



ROLE OF FINANCIAL SERVICES OF INDIA POST IN GROWING ECONOMY OF INDIA: A SPECIFIC SURVEY FROM 2012 TO 2015

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Abstract

The Indian financial services industry has undergone a metamorphosis since 1990. Before its emergence the commercial banks and other financial institutions dominated the field and they met the financial needs of the Indian industry. It was only after the economic liberalisation that the financial service sector gained some prominence. At the same time Indian post offices are also providing banking services to the all section of people of the society since 1882.

Through this paper an attempt has been made to study the role played by Indian postal department in providing financial services and the challenges before the India post in providing financial services to the masses.

Introduction

In general, all types of activities which are of financial nature may be regarded as financial services. In a broad sense, the term financial services means mobilisation and allocation of savings. Financial services are the products and services offered by financial institutions for the facilitation of various financial transactions and other related activities. Thus, it includes all activities involved in the transformation of savings into investment. Now this sector has developed into an industry. In fact, one of the world's largest industries today is the financial services industry. Financial services are the foundation of a modern economy. The financial service sector is indispensable for the prosperity of a nation. 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 India Post network with over 155,000 branches is twice as large as the outreach of all commercial banks in India put together. Over the years, the Post Office Savings Bank (POSB) has emerged as significant component of India Post operations and its revenues from financial services as a share of its total revenue have steadily increased over time to 45 per cent today.

Objective of the Study

This paper is prepared with the following objectives:-

1. To study the role of post office in providing the various financial services.
2. To study the challenges before the post office in providing financial services.
3. To study the growth of present and future financial products and services.
4. To provide some suggestions for making Indian post a good conduit for financial inclusion.

Financial Services Provided by India Post

1. Post Office Savings Bank- Small Savings Schemes and Savings Certificates.
2. Postal Life Insurance and Rural Postal Life Insurance.
3. Money remittance services.
4. Mutual funds.
5. Forex services.
6. Jansuraksha scheme.

1. Post Office Savings Bank

Post Office Savings Bank (POSB) has a customer base of more than 33.03 crore account holders as on 31.03.2015. Savings Bank facility is provided through a network of 1.54 lakh Post Offices across the country.

The Post Office Savings Bank Operates

Savings Bank Account (SB): Serves the need of regular deposits and withdrawals. Cheque facility is also available.

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.

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.



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.

Time Deposit (TD): Fixed deposit option for periods ranging from one, two, three to five years with facility to draw yearly interest offered at compounded rates. 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: With a Fixed investment tenure of 10 years. The outstanding balance under all National Savings Schemes and Saving Certificates in Post Offices are over 6,19,317.44 crore as on 31.03.2015.

Kisanvikaspatra: The interest rate of KVP is 8.7 per cent per annum. Minimum investment in KVP is 1,000. Total 1.84 crore KVPs with deposits of ` 16,500 crore have been sold till December 2015.

Disbursement of MGNREGA Wages through Post Offices: Government of India enacted the MGNREGA in September 2005. The Act seeks to provide at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. Department of Posts has taken the responsibility to disburse the wages through Post Offices by opening savings bank accounts in the names of MGNREGA beneficiaries. It is made operational in the entire country, with the exception of Delhi and Jammu & Kashmir.

The profile of the Savings Bank Schemes and Saving Certificates of India Post as under:-

