

Indian Post Surrogate It's Face As Post Bank Of India

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Abstract: India has the largest postal network in the world; it has been the backbone of the country's communication and has played a crucial role in the country's socio-economic development for more than 150 years. Some loss-making services, such as extending daily mail coverage to low-income rural areas and maintaining a truly comprehensive network of post offices. To seek a mixture of cost-cutting measures and new lines of business. India Post's recent initiatives, which include slotting itself in cyberspace through the ePost Office, for leveraged to strengthen the financial and communication infrastructure. The Internet and other affordable alternatives have hit the basic function of post offices. Now India Post is gearing up to play more comprehensive role by reorienting itself to meet the expectations of future generations.

Financial inclusion is assumed to be one of the key drivers of our vision of an inclusive society and inclusive economy. During post liberalization period the banking sector has grown enormously keeping pace with and in some cases leading the country's remarkable economic growth with Postal banking. i.e. Germany's Deutsche Postbank, in Japan the postal service runs a major bank, France, Switzerland, Israel, Korea, USA, New Zealand, and others continue to run postal banks. Financial services could generate revenue to help Department of Posts (DoP) sustain its mission. So Indian post offices are also providing banking services to the all section of people of the society since 1882. Indian post served Indian villagers as banker much before financial inclusion become buzzword and Indian post claims to be the pioneer of financial inclusion in India.

Through this paper an attempt has been made to study the changing face and role of post offices in Indian service sector.

Keywords: Indian post, financial inclusion, post office savings bank account.

I. INTRODUCTION

The Post Office savings bank (POSB) is the oldest and by far the largest banking system in the country, serving the investment need of both urban and rural clientele. These services are offered as an agency service performed by the Department of Posts on behalf of the Ministry of Finance, Government of India. Several products on offer serve various investment requirements of the customers. The Financial service offered by Post office includes Savings and Postal Life Insurance (PLI) / Rural Postal Life Insurance (RPLI). The Post Office small savings scheme provides a secure, risk free and attractive investment option for the small investors and offers the savings products across its 155000 Post offices operates more than 20.50 crore savings accounts.

II. DEFINITION

According to Mr. CN Raghupathi, VP and Head of India Business, "India Post has been a key driver of the country's socio-economic development for over 150 years. This partnership will give us the opportunity to promote inclusive growth by helping to deliver services more efficiently to all citizens. We will use our proven technology leadership and innovation capabilities to build a platform that will transform India Post and enhance its reach significantly."

III. OBJECTIVE OF THE STUDY

This paper is prepared with the objective of study the changing face and role of post offices in Indian service sector. And to provide some suggestions for making Indian post a good conduit for financial services through Post Bank of India.

IV. METHODOLOGY

The paper is basically a descriptive one. The paper tries to review, what role the post office is playing in financial inclusion. While preparing the paper both primary and secondary data were collected. Primary data was collected from Office of The Chief Post Master and secondary sources are collected the Journals like SEDME, Banking Finance, Monthly Public Opinion and Post Office Websites etc.

V. INDIAN POST AN OVERVIEW

The first post office in India was established by East India Company in the year 1688 in Bombay followed by Calcutta and Madras. It was named as „Company Mail“. The Post Office Department of the East India Company was first established on March 31, 1774 at Calcutta, followed in 1778 at Madras and in 1792 at Bombay. The present type of post office came in to being in the year 1854 under the post office Act of 1854. The Indian post office has a huge network of branches with an unique outreach in rural areas. In the year 1861 total number of post offices in India were 889. The number of post offices in India increase from 23,344 in 1947 to 1, 54,866 as on 31-03-2011. Out of total post offices in India 1,39,040 numbers post offices are in rural areas which accounts for 89.78% of India’s total post office and remaining 15,826 numbers of post offices situated in urban areas which is only 10.22% of total numbers of post offices. Apart from providing regular postal service’s the post offices in India are also providing financial services to the public through Post Office Savings Bank. The Indian Post starts Postal Life Insurance in the year 1984 as a welfare scheme for the employees of the Post and Telegram Department due to huge demand of the scheme latter on it was opened for employees of other departments and finally in the year 1995 it was opened for all people. In addition to these services post office also provide money transfer services. Post Office Savings Bank which was establish with an objective of encouraging saving habit and thrift among the masses has now become a medium of mobilizing a huge amount of funds.

