
Post to Payment Bank – Case study of India Post on Financial Inclusion

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Abstract

Few of the sustainable development goals like ending poverty, reducing inequality and achieving gender equality could be attained through financial inclusion or inclusive finance. Financial Inclusion will inculcate saving habit and it will in turn help us to wipe out poverty and help the individual to move up to the next level of development in a sustainable way. At the end of the 10th five year plan India emerged as one of the fast growing economy, with a high GDP growth rate of 8%, but did not reflect an inclusive development, incorporating the development of marginalized poor and minorities. So during its eleventh five year plan, Government of India planned for inclusive growth through financial Inclusion, followed by formation of committee on Financial Inclusion. Banks and financial institutions were vested with responsibility of Financial Inclusion. It can act as a weapon to overcome financial backwardness of the under privileged and poor. Access to financial services plays a critical part in development by facilitating economic growth and reducing income inequality. Financial inclusion enables poor to save and to borrow for building their assets, to invest in their children education and entrepreneurial ventures, and thus to improve their livelihoods. Inclusive financial systems allow poor to insure them and help them to protect themselves from any economic vulnerabilities like illness, unemployment, accidents and theft. It is more likely to benefit disadvantaged groups such as women, unemployed and rural communities. In general Banks are known to be the institutions which provide financial services to people. Next to banks, post offices and the subsidiaries of Post offices in various countries is the second biggest contributor to financial inclusion in and around the world. In India, India Post (Postal Department) plays a very big role in financial inclusion, especially in rural areas. This research paper tries to bring out the facts about the contribution of post offices on financial inclusion from date back from its formation during British era to till the formation of India Post Payment Bank (IPPB).

Keywords: Financial Inclusion, Post Offices, Financial Subsidiaries, Banks, IPPB

1. Introduction

The Department of Posts, generally called as India Post, has been the backbone of our country's communication and has played a vital role in the country's socio-economic development. With more than 1,55,000 Post Offices, the India Post has the most widely distributed postal network in the world. The humble Post Office has been at the service of the nation for over 165 years now. Positioned as the nerve centre of communication in community life, today, the Post Offices have redefined 'connectivity' from physical connectivity to digital connectivity and continue to focus towards fulfilling its social commitments. During these years the post office has helped in nation building and connecting the diverse regions and general public of the country. It also has helped in making India a unified entity. It has indeed come a long way from merely transmitting messages, to providing a wide range of services for the socio-economic betterment of the people. It touches the lives of Indian citizens in many ways like 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, and much more. It also provides money transfer services within the country and to countries abroad as well. India Post also acts as an agent for Government of India in discharging other services for citizens such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wage disbursement and old age pension payments. Department of Posts is providing New Pension Scheme (NPS) services through all Head Post Offices in the country.

The beginnings of this vast postal network can be traced back to the year 1727 when the first Post Office was set up in Kolkata. Subsequently, General Post Offices (GPOs) were also set up in the then three Presidencies of Kolkata (1774), Chennai (1786) and Mumbai (1793). To bring some uniformity amongst the then Post Offices, the Indian Post Office Act of 1837 was enacted. This Act was followed by the more comprehensive Indian Post Office Act of 1854. The Act reformed the entire fabric of the postal system and its provisions granted the monopoly of carrying mail in the British territories in India to the Indian Post Offices. The present postal system in India thus came into existence with the Indian Post Office Act of 1854. Thereafter, the India Post Office Act of 1898 was passed which regulated the postal services in the country.

As such, India Post is socially committed to fulfil the Universal Service Obligation for providing basic postal service throughout the country, irrespective of terrain, at an affordable price. To fulfil this obligation, the department has, an elaborate network of 1, 55,531 Post Offices (as on 31.3.2018); of these, 1, 39882 are Branch Post Offices catering exclusively to the rural areas.

Table 1.1 Post Office Statistics

Number of Post Office as on 31-03-2018		
Total	Rural Post Offices	Urban Post Offices
155531 (100%)	139882 (89.94%)	15649 (10.26%)

Source: Secondary Data (India Post Annual Report 2018-2019)

India Post, the largest postal system in world, brings to the mind a universe of complex network of post offices in the length and breadth of the country. India Post also serves and provides postal services to the armed forces and people in snow clad, high altitude places like Leh. This network with 1.55 lakh post offices is significant not only in sheer size and numbers, but historically too. India Post has the distinction of being the oldest organization in the world. The year 2005 marked the sesquicentennial centenary celebrations of India Post. When the data related to coverage area and average number of persons covered by each post office, that is accessibility of post offices, India Post stands first with a average coverage of 21.20 Sq KM compared to US and China. When the data related to average number of persons served by each post office, it is 7166 persons. This statistical data makes is clear that when geographical spread of post office is more; accessibility is easier compared to other financial service providers.