| Profile of Savings Bank Schemes During 2012-2015 | | | | | | |
|--|--------------------|------------------|------------------|--------------------------------|-----------------|-----------------|
| Name of Scheme | Number of Accounts | | | Outstanding Balance (in crore) | | |
| | 2012-13 | 2013-14 | 2014-15 | 2012-13 | 2013-14 | 2014-15 |
| Savings Accounts* | 125323400 | 133501670 | 165968186 | 37792.7 | 42959.0 | 46847.5 |
| RD Accounts | 93898145 | 110599553 | 122938104 | 67964.0 | 74150.8 | 74515.2 |
| TD Accounts | 11199051 | 14246320 | 16238903 | 33007.1 | 40712.2 | 51755.1 |
| MIS Accounts | 22886528 | 22017179 | 21073808 | 201785.5 | 202083.6 | 200555.3 |
| NSS Accounts (87 & 92) | 348636 | 331869 | 320174 | 4292.2 | 4149.4 | 3924.3 |
| PPF Accounts | 2374661 | 2411817 | 2424984 | 41120.2 | 46607.6 | 52747.5 |
| Sr. Citizens Saving Scheme | 1085831 | 1067752 | 954177 | 24092.8 | 22491.3 | 17974.6 |
| Cumulative Time Deposit | 305411 | 269446 | 181634 | 0.23 | 6.6 | 6.69 |
| Fixed Deposit | 7899 | 516 | 516 | 24.1 | 24.2 | 24.2 |
| MGNREGA** | 51695593 | 62689394 | 64884602 | 0.0 | 0.0 | 0.0 |
| MSY Accounts | 2945668 | 2000651 | 1847916 | 3.2 | 3.1 | 2.9 |
| Sukanya Samridhi Accounts | -- | -- | 2486005 | -- | -- | 521.6 |
| Total (1 to 12) | 312070823 | 349136167 | 399319009 | 410082.5 | 433188.1 | 448875.3 |
| NSC VIII | | | | 64708.9 | 75075.8 | 85597.5 |
| KVP | | | | 128378.4 | 106757.5 | 84844.4 |
| Total (14+15) | | | | 193087.3 | 181833.4 | 170442.0 |
| Grand Total (13+16) | | | | 603169.9 | 615021.5 | 619317.4 |

*Outstanding balance of MGNREGA accounts is included in outstanding balance of Saving Accounts.

** The figures of MGNREGA accounts include both MGNREGA accounts with balance and zero balance.



2. Postal Life Insurance

Postal Life Insurance (PLI), introduced in 1884, is the oldest life insurance scheme for the benefit of the Government and semi Government employees. Initially meant only for the Post Office 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, Autonomous institutions, Public Sector Undertakings of the Central and State Government, employees of organizations such as Scheduled Commercial Banks, Credit Co-operative Societies, Deemed Universities and Educational Institutes accredited by recognized bodies such as National Assessment and Accreditation Council (NAAC), All India Council for Technical Education (AICTE), Medical Council of India (MCI), etc., joint ventures having a minimum of 10% stake of Central/State Governments/PSUs and employees engaged/appointed on contract basis by Governments where the contract is extendable.

Rural Postal Life Insurance

Rural Postal Life Insurance (RPLI) scheme was introduced in 1995 for the benefit of rural populace to extend insurance cover to the people living in rural areas with special emphasis on weaker sections and women workers. Maximum sum assured limit of PLI has been raised from `20 lakh to `50 lakh from December, 2014 and in RPLI from `5 lakh to `10 lakh from May, 2015. performance of the PLI/RPLI shown as follows from 2012-2015:-

| Performance of Postal Life Insurance/Rural Postal Life Insurance | | | | |
|--|--------------------------|------------------------|----------------------------------|----------------------------------|
| Name/Year of Plan | No. of Policies procured | Sum Assured (in crore) | Aggregate No. of Active Policies | Aggregate Sum Assured (in crore) |
| PLI (2012-13) | 454053 | 146955.9 | 5219326 | 888964.6 |
| RPLI(2012-13) | 1634767 | 74131.7 | 14664650 | 751540.6 |
| PLI (2013-14) | 433182 | 161293.9 | 5406093 | 1022760.8 |
| RPLI(2013-14) | 871462 | 67123.9 | 15014314 | 794664.6 |
| PLI (2014-15) | 324000 | 14276.92 | 5442000 | 109106.90 |
| RPLI(2014-15) | 477000 | 4652.35 | 15245000 | 82822.26 |

Policies under PLI/RPLI

PLI offers the following types of Policies which are available for all Government servants and employees of Government aided institutions with certain conditions:

1. Whole Life Assurance (Suraksha).
2. Convertible Whole Life Assurance (Suvidha).
3. Endowment Assurance (Santosh).
4. Anticipated Endowment Assurance for 15 and 20 Years (Sumangal).
5. Joint Life Endowment Assurance (Yugal Suraksha).
6. Children Policy (BalJiwanBima).