POSTAL SERVICES

Operations at the post office encompass the entire gamut of the basic postal services which include:

Sl. No.	Activity
i)	Sale of stamps and stationery
ii)	Booking of registered articles
iii)	Booking of insured articles
iv)	Booking of value payable articles
v)	Remittance of money through money orders and postal orders
vi)	Booking of Parcels
vii)	Savings Bank and Savings Certificates

VI. FINANCIAL SERVICES IN RURAL AREAS

It is widely acknowledged fact that improving the access to financial services is a very effective strategy for development of rural areas. Financial inclusion of the excluded households of rural areas is being accorded high priority by the government. Among all the organizations in the country which deliver financial services, the Department of Posts has the largest outreach in rural India, and more so, in backward and remote areas. Moreover, the Personnel who run the rural Post Office mostly belong to the local communities, and are thus trusted by their clientele enhancing acceptability of financial services by local people. 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 by the Government and various State Governments.

Today, India Post delivers financial services as an agent of Ministry of Finance. Under the present setup, India Post cannot extend credit and other banking services to the rural poor. With the proposed Post Bank of India, post offices in India can be repositioned as the proactive agents of ensuring financial inclusion even in the remotest corner of the country. The Proposed Post Bank of India will deliver a host of value added services (micro credit, insurance etc) to existing 237 million postal savings bank customers and will also provide one stop financial services (savings, credit, insurance, remittance and pension) to small and medium sized customers.

VII. DIFFERENT SAVING PRODUCT OF INDIAN POST OFFICE

POST OFFICE SAVINGS BANK ACCOUNT (PSOB): Post office saving bank account (POSB) is the oldest and most popular postal saving instrument. Any individual can open a POSB A/C with a minimum balance of Rs-50/ . A pass book is provided to the A/C holder. This serves the need of regular deposits and withdrawals. And Cheque facility is also available for POSB A/C. Currently the rate of interest offered against POSB A/C is 4%. This Account is regulated by The Government Savings Bank Act of 1873.

RECURRING DEPOSIT ACCOUNT (RD): Offers a monthly investment option with a handsome return at the end of five years with option to extend the account period. Insurance cover facility is also available with some conditions. The minimum deposit is Rs 10/ and multiples of Rs 5/ thereafter and there is no limit of maximum deposit. The present rate of interest offered against this A/C is 8.4%. Premature closer is allowed after three year and part withdrawal is also allowed. Four defaults are allowed, more than four default lead to closer of the account. Depositors are provided with one passbook.

MONTHLY INCOME SCHEME (MIS): Offers a fixed investment option for five years with monthly interest payment facility. The facility of automatic credit of interest to SB account available. The minimum deposit in case of single depositor is Rs 1000/ and in case of joint depositor it is Rs 1500/. Maturity period is five years and rate of interest allowed is 8.5%. Depositors are provided with one passbook.

PUBLIC PROVIDENT FUND (PPF): Offers intermittent deposits subject to certain limits for a 15 year period coupled with income tax exemptions subject to certain conditions, on the investment. Loan and withdrawal facilities also available. This is a tax advantage 15 years scheme with a minimum deposit of Rs500/ in a financial year and a maximum of Rs 70,000/ per year. Withdrawal is allowed after expiry of five years from the date of initial deposit. Interest is allowed at 8.8% per annum. Depositors are provided with one passbook.

TIME DEPOSIT (TD): Post office offers time deposit for one year, two year, three year and five year. The rate of interest allowed is 8.2%, 8.3%, 8.4%, and 8.5% for one year, two year, three year and five years term deposit respectively. The minimum amount required to deposit is Rs 200/ with no maximum limit. Premature withdrawal is allowed after expiry of six month. Automatic credit facility of interest to SB account.

SENIOR CITIZENS SAVINGS SCHEME (SCSS): Offers fixed investment option for senior citizens for a period of five years, which can be extended, at a higher rate of interest that are paid in quarterly installments.

NATIONAL SAVINGS CERTIFICATES (NSC) (VIII) ISSUE: with a fixed investment for 5 years on certificates of varied denominations. Pledging facility available for availing loan from Banks.