Table 1.2 Accessibility of Post Office in different Countries

Accessibility of Post offices in different countries			
Sl. No	Country	Average area covered by each Post Office (in Sq KM)	Average number of persons served by each Post office
1	India	21.20	7166
2	China	145.59	19962
3	USA	259.25	8029

Source: Secondary Data (India Post Annual Report 2007-2008)

Rapid changes and introduction of information technology in all fields has not only changed the way post offices do business the world over, but also the business models that post offices were adopting. In the new era of fast developing information and communication technology, large scale induction and assimilation of modern means of communication has become vital for continued service and growth of India Post. It also started to provide state of the art ICT services like mobile remittance, banking on a core banking platform and provide inclusive banking to rural, remote and unbanked areas. The vast network and infrastructure of India Post have already enabled it to become the preferred point of interface between government and the members of public for delivery of social and economic welfare schemes of the Government of India and various state governments. Introduction of modern ICT will help in timely and transparent delivery of social benefit schemes to the beneficiaries like Indira Gandhi Old Age Pension Scheme, MGNREGS etc. India post which does banking activity is doing a commendable job towards providing easy financial services to the people throughout the country especially in the remote areas through its huge network (**Malankar, 2013**).

Post Office Savings Bank is the oldest and the largest banking institution in the country. The money collected through Post Office Saving is also utilized as investment towards nation-building and asset creation by the Government and various State Governments projects. Small Savings Schemes operated at Post Offices are contributing to the cause of rural development. These small saving schemes include Post Office Saving Account, Post Office Recurring Deposit Account, Post Office One, Two, Three, and Five Years Time Deposit, Monthly Income Scheme, Public Provident Fund, Senior Citizen Savings Scheme and National Savings Certificate. (**Tyagi, 2012**). Post offices are providing banking services to the all section of people of the society since 1882. Post offices started their operation in financial services in India much before the word financial inclusion was coined by our experts. It is serving as a banker to villagers and villages even today where there is no access to the other formal financial institutions. It continues to be a pioneer in area of financial inclusion even in the 21st century. The advantage of the post offices over the banks is its ability to leverage existing post office network to bring basic financial services to underserved areas and communities. By providing access to services such as deposits, payments, and insurance, post offices increase competition for the underserved

segments, thus generating a positive impact on employment and supporting rural and regional economic development (**Rillo and Miyamoto, 2016**).

Over the years, world has witnessed the lot of transformation in modes of communication; In recent past it was common scene to see postman bringing letters, telegrams and money orders to our doorstep. But due to rapid advancement of technology especially in telecommunication, lot of changes has happened in our day to day life. Mobile phones have become a part of life for even for vey common man and it has led to deep decline in personal written communication through letter and post cards. India Post, commonly known as “**the post office**”, is a trusted destination of low-income families for their small savings even today (web reference, Ritika Singh (2018)).

Vision of India Post

India Post’s products and services will be the customer’s first choice.

Mission statement of India Post

- To sustain its position as the largest postal network in the world touching the lives of every citizen in the country.
- To provide mail, parcel money transfer, banking, insurance and retail services with speed and reliability.
- To provide value-for-money services to the customers.
- To ensure that the employees are proud to be its main strength and serve its customers with a human touch.
- To continue to deliver social security services and to enable last mile connectivity as a Government of India platform.

Financial services available in Post Offices are as below

i. Saving Schemes:

The schemes like SB, RD, MIS, TD and Saving Certificates offers the opportunity to public to park their excess cash in safe mode of deposit according to their will and requirements

ii. Insurance Schemes

Two type of insurance like Rural Postal Life Insurance (RPLI), Postal Life Insurance (PLI) with different policies schemes are also available for the persons availing insurance facilities. To encourage the rural masses to take part in the insurance schemes, Micro Insurances policies - RPLI polices with less sum assured has been introduced.

iii. Money Transfer Services

Money Order system, International Money Order system, Instant Money Order system provides money transfer facilities within the country and selected foreign countries etc.

iv. Payment Services

Bill payments like utility bills, examination fees, ecommerce services and sale of application for examination, settlement to billers and service providers are done through post offices at centralized location.

v. Social Security and Pensions Payments

Post offices are doing the works related to MNREGA wage payment, social security payments and some pension payments either through postal saving accounts or through window payment to the beneficiaries.