3. Money Remittance Services

Remittances are a growing and an important area for India Post. India Post offers various remittance services to meet the demands of various sections of the society. The remittance services of India Post are available for both domestic and international locations.

Money Order: This is a domestic money transfer facility through post office. Money sent through money order is paid at the door-step of the payee and this service is available in all post offices. Maximum amount which can be remitted through a single money order is Rs.5000/-. Remitter can pay the amount in cash or cheque at the booking office and the charges for the service is 5% of the value of money to be transmitted. Remitter gets acknowledgement signed by the payee. There is a provision for sending short communication also along with the money order.

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 up to 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 Western Union Money Transfer (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.

Mobile Money Transfer Service

Mobile Money Transfer is a service that enables instant money transfer from one place to another using mobiles through Post Offices. The consumer needs to have a mobile while the actual transmission of the money is initiated in to Post Office using a special handset. The process for money transfer is very simple.

i) Mutual Funds

Distribution of Mutual Funds and Securities: With an objective to leverage the strength of the postal network and skills Department of Posts had started retailing mutual funds and bonds. On 22nd January 2001, India Post in partnership with IDBI Principal launched a scheme for distribution of mutual funds through post offices. A pilot project was started from the four cities of Delhi, Mumbai, Kolkata and Patna. Thereafter from 15th June 2001 onwards, the scheme was extended to cover post offices in all major capital and other cities all across the country. At present select schemes of Principal, SBI, UTI, Franklin Templeton and Reliance Mutual Fund are retailed through designated post offices in the country.

ii) Forex Services

At many places, there is no Bank or other facilities to avail foreign exchange. India Post is best poised to offer Forex services in an efficient and economical manner. Now India Post, in association with HDFC Bank, provides Forex services through selected Post Offices across India. HDFC Bank is one of the leading providers of Forex services and through this association; India Post brings to the customers a range of Forex services in a professional and efficient manner. Forex services are subject to regulations of Reserve Bank of India such as; Foreign currency notes (FCN), Travellers Cheques (TC), Store Value card (SVC), Arrangement for Demand Drafts (DD), Arrangement for Telegraphic/ wire transfers (TT/ WT).

iii) Jansuraksha Scheme

- a) Pradhan Mantri JeevanJyoti Bima Yojna(PMJJB)
- b) Pradhan Mantri Suraksha Bima Yojna(PMSBY)

iv) Other Schemes

National Pension System: Department of Posts is a point of presence for the National Pension System (NPS) for Indian citizens. Subscribers (any Indian Citizen) in the age group of 18 to 55 can join NPS and contribute till the age of 60. These



pension contributions are invested in various schemes of different Pension Fund Managers appointed by Pension Fund Regulatory and Development Authority (PFRDA). The subscriber's contributions will be invested as per the preference of the subscriber. Under this Scheme, any subscriber who intends to open a pension account will be provided the facility at all Head Post Offices in the country.

Sukanya Samridhi Account: Sukanya Samridhi Account is a new Small Savings Scheme for the welfare of girl child which was launched on 22nd January, 2015. Under the scheme, a legal/natural guardian can open only one account in the name of one girl child and maximum two accounts in the name of two different girl children up to 10 years from date of birth of the girl child. For initial operation of the scheme, one year grace has been given. 80 lakh Sukanya Samridhi Accounts with deposit of 2,900 crore have been opened till December 2015.

E-Payment: When businesses require collection of bills and other payments from customers across the country, the Post Office offers a simple and convenient solution in the form of e-payment. It is an option for businesses and organizations to collect their bills or other payments through the Post Office network.