NATIONAL SAVINGS CERTIFICATES (IX) ISSUE: This is a tax exempted certificate sold by post office with a minimum investment of Rs 100/ and having no maximum limit. Certificates are available in the denomination of Rs 100/, 500/, 1000/, 5000/ and 10,000. Rate of interest is allowed at 8.9%. Trust and HUF are not allowed to invest in NSC. Fixed investment tenure of 10 years.

INFORMATION ON POSTAL LIFE INSURANCE: Postal Life Insurance (PLI), introduced in 1884, is the oldest life insurance scheme for the benefit of Government employees. Initially meant only for the Postal employees, today it caters to employees of the civil and military personnel of the central and state governments, local bodies, government aided educational institutions, universities, nationalized banks, many autonomous and financial institutions, and public sector undertakings of the central and state governments.

Rural Postal Life Insurance (RPLI), to extend the life insurance service to the rural public the post office extended the service to rural areas in 1995. 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.

Postal Life Insurance (PLI)
Eligibility: All Government servants and employees of Government aided institutions with certain conditions.

POLICIES OFFERED BY THE PLI	
i)	Whole Life Assurance (Suraksha)
ii)	Convertible Whole Life Assurance (Suvudha)
iii)	Endowment Assurance(Santosh)
iv)	Anticipated Endowment Assurance for 15 & 20 years (Sumangal)
v)	Joint Life Endowment Assurance (Yugal Suraksha)

Rural Postal Life Insurance (RPLI)	
Eligibility: For people residing in rural areas. Under RPLI, there are first four common plans and one additional plan "10 year RPLI" Their trade names are as indicated below	
i)	Whole Life Assurance (Gram Suraksha)
ii)	Convertible Whole Life Assurance (Gram Suvudha)
iii)	Endowment Assurance (Gram Santosh)
iv)	Anticipated Endowment Assurance for 15 & 20 years (Gram Sumangal)
v)	10 year RPLI (Gram Priya)
vi)	Children's Policy

VIII. OTHER FINANCIAL SERVICES OFFERED BY THE POST OFFICE

MONEY TRANSFER: It offers wire transfers and international money orders, besides issuing traveler's cheques and 22 foreign currencies to foreign travellers. It also offers prepaid forex cards in seven currencies, demand drafts in 11 currencies and wire transfer in 13.

NATIONAL PENSION SCHEME: Right now, the NPS facility is available at nearly 800 branches across the country. The NPS is a low cost retirement plan. It is also portable and can be accessed from any part of the country.

MUTUAL FUNDS: A qualified mutual fund adviser is available at designated branches of the post office. An investor can submit application forms, payment cheques and KYC documents at these branches. However, the facility has not taken off due to removal of entry load.

LIFE INSURANCE: Postal Life Insurance is open only to employees of the Central and state governments, public undertakings and semi-government organizations. The IRDA has allowed the post office to sell insurance policies of private companies.

COMMERCIAL BANKING: India Post is among the 36 companies that have applied for banking licences. The launch of commercial banking operations could pitchfork the post office to the forefront of financial services in India.

ELECTRONIC MONEY ORDER (EMO): Introduced on 10.10.2008. eMO system aims to simplify the transmission process of money orders by ensuring quick and secure electronic transmission. Time taken for Transmission is very less & amount is paid within a day of booking. The amount of money order is paid in cash at the door step of the payee. Facility for remitting money from one to one, one to many and many to one is available under this service. eMO can be booked at authorized PO's, but paid through all delivery POs in the country. Commission for eMO is same as applicable to money order. The eMOs can be tracked through India post website.

INSTANT MONEY ORDER (IMO): India Post provides instant Money Order service, which is Instant, Safe, Reliable & Convenient. Amount from Rs.1000/- to Rs.50000/- can be remitted through designated iMO Post Offices. It is an instant web based money transfer service. Remitter has to fill-up prescribed form & should produce valid photo identity. Money Order Commission varies based on the amount of remittance. There are 33 standard messages for selection by the remitter. Payee has to visit the post office, fill up the prescribed form

and produce the identity proof to receive the money. Amount received can also be credited to the savings bank account of the payee.

