



POSTAL BANKING THROUGH BRANCH AND BRANCHLESS BANKING FOR DIGITIZATION OF RURAL INDIA: A VISION

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Abstract:

Financial services so far provided by commercial banks are very poor in rural areas. Success of banking happens if it is available to the door steps of Rural India. Business correspondence model with Micro ATMs may work well in Rural India. Since India has the largest Postal Network in the rural areas, Gramin Dak Sewaks of Postal India can work well in villages. All post offices should open separate banking system. Both branch and branchless banking should be operated for digital development. Use of Micro ATMs can be an effective model for Branchless Banking in Rural India.

Key Words: Financial Literacy, India Post Payments Bank (IPPB), Gramin Dak Sewaks, Common Service Points (CSP) & Smart Cards

Introduction:

In rural areas financial services are restricted. Govt. has to cover unbanked rural areas to make India momentum growth. The Indian Postal Department is the best organization for developing financial services in rural areas. Gramin Dak Sewaks can work as Business Correspondents in villages. Financial Literacy will be achieved with the successive work of Postal department. Postal India with its own branch and branchless banking can cater to the needs of unbanked and under banked areas. Smart Cards operation in ATMs and Micro ATMs through Postal India can be an effective and innovative technology for banking development in Rural India.

Objectives:

- ✓ To know the present scenario of the banking status in rural areas.
- ✓ To contribute ideas towards financial operations in rural areas.
- ✓ To encourage digital payment in rural India.
- ✓ To encourage the unbanked remote areas in fulfilling financial literacy through postal India.

Limitation:

This study is based on secondary data. Statistics were taken from reports and websites. Conceptual study is made with available information.

Present Scenario of Rural India in Commercial Banking Service:

As per census 2011, there are 640867 villages and 68.84% population in Rural India. As at the end of March 2015, there were nearly 49,000 commercial Bank branches in Rural India.

Households Availing Banking Services:

Households in	No. of households as per census 2011	No. of households availing banking services	Percentage
Rural India	167826730	91369805	54.4
All over India	246692667	144814788	58.7

Source: Overview and Progress on Financial Inclusion in <http://financialservices.gov.in>

Above table shows that households to the extent of nearly 45% of Rural India were not have effective banking facility. These households are to be involved to achieve financial literacy and digital payment system.

Banking Network in India as on 31st March 2015:

Category of Banks	Branches in India	Branches in Rural India	% of Rural Branches
a. SBI and its Associates	22,548	8029	35.6
b. Nationalized Banks	61585	21228	34.4
c. Other public Sector Banks	1762	377	21.4
d. Regional Rural Banks	19660	14613	74.3
e. Private Sector Banks	19978	4302	21.5
f. Foreign Banks	324	8	2.4
Grand Total	125857	48557	38.6

Source: Overview and Progress on Financial Inclusion in <http://financialservices.gov.in>

The above Table shows that as on March, 2015, Rural India had the network of Banking with 48557 commercial bank branches, but the branches in India during the same time were 125857. Commercial Bank coverage in villages was very low. It was just 38.6%. This statistics shows the need of financial services in rural areas.

Present Scenario of Postal India:

No. of Post Offices in India	154910
No. of Rural Post Offices	138955 (89.7%)
Gramin Dak Sewak Post Offices	126776
Gramin Dak Sewaks	255029
Total population covered by Post Offices	8364
Rural population covered by Post Offices	6275

Source: Annual Report of Postal India 2016-17, Data as on 31-03-2016

There were 138955 Rural Post Offices. Out of which 126776 were Gramin Dak Sewak Post Offices. There were 255029 Gramin Dak Sewaks. These Post Offices provide supports to the public through communication, financial services, Life Insurance products, and other retail services. Huge work is carried on through Gramin Dak Sewaks.

Innovative Technology for Rural Banking Through Indian Post Offices:

Core Banking Solution (CBS):

Recently Post Offices were migrated to Core Banking Solution (CBS). CBS brings facilities like ATM Banking, internet Banking, mobile banking to Post Office Savings bank customers and to transfer money from their account to any bank account through NEFT and RTGS. It allows the users to operate their accounts in any Post offices. These CBS are made through mobile Apps. As on 27-12-2016, 23091 post offices have been migrated to Core Banking Solution.

India Post Payments Bank (IPPB):

India Post Payments Bank with slogan ‘Aapka Bank Aapke Dwaar’ is differentiated bank which caters the needs of unbanked and under banked areas of India. In addition to its regular customer, it will also try to target services for MSMEs, senior citizens, students, migrant population, low income households, unorganized sector and other groups with special service requirements. It will provide payments and remittance services through various channels including branches, Automated Teller Machines (ATMs), Business Correspondents (BCs) and mobile banking. IPPB will operate in 650 branches at district headquarters and all post offices across the country will function as customer access points for IPPB. It aims to give every Indian to access efficient banking services with diverse and growth oriented offerings.

