIEW OF LITERATURE

Vyas , Gaur & Singh (2016) discussed the evolution of payment banks. The study evaluates the scope of payment banks in fulfilling the objectives of financial inclusion. They also

compare the Indian scenario with the success of M-Pesa in Kenya.

Krishna kumar (2015) analyses the existing business operations of payment banks and proposed a theoretical model to improve them. They argue that the current telecom boom, along with technological innovation, can help reform the banking sector and provide impetus for the cause of financial inclusion.

Winn (2015) outlined the mobile payment mechanisms in Kenya, Brazil, and India.

Mas (2009). Few studies have analysed the concept of a payment bank. In a landmark article, he discussed the regulations for branchless banking, which includes payment banks in India. The study argued that the regulatory framework needs to evolve to foster competition by a broad range of players. It also stresses that existing regulations should be modified to reduce the cost of entry and provide scope for business model innovation.

Rama Pal and Repaying Pal (June 2012) analyzed income-related inequality in financial inclusion in India in their article, "Income Related Inequality in Financial Inclusion and Role of Banks: Evidence on Financial Exclusion in India," using a representative household-level survey linked to state-level factors. This paper also provides estimates of the effects of various socio-economic and demographic characteristics of households on the propensity of a household to use formal financial services, and compares these for the rural and urban sectors. A notable result is that greater availability of banking services fosters financial inclusion, particularly among the poor.

RoshnyUnnikrishnan et al. (2012) analyzed, in their study "Enabling Financial Inclusion at the Bottom of the Economic Pyramid," the importance of financial inclusion for economic empowerment. This study identified the variables that enable financial inclusion, analyzed the barriers to effective financial

inclusion, and outlined the priority steps to overcome these barriers and enable inclusive growth. The study concluded by identifying the variables that empower the masses financially, emphasizing the importance of social inclusion alongside financial inclusion, and reinforcing the importance of self-sustenance at the bottom of the economic pyramid.

Hemavathy Ramasubbian and Ganesan Duraiswamy (2012) suggested, in their article *The Aid of Banking Sectors in Supporting Financial Inclusion – An Implementation Perspective from Tamil Nadu State, India*, that though over the past six years the FI strategy had improved the lifestyle of BPL, but missing focus on savings and credit improvement strategies degrades the benefits of FI. This paper surveys and analyzes the issues pertaining to the implementation of financial inclusion in economically downtrodden districts of Tamil Nadu, India.

INDIA POSTAL DEPARTMENTS:

Indian postal department is playing an important role in the country's socio economic development over more than 150 years, it touches the life of Indian citizen in different ways by delivering mails, accepting deposits under Small Savings Schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The postal department also acts as an agent of the Government of India in providing other services to citizens, such as wage disbursement under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and old-age pension payments.

With 155015 Post Offices, the India Post Department has the world's most widely distributed postal network. Adding to it, the government of India decided to reach the rural people and offer them the financial services by launching the INDIA POST PAYMENTS BANK, which basically started with the aim to

provide access to efficient banking services to every household in India by enabling them to become financially secure and empowered. India Post Payments Bank (IPPB) was set up under the Department of Posts, Ministry of Communication, with 100% equity owned by the Government of India. IPPB was launched as a pilot project on 30 January 2017 in Ranchi (Jharkhand) and Raipur (Chhattisgarh). IPPB was launched by Prime Minister Narendra Modi at Talkatora Stadium in New Delhi on 1st September 2018. IPPB will provide banking services to urban and rural areas, but its primary focus will be on the rural segment. IPPB has launched 650 head offices in each district throughout India, initially at a ratio of one branch per district, to offer financial services to the rural poor and unbanked sections of society, and has converted 3,250 post offices in India into banking access points. And it also employed more than 15,000 postmen as Garmin dark sevak to provide doorstep banking services to rural India. And they are planning to link the 1.55 lakh post offices and 3 lakh postal employees spread across India to IPPB.