2. Financial Inclusion

The developing and least developed countries started focusing on the financial inclusion as their top most agenda since year 2000. Capital mobilization, liquidity and money in circulation are the key factors of economic development of any country. Financial inclusion acts as a bridge for economic development through fund mobilisation from the household through small saving schemes. Financial inclusion is the process in which individuals and businesses have access to useful and affordable financial products and insurance services that meet the needs and that are delivered in a responsible and sustainable way. Financial Inclusion is argued to bring significant positive impact to society, when more people and firms participate. The important aim of financial inclusion is to get the unbanked and under banked to have better access to financial services. The key objective of financial inclusion is to make availability of financial services that meet the specific needs of users without discrimination.

- **According to RBI** - *“Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable”.*
- **According to World Bank** – *“Broad access to financial services implies and absence of price and non price barriers in the use of financial services, it is difficult to define and measure because access has many dimensions”.*
- **According to UN** - *“ A Financial sector that provides access to credit for all bankable people and firms, to insure for all insurable people and firms and to saving and payment services to everyone. Inclusive finance does not require that everyone who is eligible use each of the services, but they should be able to choose to use them if desired”.*
- **Working Definition** – *“Access to and usage of a broad range of affordable, quality financial products and services, in a manner convenient to the financially excluded like unbanked and under-banked is called as financial inclusion.”*

Joseph Schumpeter (1911), renowned economist argued that banks assume a crucial and important role in economic development. According to his perspective, the banking sector leads to transformation in the path of economic progress. It will also make smooth the process of allocation of savings and of course not necessarily by altering the saving rate. Banking sector can wield a positive influence on the overall growth of economy. Hence it is of broad macroeconomic importance. It is also established fact that better developed banking system and financial markets are closely associated with faster growth of economy. Improved and effective functioning of banks can boost the efficient resource allocation and which in turn speed up the growth (**Vighneswara, 2010**).

It is a well known and widely acknowledged fact that improving the access to financial services is a very effective strategy for economic development especially in rural areas. Our government is working with high priority on agenda of financial inclusion of the excluded households of rural areas. Among all the organizations in the country which deliver financial services, the Department of Posts has the largest outreach and accessibility in rural India and even in the backward and remote areas. Moreover, the Postmaster who is in charge of rural post office mostly belong to the local communities, and is thus trusted by their clientele enhancing acceptability of financial services by local people (**Tyagi, 2012**).

In Aug 2014 our Government initiated the National Mission for Financial Inclusion (NRFI) which is popularly known as Pradhan Mantri Jan Dhan Yojana (PMJDY) with a vision to provide universal banking services for every unbanked household. This was based on the guiding principles of providing banking the unbanked, securing the unsecured, funding the unfunded and serving un served and underserved areas. It was done through linking of Jan-Dhan account with mobile and Aadhaar which is known as JAM [Jan Dhan-Aadhaar-Mobile]. Further with an objective of creating a universal social security system for all Indians, especially the poor and the under-privileged, three ambitious Jan Suraksha Schemes or Social Security Schemes pertaining to Insurance and Pension Sector were announced by the Government of India in the budget for the year 2015-16 (**<http://financialservices.gov.in>, web reference**).

The following are the services expected under Financial Inclusion in general.

1. Savings Deposits
2. Low cost financial Services like remittances and payments
3. Cheque Facilities
4. Over Draft Facilities
5. Credit and Debit cards
6. Access to financial Markets
7. Electronic Fund Transfers
8. Commercial Loans
9. Insurances
10. Micro Credits for self help groups

3. Socio Economic Impact of Financial Inclusion by India Post: Case Study of Mandya District in Karnataka State.

Mandya district is one of the most agriculturally prosperous districts in Karnataka. With the advent of irrigation from the Krishna raja sagar reservoir (during 1930's), after Vishveswaraya canal came into existence, which led to substantial transformation in cropping pattern, composition of crops, better yield level, ultimately leading to better economic conditions of the people. The district is well connected by roads with the adjacent districts, with better transport facilities. The head quarter of Mandy district is Mandya city which is well connected by road and rail. All trains between Bangalore and Mysore pass through Maddur, Mandya, Pandavapura and Srirangapatna. The nearest airport is Bangalore city, which is around two hours drive by road. The sex-ratio of Mandya district is around 995 compared to 973 which is average of Karnataka state. The literacy rate of Mandya district is 70.40% out of which 78.27% males are literate and 62.54% females are literate. The literacy rate of district is almost close to state literacy rate which 75.60%. The total area of Mandya is 4,962 sq.km with population density of 364 per sq.km. Mandya district has a big land bank, 145 commercial bank branches, 364 post offices and 65 telephone exchanges (**Mandya District Human Development Report, 2014**).

Source of Data

The source of data is primary, and the data was collected through direct interaction with the respondents, belonging to the above identified villages who are attending post offices for financial services.

