

POST OFFICE AS A TOOL OF FINANCIAL INCLUSION - IN INDIAN SCENARIO

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Abstract

Financial inclusion is seen as one of the primary drivers of our aim of an inclusive society and economy. India boasts the world's largest postal network. For many years, it has been the backbone of the country's communication and has played a critical part in the country's socioeconomic development. Postal administrations around the world are required to provide national services while maintaining customer confidence and loyalty. At the same time, Indian post offices have been providing banking services to all sections of society for over a decade. Indian Post acted as a banker to Indian peasants long before the term "financial inclusion" became popular, and Indian Post claims to be the pioneer of financial inclusion in India. Through this paper an attempt has been made to study the role played by Indian post in financial inclusion and the challenges before the Indian post in providing banking services to the masses.

Key words:- Indian post, Financial inclusion, Financial services, Post office savings bank account, Socio-economic development.

*F*inancial inclusion is the availability of low-cost financial services to disadvantaged and low-income populations. The core premise of financial inclusion in India is to have a savings or current account with any bank.

In actuality, it covers loans, insurance, and a variety of other services. Financial inclusion in advanced economies is more about understanding of fair and transparent financial products and a focus on financial literacy. It is a matter of both access to financial goods and

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understanding about their fairness and transparency in emerging economies.

Other than banking and other financial institution the Indian post which partially do banking activity under the ministry of finance 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.

The Department of Posts, also known as India Post, has served as the backbone of our country's communication and has played an important role in the country's socioeconomic growth. With over 155,000 Post Offices, India Post has the world's most widely distributed postal network. For more than 165 years, the modest Post Office has served the nation. Today, the Post Offices, positioned as the nerve hub of communication in community life, have redefined 'connectivity' from physical connectivity to digital connectivity and continue to focus on fulfilling its social duties. Throughout these years, the post office has contributed to nation building by linking the country's varied regions and general public. It also has helped in making India a unified entity. It has indeed progressed from simply sending messages to providing a wide range of services for the socioeconomic well-being of the people. It affects the lives of Indian citizens in a variety of ways, including mail delivery, accepting deposits under Small Savings Schemes, providing life insurance coverage under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI), and providing retail services such as bill

collection and form sales, among other things. It also offers money transfer services both within the country and to other countries. India Post also operates as an agent for the Government of India in providing various services to citizens, such as wage disbursement under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and old-age pension payments.

As such, India Post is socially committed to meeting the Universal Service Obligation of providing basic postal service throughout the country, regardless of topography, at a reasonable cost. To meet this commitment, the agency maintains an extensive network of 1, 55,531 Post Offices (as of 31.3.2018); of them, 1, 39882 are Branch Post Offices that only serve rural areas.

Statement of the Problem

Financial inclusion is the process of ensuring that vulnerable groups, such as weaker sections and low income groups have access to the financial products and services they need at an accessible price in a fair and transparent manner from mainstream institutional players. It is crucial to the nation's inclusive progress. In the years following liberalization, the banking industry expanded significantly, keeping up with the impressive national economic expansion. Since 1882, the Indian people have had access to banking services through their post offices. Before the term "financial inclusion" became a catchphrase, the Indian postal sector, which offers simple financial services to people across the nation, acted as a banker to the majority of Indians in rural areas.

The following table shows the postal networks in India at a glance.

Objectives of the Study

1. To study the financial products and services offered by the post offices.
2. To examine the role of Indian post offices in Financial Inclusion.
3. To analyze the problems and challenges faced by Indian Post offices.

Research Methodology

Research Design

The research design is basically descriptive in nature.

Sources of data

The article aims to examine what role the post office plays in promoting financial inclusion. Both primary and secondary data were collected while writing this paper. Primary data were collected from the officials of three major regions of Kerala Postal Circle. Secondary data were gathered from the India Post’s website and

Annual Reports. Supporting information from reliable sources such as journals, research reports, websites, etc., is also included in the sources of secondary data. Data gathered from both primary and secondary sources is analyzed, conclusions are drawn, and suggestions have been provided in accordance with the conclusions.