PRODUCTS OFFERED:

Regular Savings Account: This is just like any other bank's savings account. It can be opened by anyone at the bank access point or at their doorstep. Interest at the rate of 4% per annum is provided, and unlimited cash withdrawals and deposits are allowed. Zero balance can be maintained; maximum balance the account holder can have under this account is Rs.100000 above which will be transferred to the post office savings account **Digital Savings Account:** this is a digital savings account which can be operated through IPPB's mobile app any one above the age of 18 years with Adhere card and pan card can open this digital savings account. **Basic Savings Account:** It is similar to the regular savings account, but only four cash withdrawals are allowed

Features of a savings account

1. Convenient banking
2. Quick and paperless account opening
3. There is no compulsion to maintain a monthly average balance.
4. The minimum amount required to open the savings account is Rs . 20
5. Customer can get their mini statement through SMS.
6. A QR card is provided to offer simplified banking services to customers.
7. Customer can have the option of linking their payment bank savings account to the POSA (Post Office Savings Account)
8. All payments and recharges can be done through their payment bank app.

Services offered:

1. Mobile banking
2. SMS banking
3. Missed call banking
4. Phone banking
5. QR code

Door-step banking:

This service can be used by customers to open an account, and they can also deposit or withdraw cash and avail all other services from their home itself at a nominal charge (Rs. 25 for cash transactions and Rs. 15 for digital transactions). This enables the government to reach people even in remote areas and provide the financial services they need.

Payment services':

1. Bill payment customers can recharge and pay other utility bills.
2. Remittance & fund transfer- IMPS, NEFT ,RTGS, and UPI services are also provided
3. Direct benefit transfer – government subsidies and other benefits can be

transferred directly to the customer's account.

Current Account:

These merchant services can be availed by small merchants, kirana stores, and small businessmen. The merchant app, periodic statement, unlimited digital payments, and acceptance can be availed at of cost. It encourages cashless, paperless transactions and helps small-scale businesses march towards a digital India with ease.

SUGGESTIONS:

- I. They have to link all their postal branches quickly to manage market competition.
- II. They should develop new, innovative promotional offers and products, such as cash backs, discounts, coupons, etc., to address market challenges posed by competitors like Path, Paisa Pay, Phone Pe, Jio Money, Google Pay, and other mobile wallet networks.
- III. They should concentrate on customer grievances and manage them efficiently and effectively.
- IV. They can link up with other big banking networks, NBFCs, and other financial institutions to develop the payment banking network and reach people living in remote corners who are unaware of the financial system, services, and infrastructure. This will help the government to achieve the target of financial inclusion effectively and efficiently.
- V. They should keep their technology updated and inform the customer of the same often.

CONCLUSION:

Payment banks are becoming the most popular medium of digital transactions. India is moving towards a cashless economy, which is more feasible and adaptable given recent technological and economic trends. The launch

of India Post Payment Bank, wholly funded by the government of India, is one of the applauded steps to drive financial inclusion. But the big challenge is how well this payment bank functions in the long run. The government must focus on the future sustainability and stability of payments under current and future market conditions. And the government should not rely on these few steps to achieve financial inclusion; it should also develop more innovative and effective methods to drive it. India Post Payments Bank can be used as one of the tools to drive financial inclusion, but we can't depend on it alone. The present study highlights the significant role of India Post Payments Bank (IPPB) in advancing financial inclusion across India, especially in rural, remote, and underserved regions. By leveraging its extensive postal network, IPPB has delivered banking services to millions of people at their doorsteps, thereby reducing the physical, social, and technological barriers traditionally associated with formal banking. The findings indicate that IPPB's simplified account-opening process, adhere-enabled payment system (AEPS), digital payments, and a trusted postal workforce have created new opportunities for people previously excluded from the financial system. The research concludes that IPPB has positively contributed to enhancing access, usage, and awareness of basic financial services. Its technology-driven model, combined with personal assistance by Gramin Dak Sevaks, has encouraged digital adoption among first-time users and low-income households. However, challenges such as limited digital literacy, inadequate awareness campaigns, network issues, and operational constraints still hinder its full potential. Addressing these barriers through targeted awareness programs, improved technological infrastructure, and staff training can significantly strengthen IPPB's impact. Overall, the study affirms that IPPB is an emerging and effective tool for promoting

inclusive financial growth in India. While it has made considerable progress, further policy support, investments in digital infrastructure, and customer-centric initiatives are essential for maximizing its reach and effectiveness. With continued efforts, IPPB can play a transformative role in bridging the financial divide and contributing to India's broader goal of universal financial inclusion.

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