Primary Data

Primary data was collected from the sample households through canvassing questionnaire. The information related to the impact of financial inclusion was collected from respondents.

Secondary Data

The Secondary data was collected from various secondary sources like the Economic Survey of the concerned states, directorate of economics and statistics, reports of RBI, NABARD, banking network, Annual Report of India Post, yearbooks, internet sources and the various institutions involved in the process of financial inclusion.

Sampling design

Target Population: The target population for the study is as below:

Element: Male or female head of the households belonging to selected villages and attending were the respondents of the study

Sampling size: Total sample size is 300 numbers. The samples are drawn for 12 villages from 3 different taluks, four villages per taluk, totally 300 respondents and 25 respondents for each village.

Sampling Unit: The households were selected by applying Multistage-sampling technique. Total households in each village are approximately 25 numbers. The respondents were selected in random sampling mechanism to avoid bias in selection, but who are visiting post office for availing postal services

In the present study the sampling units are as follows:

- First Stage Sampling Unit: District (Mandya District)
- Second Stage Sampling Unit: Taluks (Srirangapatna, Malavalli and Krishnarajpet Taluks)
- Third Stage Sampling Unit: Villages (12 villages, four villages per taluk)
- Fourth stage Sampling Unit: Individual Households (25 respondents per village, 100 Respondents per taluk, 300 total)

The taluks were selected as per HDI report for year 2015 of Karnataka like Highly developed, Medium Developed and Least Developed as one from each category. The villages were selected from the above taluks like highly developed and least developed, as two each.

Geographical Coverage: The study covered selected villages from selected taluks of Mandya District in Karnataka State, India.

Data Collection Tool: Structured Questionnaire was the tool used for extracting the data related to Financial Inclusion from the respondents. There were different questions like multiple choice formats, ranked format, free choice format, and Likert's Scale.

Part I: Questionnaire designed to elicit the demographic information which includes general information and family particulars related to respondents.

Part II: Questionnaire designed to know the different factors and dimensions related to Financial Inclusion like Usage, Access, Awareness and factors hindering financial inclusion of rural people in selected villages. Finally the questionnaire ends with feedback of respondents. The questionnaire was designed with some open ended question in which respondent were free to give their own answers; some are closed end questions in which the respondents have to select within the options given. Some of the questions are Yes or No question, some are like 5 point scale question and some others are like selection of choices. The questionnaire was prepared in bilingual fashion (English and Kannada) so that respondents will not have any difficulty in understanding the question.

4. Results and Discussion

a. Socio-economic profile of sample respondents

i. The data was collected from following villages. 25 samples from each village are collected and the information is tabulated as below. Each village contributes 8.33% of sample data

Table 1.1 Village details of sample respondents

Village Details		
Name	Frequency	Percent
Ballekere	25	8.33
Nargonahalli	25	8.33
Hariharapura	25	8.33
Thernenahalli	25	8.33
Palahalli	25	8.33
Bommur Agrahara	25	8.33
Gammanahalli	25	8.33
KM Koppal	25	8.33
Kirkavalu	25	8.33
Kodena Koppalu	25	8.33
Sujalur	25	8.33
Chennagirikoppal	25	8.33
Total	300	100

Source: Primary Data

ii. The sample contains 83% males and 17 % female respondents with total respondents around 300.

Table 1.2 Gender details of sample respondents

Samples - Gender wise		
Gender	Count	Percent
Male	249	83
Female	51	17

Source: Primary Data

iii. The sample contains 93% households belonging to Hindu religion, 0.33% household belonging to Christianity, 7.33% households are from Muslim community and 0.33% household belong to Jain community.

Table 1.3 Community wise details of sample respondents

Samples - Community wise		
Community	Count	Percent
Hindu	276	93
Christian	1	0.33
Muslim	22	7.33
Jain	1	0.33

Source: Primary Data

iv. The sample contains 3.7 % households belonging to Forward caste, 69.3 % households sample belonging to Other Backward caste, 15.3 % households belonging to schedule caste and 3.7 % schedule tribe. Remaining 8% of households are minorities belonging to different religion.

Table 1.4 Category wise details of sample respondents

Samples - Category wise		
Category	Count	Percent
Forward	11	3.7
OBC	208	69.3
SC	46	15.3
ST	11	3.7
Minorities	24	8.0

Source: Primary Data

v. On the basis of ownership of house 94.3 % of respondents live in Pucca house, 2.7 % of respondents live in Semi Pucca house and 3.0 % of respondents live in Katcha house.