Results and Discussion

The major discussions of the study are as follows:-

Financial Inclusion

Since the year 2000, developing and least developed countries have prioritized financial inclusion as a key priority. Capital mobilization, liquidity, and money in circulation are critical aspects in every country’s economic progress. Financial inclusion serves as a bridge for economic development by mobilizing funds from households through small savings programmes. Financial inclusion is the process of providing individuals and businesses with usable and cheap financial

Table 1
POSTAL NETWORK AT A GLANCE

1	Postal Circles	23
2	Postal Regions	54
3	Postal Divisions	450
4	Post Offices Urban post offices: 15379 Rural post offices:141055	1,56,434
5	Departmental employees	169953
6	Railway Mail Service Divisions	69
7	Postal Store Depots	26
8	Circle Stamp Depots	1

Source: Annual Report of Indian Post 2021-22

products and insurance services that suit their needs and are delivered in an ethical and sustainable manner. When more people and businesses participate in financial inclusion, it is suggested that it will have a substantial positive impact on the society. 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”.

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

Financial products and services offered by the post offices

Since 1882, the Post Office Savings Bank (POSB) facility has been offered to the most remote parts of the country. The Department of Posts manages POSB Schemes on behalf of the Government of India's Ministry of Finance. The service is available through a network of 1.57 lakh post offices spread across the country. The operation has transitioned from a wholly manual mode to a fully interconnected mode that allows for Any Time Any Where Banking. Initiatives II are currently underway.

1. Post Office Savings Account (SB)

Single or joint holders (two adults) can open a Post Office Savings Bank account with a minimum balance of ₹500. This account allows for regular deposits and withdrawals. This account also includes ATM, e-banking, and mobile banking services. It has an attractive interest rate of 4 per cent per year. Interest earned up to 10,000 in a fiscal year is free from taxation under Section 80TTA of the Income Tax Act.

2. National Savings Recurring Deposit Account (RD)

Recurring Deposit at the Post Office Accounts can be formed by individuals or couples (up to three people) with a minimum deposit of 100 per month or any amount in multiples of 10 for a term of five years. It can be extended for an additional five years. It can be closed prematurely after three years from the date of account opening, and a loan facility is also available after one year. The current annual interest rate is 5.8 per cent.

3. National Savings Time Deposit Account (TD)

Post Office Time Deposit Accounts can be opened by a single person or a joint account (up to three adults) holder by depositing a fixed amount initially for a period of one, two, three, or five years with a minimum deposit of 1000 and no maximum investment restriction. The current interest rate for one, two, and three years is 5.5 per cent, and the rate for five years is 6.7 per cent. After six months from the date of account opening, TD accounts might be cancelled prematurely.

4. National Savings Monthly Income Account (MIS)

Post Office Monthly Income Scheme Accounts can be opened by a single person or a joint (up to three adults) holder by depositing a fixed sum for a period of five years with a minimum deposit of 1000 and a maximum deposit of 4.50 Lakh in a single account and 9.00 Lakh in a joint account. The current interest rate is 6.6 per cent per annum, payable monthly, with the option of automated transfer of monthly interest to his/her Post Office Savings Bank Account. After one year from the date of account opening, these accounts might be terminated prematurely.

5. Senior Citizens Savings Scheme Account (SCSS)

Post Office Senior Citizens Savings Scheme Account can be opened by an individual attaining the age of 60 years or on Voluntarily Retirement above the age of 55 years but below 60 or retired Defense Service person attaining the age of 50 as a single or joint (with spouse

only) for a fixed sum of five years with minimum deposit of 1000 and maximum of 15 Lakh. The current rate of interest is 7.4 per cent per annum is paid quarterly with a facility of automatic transfer of the quarterly interest to his/her Post Office Savings Bank Account. It also has premature closure facility.

6. Public Provident Fund Account (PPF)

Post Office Public Provident Fund Account can be opened as a single account for a period of 15 years with a minimum of 500. It is a long-term deposit scheme which provides for exemption under section 80C of Income Tax Act on a minimum deposit of 500 to a total maximum deposit of 150,000 in a financial year. Only one individual PPF Account can be opened either in post office or bank. Interest earned in PPF Account is exempted from income tax. Loan can be availed on PPF Account from third financial year to sixth financial year. Partial withdrawal is permissible from the seventh financial year from the date of opening of account. The current rate of interest is 7.1 percent per annum.