MO VIDESH: This is an international remittance service offered by India post to most foreign destinations. Outward remittance is payable to beneficiaries by crediting the payment to the bank account of beneficiaries in the destination countries. Each outward remittance shall not exceed 5000 USD & maximum 12 outward remittances are allowed in a year. This facility is available in all computerized post offices. The commission for MO Videsh vary with the amount to be transferred.

INTERNATIONAL MONEY TRANSFER SERVICE: India post is also offering inward international money transfer through collaboration with western union money transfer and Money gram. The service is safe, fast & reliable. It is a quick and easy way of transferring personal remittance from abroad to beneficiaries in India. Money can be received from 195 countries through identified post offices. Recipients can receive money in minutes after the remitter remits money. A maximum of 2500 USD can be received at a time. 12 transactions can be received by a single beneficiary in a calendar year. Amount upto Rs.50000/- in cash and more than that in cheque or credited to savings accounts in PO. Recipient to provide sufficient information to establish his identity and proof of residence. The facility for receipt of WUMT is available in 7212 Post Offices and money gram facility is available in 500 post offices.

ELECTRONIC CLEARANCE SERVICE (ECS): ECS scheme provides alternative method for bulk payment, payment of interest/salary/pension/dividend. The scheme was introduced on 9th August 2003. ECS is offered by India Post in c/w payment of monthly interest in Monthly Income Scheme. Under ECS, depositors of MIS accounts get their interest automatically transferred and credited into their accounts on due dates at designated Bank of their choice. Currently the service is available in the Department of Posts 15 RBI locations and 21 SBI locations.

KEY ISSUES: Low Customer Satisfaction: Late deliveries of mail, Quality of Service, Lack of facilities to customers Competition: Private Courier Services, Banks, Private Mutual Funds, LIC Management Structure: Government Organization Inefficient Employee Force Large Number of Services: Majority Unproductive Vast reach in the interiors of the country: Potential not realized Running in Losses: Huge Budgetary deficit of 1209.9 cr. Heavy Investment from the Government to revive the Postal service.

NEW INITIATIVES: To meet the challenges posed by ever changing communication technology especially mobile telephony and World Wide Web, Department of Post is attempting to transform it, striking a balance between its objectives and outcomes of transformation. As the transformation is a multi dimensional process attempt is being made to change the Department at Multiple levels.

SUGGESTIONS FOR INDIA POST: The expert committee on Harnessing the India Post Network for Financial Inclusion is of the opinion that "succeeding with universal access to financial services will require a considerable role for post offices. In parallel, and as some traditional functions of the postal network are being supplanted by new technologies

such as email, India Post is also in the process of carving out a larger role for itself. Therefore, there is a remarkable coincidence of needs between the twin problems of (a) charting the future for India Post, and (b) resolving India's challenges of financial inclusion".

In terms of number of branches and customer the Post Office Savings Bank is all ready the largest bank in the country. There is no doubt of the fact that the Indian Post can lead the way in financial inclusion with its given network and reach. It can increase its importance and profit provided it can bring together all the stakeholders in to a single platform, bring the necessary reforms, adopt the innovation and take some policy appropriate with the situation. The Indian post has all ready adopt certain reform measures for innovation and technological up gradation. Government had approved IT modernization project for computerization of all the non computerized post offices, establishment of required IT infrastructure and development of software. A pilot project on core banking solution and Information and Communication Technology (ICT) is going on in six circles. The project is supposed to be completed by 2014. Indian post also take decision to establish 1000 ATMs throughout the country.

I strongly believe if Indian post can make coordination with other stakeholders, infuse necessary human resource with proper training and technology, bring innovation and other appropriate measures the Indian post can reap the benefits of its huge network, extensive outreach and lower cost and at the same time it will able to contribute towards the national objective of financial inclusion. Establishment of Post Bank of India may be another strong decision to associate Indian post in financial inclusion. Indian post has already applied to the RBI for a banking license; if the license is given it will be a great achievement for Indian post which will enable post offices to perform full banking activities. Indian post can give a new dimension to the process of financial inclusion and can reach an extra mileage in the field of financial inclusion. Indian post can start the journey where Indian banking system stops.

CONCLUSION: Indian Postal Service needs technological, social, cultural & economic change. With a little bit of change, it can create a new era in the market.

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