Table 1.6 House Type of sample respondents

Household – Ownership of House		
House	Count	Percent
Pucca	183	94.3
Semi Pucca	8	2.7
Katcha	9	3.0

Source: Primary Data

vi. On the basis of possession of ration card 80 (26.7%) households possesses APL ration card, 219 (73%) possesses BPL ration card and one (0.3) respondents do not have any ration card.

Table 1.8 Household Status of sample respondents

Household – Type of Ration Card		
Ration Card	Count	Percent
APL	80	26.7
BPL	219	73.0
No Ration Card	1	0.3

Source: Primary Data

b. To analyse Socio - economic impact of services provided by Post offices under financial inclusion.

As a part of questionnaire few questions were related to impact of service provided by Post offices. It is found from the responses received that because of access, availability and usability of post office service, they could use banking, money transfer, and insurance facilities very easily. It was also found that the post office helped to save some surplus income, could remit money to relatives, other religious institution and also able to get secure their life through post office insurance schemes like PLI and RPLI.

i. Impact of Saving Schemes

There are many saving schemes like SB, RD, MIS, TD, Sukayana Samirridhi, Senior Citizens Saving Schemes and Saving Certificates. The usefulness of the saving schemes and the reason for agreeing the usefulness of saving scheme was found as below.

Table 1.9 Reasons for agreement about the usefulness of Saving Schemes

Post Office Savings Schemes helped me to save money for the Reasons							
Sl. No	Specific Reason or Purpose	Strong Agree		Agree		Total	
		Respondent Count	Percent	Respondent Count	Percent	Respondent Count	Percent
1	Educational purpose of Children	82	37.60	35	42.70	117	39.00
2	Marriage Purpose for their family members	30	13.80	8	9.75	38	12.70
3	Agriculture Purpose	46	21.10	16	19.50	62	20.70
4	Repair and construction of house	21	9.60	10	12.20	31	10.30
5	Purchase of gold and Jewellery	12	5.50	2	2.40	14	4.70
6	Urgent Medical Expenses	4	1.80	3	3.70	7	2.30
7	Future Needs	23	10.60	8	9.75	31	10.30
8	Total	218	100.00	82	100.00	300	100.00

Source: Primary Data

When a question about the usefulness of saving schemes was posted to respondents 37.60% respondents strongly agreed and 42.70% agreed that they could save money for the educational purpose of their children. 13.80% strongly agreed and 9.75 % agreed that they could save money for marriage purpose of their family members. 21.10% strongly agreed and 19.50 % agreed that they could use the money saved for agriculture purpose like purchase of agricultural lands, bullocks for farming, fertilizers, equipments for agriculture and tractors. 9.60% strongly agreed and 12.20% agreed that they were able to repair their houses or construct houses out of the savings. 5.50% strongly agreed and 2.40 % agreed they made use of the money for purchase of gold and jewellery. 1.80% strongly agreed and 3.70% agreed that they have used for urgent medical expenses, while 10.60% strongly agreed and 9.75 % agreed that they are saving money

for future needs. So 218 respondents, ie. 72.66% strongly agreed and 27.34% agreed that post office saving schemes helped them to save money use it for some specific purpose like asset creation, wealth creation, health casualties and educational purpose. So it is clear that post office saving schemes have helped a lot.

ii. Impact of Insurance Schemes

The post offices have two types of insurance schemes, they are PLI and RPLI. PLI stands for Postal Life Insurance Scheme and Rural Postal Life Insurance (RPLI) came into being as an effect of the recommendations of the Malhotra Committee. The Committee had observed in 1993 that only 22% of the insurable population in this country had insured; life insurance funds accounted for only 10% of the gross household savings. The Malhotra Committee recommendations were accepted by the government and allowed Postal Life Insurance to extend its coverage to the rural areas to transact life insurance business with effect from 24.3.1995. This could be possible mainly because of the vast network of Post Offices in the rural areas and low cost of operations. The prime objective of the scheme is to provide insurance cover to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population. As on 31.03.2017, we have more than 146 lakhs policies (<http://www.postallifeinsurance.gov.in>, web reference)

Table 1.10 Reasons for agreement about the usefulness of Insurance Schemes

Post Office Insurance Schemes helped me to get insured for the Reasons							
Sl. No	Specific Reason or Purpose	Strong Agree		Agree		Total	
		Respondent Count	Percent	Respondent Count	Percent	Respondent Count	Percent
1	Getting Insured at Low Premium	94	40.20	18	27.30	112	37.33
2	Investment and Insurance cover	63	26.90	19	28.80	82	27.32
3	Future Savings	58	24.80	23	34.80	81	27.00
4	High Bonus and more Beneficial	18	7.70	6	9.10	24	8.00
5	Easy Access to Post office for Premium Payment	1	0.40	0	0.00	1	0.35
6	Total	234	100.00	66	100.00	300	100.00