7. Sukanya Samriddhi Account (SSA)

Post Office Sukanya Samriddhi Account can be opened by guardian of a girl child from the birth till she attains the age of ten years with a minimum deposit of ₹ 250 to a maximum deposit of 150,000 in a financial year for a period maximum up to 15 years from the date of opening of account. The current rate of interest is 7.6 percent per annum. Interest earned in SSA Account is exempted from income tax. Up to 50 per cent withdrawal is permissible after

attaining age of 18 years by the girl child or after having passed 10th standard. Maturity period is 21 years from the date of opening. However, account can be closed at the time of marriage of girl child after attaining age of 18 years.

The following table 2 shows the profile of the Savings Bank Schemes and Savings Certificate:-

8. National Savings Certificates (VIIIth Issue) (NSC)

National Savings Certificates (VIIIth Issue) can be purchased individually or on behalf of a minor/person with unsound mind or with another adult as joint account with a minimum investment of 100 and without any maximum investment of 1000 and without any maximum investment limit. The yearly deposit of 150,000 is exempted under section 80 C of the Income Tax Act. The

current rate of interest is 6.8 per cent per annum(compounded annually).

9. Kisan Vikas Patra (KVP)

Kisan Vikas Patra can be purchased by single person or by joint (up to 3 adults) holders with a minimum of 1000 without any maximum limit. The current rate of interest is 6.9 per cent (compounded annually). The deposit amount gets doubled in 124 months i.e. 10 years and 4 months. KVPs can be encashed prematurely after 2 years and 6 months from the date of purchase

New Initiatives Undertaken

1. Core Banking Solution:

The Core Banking Solution (CBS) is part of India Post IT, Modernization Project and aims to bring in various IT solutions with required IT infrastructure in post offices. Department is implementing Core Banking in all

Table 2
Savings Bank Schemes and Savings Certificate

Sl. No.	Name of the Scheme	Number of Account
1	Savings Accounts (including MGNREGA with balance)	120556499
2	RD Accounts	110965624
3	TD Accounts	21680826
4	MIS Accounts	10997461
5	PPF Accounts	3171485
6	Sr. Citizens Savings Scheme (SCSS)	2555775
7	Sukanya Samridhi Account	20460097
	Total	290387767

Source: Annual Report of Indian Post 2021-22

Departmental Post Offices. Core Banking through Hand-Held Devices are provided in the Rural Post Offices. 25018 Post Offices are working in CBS Platform as on 31.12.2021.

(a) ATM: The first ATM service of the Department was inaugurated at Thyagaraya Nagar Head Post Office in Chennai on 25.02.2014. 1000 ATMs are functioning all over the country. These ATMs became interoperable with banks from 31.12.2016.

(b) E-Banking: The Department has provided Internet Banking facility to its customers from 14.12.2018 and the same has been extended to the Branch Post Office Savings Account Holders and at present more than 3.74 lakh customers are using this facility.

(c) Mobile Banking: Customers of Department of Posts are also offered with Mobile Banking facility from 15.10.2019 & the same has been extended to the Branch Post Office Savings Account Holders. At present more than 2.34 lakh customers are using this facility.

2. Jan Suraksha Schemes:

Jan Suraksha Schemes viz. Pradhan Mantri Suraksha Bima Yojna (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) were launched w.e.f. 07.09.2015 in all CBS Post Offices. The schemes are available to all Post Office Savings Account holders. Atal Pension Yojna (APY) was launched in 808 CBS

Head Post Offices from 1st December, 2015 which is further extended to more than 20,000 CBS sub post offices.

3. National Pension System (All Citizens Model):

India Post is a point of presence for National Pension System (NPS). Any citizen of India between 18 to 70 years of age can join NPS. The pension contributions are invested in various schemes by different Pension Fund Managers appointed by Pension Fund Regulatory and Development Authority (PFRDA) as per the preference of the Subscriber. The facility to open a pension account under this scheme is available at all Head Post Offices in the country.