Jan Suraksha Schemes and Atal Pension Yojana: Jan Suraksha Schemes viz. Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) have been launched w.e.f. 7th September, 2015 in all CBS Post Offices. The schemes are available to all Post Office Savings Account holders. By 08th February 2016, 1,06,784 subscribers have been enrolled under PMSBY and 9,140 under PMJJBY. Atal Pension Yojana (APY) has also been launched in CBS Head Post Offices from 1st December, 2015, and 25,398 subscribers had enrolled in this scheme by 08th February 2016.

ATMs: India post which has licences for a payment bank, will issue ATM and debit cards. Around 850 ATMs has been installed across the country and the target is to make this to 10000 in next couple of years. The budget 2016-17 has announced massive rollout for ATMs and micro ATMs in post offices. Till February, India Post had issued 126181 ATM and debit cards to its account holders.

Financial Services to be Provided in near Future

Payment Banks: the public investment board has approved a Rs 800 crore proposal from India post for setting up a payment bank which is expected to get operational from March 2017 and will later be converted into full-fledged bank.

Core Banking System: core banking will be implemented across all post offices by next year. Around 25000 post offices have been brought under the core banking system, which allows users to operate their accounts from any post office. CBS rolled out in 12441 Post Offices along with 300 ATMs.

Core Insurance Solutions: Core Insurance Solution (CIS) rolled out in 23,792 Post Offices and shall be rolled out in all 25,000 Departmental POs by 31st March 2016.

PM Suraksha Bima Yojana and PM Jeevan Jyoti Yojana for Post Office Savings Bank account holders in CBS Post Offices. So far, more than 57,000 policies have been sold to POSB customers.

Department has tied-up with Flipkart, Snapdeal, Amazon, YepMe, Shopclues etc for delivering e-Commerce pre-paid as well as Cash on Delivery (CoD) orders.

Challenges before India Post

1. **Lack of Effective Innovative Products:** India post is providing various financial products or services to customers but still it lack behind in meeting the needs of various customers because of lack of innovative financial products.
2. **Lack of Proper Workforce:** less number of staff members also a key challenge, as lack of proper trained staff create problem in dealing with the customers to cater to their financial needs.
3. **Lack of Co-Ordination:** India post is providing financial services to customers but the volume and accessibility to such services is restricted due to lack of co-ordination with other key institutions dealing with such financial services, which restricts its growth.
4. **Lack of Lending Facilities:** India post lacks behind in providing the loans to the customers which restricts it to provide lending services to masses.
5. **Ineffective Public Image:** to avail financial services customers prefers banks and other financial institutions instead of going to post offices.



6. **Lack of Promotion of Financial Services Facilities:** restricted and lack of proper promotion of various financial services facilities available in the nearby post offices also kept away masses from availing such facilities.
7. **Lack of Transparency and Time Consuming Process:** there is lack of transparency and time consuming process in catering financial needs of the customers.

Suggestions

Followings are the few suggestions:-

1. India Post should Provide India Post branded accounts to other strategic partners, such as mutual fund and insurance companies, and telecom operators.
2. It should evolve the money-order to become a mechanism for transferring money from one POSB account to another, instead of just being a mechanism for delivering cash from one person to another.
3. It should elicit a large number of partners in terms of financial inclusion players, mobile service providers and innovative new technological choices in order to increase the size of the network.
4. It should come up with innovative lending or credit facilities for the customers.
5. Public private participation should be increase to provide wide range of financial services to masses.
6. It must ensure transparency and time saving process in providing financial services.
7. Instead of promoting products and services of outside agencies i.e. ICICI, UTI, Reliance etc. More revenue will be earned if India Post does directly any business instead of doing through intermediaries.
8. Postal saving bank should also provide higher rate of interest on deposit similar to bank.

Conclusion

India Post is already in the process of reinventing itself and has implemented several innovative products for its letter and package delivery business. However, while India Post has also introduced new financial products. It should focus on a savings account hosted on a lightweight banking platform, a broad based payments network, and a competitive mechanism to deliver microloans to the poor. It should design and deliver new innovative products using its low cost banking and payments infrastructure, to provide to a range of sophisticated and affordable financial products and services.

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