Source: Primary Data

When a question about the usefulness of insurance schemes was posted to respondents 40.20% respondents strongly agreed and 27.30% agreed that they could get insured at a low premium. 26.90% strongly agreed and 28.80 % agreed that they opted for insurance schemes for investment purpose and getting insurance coverage. While 24.80% strongly agreed and 34.80% agreed that they could use the insurance schemes as instrument for future savings. 7.70% strongly agreed and 9.10% agreed that they have opted for insurance schemes because of high bonus and they found to be more beneficial than other insurance schemes. 0.40% strongly agreed that they could use insurance scheme because of the ease of access and premium payment. Overall 78% have strongly agreed and 22% have agreed that insurance schemes are really help for getting insurance.

iii. Impact of Money Transfer Schemes

A money order is a money transfer facility available in all the Post Office for the payment of a sum of money to a person by another person through post office. The person sending money needs to remit the amount that needs to be sent along with a nominal commission for the service

rendered by post office. The advantage of sending money to someone through money order is that the money is delivered at the house or his place of stay.

Table 1.11 Reasons for agreement about the usefulness of Money Transfer Schemes

Post Office Money Transfer Schemes helped me for the Reasons							
Sl. No	Specific Reason or Purpose	Strong Agree		Agree		Total	
		Respondent Count	Percent	Respondent Count	Percent	Respondent Count	Percent
1	Faster Delivery of Mos	88	42.10	43	47.25	131	43.70
2	Convenient and Ease of Access	108	51.70	42	46.20	150	50.00
3	Saving Transport cost and time	1	0.50	0	0.00	1	0.30
4	All the above	12	5.70	6	6.55	18	6.00
5	Total	209	100.00	91	100.00	300	100.00

Source: Primary Data

For the question about the usefulness of Money Transfer schemes 42.10% respondents strongly agreed and 47.25% agreed that they could get send money for the urgent needs of friends, family member as the service is faster. 51.70% strongly agreed and 46.20 % agreed that they opted for money transfer schemes due to convenience of service and ease of access to use. 0.50% strongly agreed that it is used because it save time and transportation cost else he has to travel to banks for getting similar service. 5.70% strongly agreed and 6.55% agreed that due to above all reasons like faster delivery MOs, convenient and ease of access and due to no transport cost and time they are suggest that Post office Money Transfer has helped a lot. Overall 69.66% have strongly agreed and 30.33 % have agreed that money transfer schemes have helped them really for getting transferring money.

iv. Role of Post offices during Demonetisation Period

On 8 November 2016, the Government of India announced the demonetization of all 500 and 1,000 banknotes of the Mahatma Gandhi Series. It also announced the issuance of new 500 and 2,000 banknotes in exchange for the demonetised banknotes. During that time post offices played an arduous role to exchange the notes for the local residents.

Table 1.12 Institution at which demonetised notes were exchanged

Exchange of demonetized notes done at			
Sl. No	Exchanged at	Respondent Count	Percent
1	Post Offices	291	97.00
2	Banks	9	3.00
3	Total	300	100.00

Source: Primary Data

Table 1.13 Demonetised notes exchanged by

Demonetized Notes exchanged at Post Office by			
Sl. No	Exchanged As	Respondent Count	Percent
1	Direct Exchange	181	62.19
2	Account Deposit	110	37.81
3	Total	291	100.00

Source: Primary Data

Refer Table 1.12 When question related to where did you exchange of demonetised notes was posted to respondents and 97% respondents told that they have exchanged in Post offices and 3% told that they have exchanged in banks.

Refer Table 1.13 When further question was asked regarding the method of exchange that is through direct exchange or Account deposit, 62.19% respondents have made direct exchange while 37.81 have made the demonetized note in their account as deposit. Overall 97% respondents have used post office for the exchange of demonetized notes.

5. Rural ICT Project (DARPAN)

DARPAN stands for “**Digital Advancement of Rural Post Office for A New India**” is the project to improve the quality of service, add value to services and achieve “financial inclusion” of un-banked rural population. DARPAN is a part of IT modernization project computerizing approximately 1,30,000 rural Branch Post Offices in the country, by supplying SIM enabled hand held hardware, other peripherals like printer and biometric device, solar charging devices to

all post offices in rural areas. The goal of the IT modernization project is to provide a low power technology solution to each Branch Postmaster (BPM) which will enable each of Branch Post Offices (BOs) to improve the level of services being offered to rural customers across all the states. DARPAN project was started with the aim of financial inclusion to rural population and it is targeted to complete the project by March, 2018. As per the statistics available total 129161 rural branch Post Offices have been rolled out under DARPAN Project as on 31.03.2019 out of which 5909 offices are in North Eastern Region. Still some offices are yet to be completed, due to various reasons like network issues and connectivity issues due to poor signal range in remote areas and hilly regions. The Project shall increase the rural reach of the India Posts and enable BOs to increase traffic of all financial remittances, savings accounts, Rural Postal Life Insurance, and Cash Certificates; improve mail operations processes by allowing for automated booking and delivery of accountable article; increase revenue using retail post business; provide third party applications; and make disbursements for social security schemes such as MGNREGS.