4. Other Activities

(i) Implementation of all POSB Schemes in Branch Post Offices: From 23.07.2020 onwards all Post Office Savings Bank Schemes (POSB) have been made available through 1.31 lakh Branch Offices. Now in a Branch Post Office account cash deposit up-to 50,000 and withdrawal up-to 20,000 can be made in a day.

(ii) Simplification of forms and procedures: Common forms are made available to the customers for use in CBS and Non-CBS POs. The process of settlement of deceased claim cases has been simplified. Majority of the cases will now be settled at Post Office level itself.

(iii) Restoration of Basic Savings Accounts:

Basic Savings Accounts has been restored vide MoF, Gazette Notification dated 09.04.2021 wherein a registered adult member of any Government Welfare Scheme can open Basic Savings Account at any Post Office including GDS Branch Post Offices with zero balance.

(iv) Introduction of PM CARES Scheme for Children, 2021: PM CARES Scheme for Children, 2021 has been introduced by the G.o.I, vide MoF Gazette Notification no. GSR 723 (E) dated 06.10.2021. Through this Scheme an account of those children (Beneficiary) will be opened who had not attained the age of eighteen years between the period 11.03.2020 to 31.12.2021 and lost both parents or last surviving parent or both adopted parents or sole legal guardian to COVID-19 pandemic.

(v) Implementation of Outward ECS facility: The provision for payment of interest of MIS/ SCSS/TD accounts and credit of maturity value for TDA type of accounts (MIS/SCSS/ TD/RD/ KVP/NSC) into account holder's Bank Account has been implemented in Finance through ECS Outward Credit functionality from the month of May 2021.

(vi) Implementation of I.V.R facility: Interactive Voice Response (IVR) facility has been introduced for POSB customers through which, the customers can avail the facilities like Account Balance Inquiry,

Blocking of ATM Card, and Transaction related inquiry in POSB Schemes etc. may be obtained by calling through the registered mobile number at India Post toll-free number 18002666868.

(vii) Rollout of CBS-CTS Integration:

Before CBS-CTS integration, all HOs were processing their cheque clearance through three nodal grid HOs i.e. New Delhi GPO, Chennai GPO, Mumbai GPO. But after implementation of CBS-CTS integration, manual remittance Advice (RAs) between HOs and Grid Nodal Offices has been discontinued and a Centralized Accounting process has been developed for smooth cheque clearing operation. The process of cheque clearance has been streamlined and will take less time in cheque clearance.

(viii) Extension of ATM/Internet

Banking: The Account holder(s) of Post Office Savings Accounts standing in RICT-CBS branch post offices may avail ATM, e-Banking & m-Banking facilities from 01.08.2021.

Problems and Challenges

There is no doubt of the fact that Indian post is playing a very important role in financial inclusion but it can play a much better role if it can overcome from the following problems:

a. Lack of basic infrastructure:

The post offices in India, especially post offices in rural areas which playing an important role in providing financial

services in rural areas are not equipped with basic infrastructure. In most of the post offices even proper sitting arrangement for staff is not available.

b. Less numbers of staff:

There is a crunch of manpower in the post offices. It is observed that most of the post offices are run by one or two persons and need to do all sorts of work which has a very adverse effect on performance and output.

c. Lack of coordination:

There are many examples in the foreign countries where post offices are doing tremendous work for financial inclusion in coordination with other departments. But, till today Indian post keep itself away from other sister organization or other organization also not seeking coordination of Indian post in providing financial services.

d. Slow progress of innovation:

To cope up with the fast changing environment Indian post also need to be catching the new invention and technology timely. The Indian post still following the age old practices of working, though it

bringing some innovation recently but in a very slow speed. Out of total post offices only 25464 post offices are computerized till 2011-12.

e. Abstain from landing:

Providing loan is one of the major aspects of financial inclusion but Indian post is not till today taking it as a part of its business which has narrowed down its operation. Despite having these problems it has some other difficulties too in expanding its area of operation. From the verbal discussion with the officials it is observed that being a government department they cannot take a decision independently.

Conclusion

Post offices play a greater role in increasing the savings and thrift habits of public especially in the rural area. It provides various savings schemes, deposit schemes and schemes for children and senior citizens. Different government projects for financial inclusion are offered through post offices. With the widespread network of branches and locally connected employees post office can act as a way for financial inclusion.

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