As per the Press Information Bureau , The Ministry of Communications & Information Technology of The Government of India has been launching 100% Government of India owned Public Limited Company under the Department of Posts. It will open around 650 branches in district HQ locations. All 1.55 lakhs post offices including the 1.39 lakh of the rural post offices will be mapped to the IPPB branch at the district headquarter and function as access points for IPPB. IPPB will work through mobile banking, digital wallets and use innovative and emerging technologies to make the people to change their attitude from a cash dominant to a less cash economy. With this intention, Finance Minister, Shri Arun Jaitley and Minister of Communications Shri Manoj Sinha launched the operations of the India Post Payments Bank (IPPB) in January 2017 as two pilot branches at Raipur and Ranchi.

At present IPPB is offering Savings account up to a balance of Rs 1 Lakh, along with digitally enabled payments and remittance services of all kinds between individuals. In future, IPPB will also provide current accounts and access to third party financial services like insurance, mutual funds, pension, credit products, and more. It has three featured operations like Convenience at citizens’ fingertips Pioneer in inclusive banking, Efficiency of banking network. IPPB offers banking services for everybody through distinct accounts such as Regular Account – Safal, Basic Savings Bank Deposit Account (BSBDA) – Sugam and BSBDA Small – Saral. These accounts have distinctive features in respect of maximum balance, withdrawal transaction. It provides domestic remittance services which are an inexpensive and secure medium to transfer funds via its domestic remittance services. Direct benefit transfer facility is available. This program aims to transfer subsidies directly to the people through their bank accounts. Disbursing agency automatically credits the funds to beneficiary accounts. In turn it supports digital payment system. Since it is Doorstep banking, it allows a customer to request and avail banking and related services at their door with a nominal fee. The services such as Cash deposit, Cash withdrawal, Balance enquiry, Aadhaar to Aadhaar funds transfer are available. Hence it will work as “Aapka bank, aapke dwaar”.

Challenges:

- ✓ Poor network coverage in rural remote areas.
- ✓ Participation of rural population in financial services.

- ✓ Integration of hand held machine to different devices of the bank, which requires biometric system with a link towards Aadhaar.
- ✓ Checking currency notes at customers' center is tedious to Gramin Dak Sewaks.
- ✓ Everyday accounting the payment and timely settlement to the post office branch in case of branchless banking.
- ✓ Alternative arrangement during breakdown of Micro ATMs in branchless banking.
- ✓ Time Management in Common Service Points.

Suggestions:

Nearly 90% of post offices are scattered across the country covering nearly 6 lakh villages. Post offices are the best Government Department to multiply the existing banking services. In addition to branch banking, branch less banking is indispensable for attaining Financial Literacy in rural remote areas. Lower number of accounts, low volume and value of transactions, high cost of setting up of ATMs require the solutions.

- ✓ Micro ATMs are the best model to reach micro banking services in unbanked areas more effectively to attain the Financial Literacy in Rural India.
- ✓ Smart Cards can be used by customers. By swiping the authenticated Smart Card into the Micro ATM machine, one can have banking facilities at their door steps. It can be looked after through IPPB.
- ✓ Gramin Dak Sewaks are the best persons to become Business Correspondents and to use Micro ATMs in rural areas. These Dak Sewaks know the rural people very well. They can easily gain confidence and build confidence strongly in rural areas.
- ✓ Common Service Points (CSPs) are to be chosen at Kirana stores, Hotels, Mobile Currency buying centers to do micro ATMs operation easily.
- ✓ Every transaction can be done through Micro ATM hand held device with biometric authentication for social security to the people to achieve the goal of digitization.
- ✓ Financial Literacy can be attained through organizing camps for the benefit of rural customers to make them financially literates.
- ✓ Encourage the rural people to use smart cards in E- commerce transactions through postal India.

Conclusion:

Rural India should be developed in financial services. Commercial Banks alone is not enough for it. Banking habits with digital development is essential for the rural population. Mere opening of saving accounts by banks or post offices are not enough to say financial development of the Rural India. Rural people are to be encouraged to get financial literacy. The Central Government has shown interest in branchless banking through post offices. Indian Postal Department has the wide coverage of postal service in Rural India. Few efforts of Postal Department can make remarkable changes in rural financial literacy. Available core banking solution will be helpful to increase the financial transaction in villages. Micro ATMs are helpful to do the transactions of the customers' accounts. Gramin Dak Sewak service will be more useful for the economic growth of Rural India. Increase in the banking network technology in Rural India through Postal India may flourish digital development in remote rural areas.

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