Furthermore as part of IT modernization project, the Department of Posts (DoP) had carried out business process re-engineering across various functional areas of post offices and has created To-Be processes that will enable it to achieve these objectives. As an achievement, Department of Posts has established 991 ATMs across the country, which are interoperable with other banks and the common people has directly benefited with the wide network of Department of Posts especially in rural areas. Till now, 11285217 transactions have been carried out on the DOP's ATMs out of which 7024214 transactions have been done by the non-DOP customers. Department of Posts is the only Government player in this space.

Each office is provided with a handheld device which has a capability of doing transactions online with biometric authentication and printing facility in the device. The handheld device will act as an access point for the delivery services in post offices, thereby reducing the paper based work. Online deposits and withdrawals in saving accounts, disbursement of benefits under MGNREGS and other social security payments, issue of money orders, remittance of Postal Life Insurance (PLI) / Rural Postal Life Insurance (RPLI) premium can be done through specialised software available in DARPAN devices. This has given a boost to digital

transactions in the remote rural areas. The handheld device can be charged with solar power also. So the DARPAN project has paid way for rural post offices to become digitised in a more eco friendly manner.

Trends such as urbanization, increased demand for financial services, increased funding by the government for the weaker sections, DBT schemes like MNREGA, other social security benefits and the subsidies for rural sector, have opened up new opportunities for the Department of Posts, which in turn has necessitated development of new processes and supporting technology. The Department of Posts is also faced with twin challenges of increasing competition and continuing advances in communication technology, especially in mobile telephony and the internet. In order to provide the best-in-class customer service, deliver new services and improve operational efficiencies, India Post has undertaken an end to end IT modernization project to equip itself with requisite modern tools and technologies.

The IT modernization project intends to achieve the following:

1. Wider reach to the Indian populace through more customer interaction channels
2. Better customer service for retaining the existing customer base.

The IT modernisation project is in final phase of implementation and it is likely to impress the customers through better customer service and provide better opportunities for the departments to enhance the reach and access to departmental services

6. India Post Payment Bank (IPPB)

The vision, mission, mandate and objectives of the payments bank have been stated to be as follows:-

Mandate - Financial Inclusion through the extensive postal network.

Vision - Building the most accessible, affordable and trusted bank for the common man.

Mission - Catalysing easy access to formal financial services by removing the barriers for the unbanked and reducing the opportunity cost for the under banked populace.

Objective - To set up a nation-wide financial architecture that will be able to deliver all kinds of payments, remittances, basic banking and access to loans, insurance, etc. not only at the village post offices but at the doorstep of the citizen

The government of India officially launched India Post Payments Bank (IPPB) on September 1, 2018 to make formal banking and financial services accessible to every citizen of the country. The government decided to sustainably leverage the 1.55 million post-offices network in the country to achieve its goal of financial inclusion by making all the post offices as access points of IPPB. It is an innovative gradation in the role of post offices in India which will go down as one of the revolutionary initiatives taken by any government over the past decade to achieve financial inclusion and enable quick payment services in rural India. IPPB aims to catalyze financial inclusion in India, by ensuring that everyone has equal access to financial services, no matter who they are, what they earn and where they live. IPPB will take basic banking to the un-banked and the under-banked across all cross-sections of society. Beneficiaries will be able to access Direct Benefit Transfer (DBT) payments like MNREGA wages, Pensions, Scholarships, etc. They will be able to pay utility bills, send or receive remittances instantly and economically from the same IPPB account that would also allow them to access loans and insurances from leading banks and insurance companies.

Features

India Post Payments Bank, characterised with accessible and affordable banking services, is one of the most effective means to boost the financial inclusion in the country. It is launched as a payment bank for small deposits without any credit services. The bank is facilitating a range of financial products and services like savings, current accounts, online banking, mobile banking, SMS banking and debit card etc., which are accessible to all. IPPB would deploy 3 lakhs postal staff, who would now transform into the role of banking correspondents (BCs). IPPB account also has a facility to be linked with the government's saving schemes like Kisan Vikas Patra, National Savings Certificates, Senior Citizen Savings Schemes, etc. The payment banks have a maximum limit of Rs 1 lakh on balance at the end of day, any amount exceeding the same can be transferred to the linked post office savings account (POSA). This will make the IPPB services hassle free for the customers.

All the account holders of IPPB are provided by quick response (QR) cards for transaction purpose which will also act as passbooks. Another advantage is the fact that user need not remember the account number

and password, as authentication mechanism used is biometric authentication and that would suffice for performing the transaction requirements. People can conveniently deposit, withdraw, transfer money and pay bills with the help of postmen at their doorsteps. The small merchants in the rural areas can also connect to the formal banking services by opening a current account with IPPB. They can download the merchant app and start accepting digital payments from their customers. In addition to this option of online mobile banking is going to make the use of IPPB convenient for its customers. IPPB also offers door step banking to its customer, through the delivery staffs. Such doorstep assistance and banking facility from IPPB would also bring down the opportunity cost of availing financial services for low-income households and female workers in particular.

It is not a new concept that post offices are doing financial services. Postal organisations around the world have been carrying out banking operations. Many countries like Japan, Malaysia, New Zealand, Switzerland, France, China, Srilanka, South Korea, South Africa and Morocco are some of the examples where post banks are running their operations and have successfully reached out to the rural unbanked masses. India has a massive potential and seen growth in banking account numbers as proportion of its population in last few years. Schemes like Jan Dhan Yojana have resulted in a record growth in the bank accounts numbers. However, a high proportion of such accounts continue to remain unused. In fact, the percentage of inactive accounts, i.e., with no transaction like any deposit or withdrawal over a financial year, has remained high. IPPB through its unmatched network of post offices can fill this gap in the entire scheme of financial inclusion. However, connectivity in rural areas may be able to impose serious challenges to the scheme. A robust digital infrastructure with good network connectivity is needed to enable quick payment services. As per experiences from different countries like South Africa, Japan - Post Bank model is found to be very successful and these models have collected huge funds from the rural population for national building and also have generated huge profits from operations and remained viable in the long run. Being a payment bank, IPPB cannot lend or offer credit and loans to its customers. But the Reserve Bank of India has already allowed IPPB to partner with third parties to extend small credit products like loans, investments and insurance to everyone including the vulnerable sections of society.

A dynamic system and flexible policy decisions are the keys to the future success of IPPB. The adaptability towards forthcoming technological advancements and skill requirements for operations are pivotal to the sustenance of the institution in competition with banks. Post offices have a potential to be an effective medium for harnessing the savings of rural India and is further going to implement the vision

of the government in making India as a less cash-driven economy and to promote more digital payments. Financial inclusion is known to play a crucial role in eradicating poverty, reducing the inequality, improving livelihoods, and uplifting status of women in the society by reducing the gender gap also. IPPB is a great stride made by the government in this direction that seek and include unbanked and under banked to connect people to formal financial services and move our country closer towards accomplishing the UN Sustainable Development Goals and targets by 2030.

7. Conclusion

Post office is very old institution started during British era for providing mail services to the country. Later government of India started the different saving schemes and insurance schemes through post office providing financial services to people. Post office is the only department in the country which has connectivity across the length and breadth of the country. Access to post offices stands far easier than accessing banks even today in rural areas. The various literatures and research reports published by different reputed organisations about the post offices around the world and their role in financial inclusion have praised the post offices for having done well in developing economies to provide banking and banking access to un banked and under banked rural masses , who were under served by banks. India being a developing country does not have exception to statements made in various research literatures. India's Post department also has done a lot for the development of people and our nation through various financial service schemes. As on date loans and credit are the portfolios not available in post office and even in new entity - India Post Payment Bank compared to banks. But because of reach and connectivity, post office is one of institution which implements most of the flagship schemes of the government like MNREGA, DBT, Sukanya Samridhi Accounts. As per the above study it is clear that Post offices help the people to access basic and affordable financial services to rural poor and help them to save money at house hold level. The present digitalised environment of post offices help to the rural masses to have hassle free, electronic banking and insurance facilities with more convenient and affordable ways. IPPB and DARPAN had brought the banking facilities at the door steps. The contribution of post offices at national level is also found to be at appreciable level. It is hoped that India Post will continue to do better in area of financial inclusion and will act as one point of contact for all citizen centric services like Aadhar, thereby helping to achieve the sustainable development goals like poverty reduction, gender equality and

reducing inequality. So it is very clear that post office, in addition to be an agent of financial inclusion of government, also contributes a lot for the economic development of individual at micro level and national level at a macro perspective and helps our country to achieve towards accomplishing the UN Sustainable Development Goals and targets much before 2030.

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