

INDIAN POSTAL BANKING FINANCIAL SERVICES – A CASE STUDY

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Abstract:

Payments banks is an Indian new model of banks conceptualized by the Reserve Bank of India (RBI). These banks can accept a restricted deposit, which is currently limited to ₹100,000 per customer and may be increased further. The external advisory committee headed by Nachiket Mor submitted its findings on 6 July 2015. The Reserve Bank of India (RBI) has chosen just 11 out of 41 applicants to set up payments banks in the country. Payments banks are institutions that will offer most of the banking services except loans and credit card products to retail customers. The 11 names include India's postal department.

It was revealed that the Indian postal service had formulated plans to enter the banking industry after RBI guidelines for the issuance of new banking licenses were released. The department has begun to set up ATMs and connect its offices through core banking solution network. The post expects to connect about 25,000 branches under CBS in next one year. The India Post has already been active in the deposit-taking activity through its various savings schemes.

Their Mission is, **“YOUR TRUST OUR COMMITMENTS”**

Key words: RBI, Payment Bank, saving schemes.

Introduction:

In December 2014, a task of Postal Bank force set up by Prime Minister Mr. Narendra Modi to review the operations of India's postal department has mooted the creation of a full-fledged postal bank. The panel is headed by former cabinet secretary, TSR Subramanian and comprising of experts that includes former Infosys board member TV Mohandas Pai. According to a government official in the know of the development. In fact, the task force has recommended to launch the proposed Post Bank through an Act of the Parliament and not by approaching the RBI.

But since any legislation to this effect is a time taking process, the department went ahead with its application to set up a payments bank given the limited time-frame offered by the central bank to apply. The department wants to convert its operations to a full-fledged bank at a later stage.

Even though the postal department has been trying to begin banking operations for long, the finance ministry had opposed the plan all along saying the department lacks the expertise to handle complex banking business, mainly credit operations.

Objectives of the study:

- 1] To study Indian postal bank's services
- 2] To understand the benefits of Indian banking financial services to government & Society.
- 3] To assess effectiveness of Indian postal banking financial services.

DATA AND METHODOLOGY

The presents study is completely based on secondary sources of data collection such as electronic resources, books, newspapers, magazines, with the objective of successfully completion of ongoing study data are collected from published and unpublished sources.

In this year, India has many new players in the banking eco-system, such as payments banks, small banks and possibly a postal bank competing with existing universal banks, regional rural banks, cooperative banks, and a variety of non-bank finance companies.”

The department of posts has already applied for a payments bank license after initiated by Reserve Bank of India the licensing process last year. Payments banks are niche banks which will be allowed to function with several restrictions; they will not be allowed to lend and will have a cap on the deposit it can take from an individual. A postal bank, if it got a license from RBI, is a universal bank.

A task force under T S R Subramanian for suggesting ways to leverage the post office network has recommended that the government set up a holding company under the department of posts for immediate roll-out of banking, insurance and e-commerce services through India's 155,000 post offices. The task force had submitted its recommendation last December 2014.

The services offered by Postal banks are acknowledgeable.

➤ **Saving Accounts**

The post office offers three accounts types of saving account.

1. Regular Saving account

The Regular Savings Account can be opened at the bank's access points and your doorstep. This account can be used to keep funds secure, withdraw cash, deposit money and perform easy remittances, besides a host of other benefits. In addition, interest can be earned on the money kept in this account and the cash withdrawals allowed in this account are unlimited. Rate of Interest is 3% p.a., paid quarterly.

2. Digital Saving Account

For the people who are tech savvy and comfortable with technology, IPPB's Digital Savings Account is the best way to onboard yourself through the IPPB Mobile App. This app can be downloaded from the play store on your Android phone and also available on app store for iPhone users. Anyone above the age of 18 years, having Aadhaar and PAN card, can open this account. The account can be opened instantly from the comfort of your home, which means banking anytime, anywhere. Complete the KYC formalities within 12 months. A maximum yearly cumulative deposit of Rs. 2 lakhs is allowed in the account. The Digital Savings account can be linked to a POSA (Post Office Savings Account) after completion of KYC within 12 months if complete KYC is done the account will be closed. There are no commitment charges and minimum balance. Rate of Interest is 3% p.a., paid quarterly.

3. Basic Saving account

This savings account has all the features and benefits offered by the Regular Savings Account (except that it allows only four cash withdrawals in a month). The aim of the basic savings account is to provide primary banking services at a very nominal charge. Rate of Interest is 3% p.a., paid quarterly. Interest earned is Tax Free up to INR 10,000/- per year. Nomination facility is available at the time of opening and also after opening of account. One account can be opened in one post office Account can be opened in the name of minor and a minor of 10 years and above age can open and operate the account. Joint account can be opened by two or three adults. At least one transaction of deposit or

withdrawal in three financial years is necessary to keep the account active. Single account can be converted into Joint and Vice Versa. Minor after attaining majority has to apply for conversion of the account in his name. Deposits and withdrawals can be done through any electronic mode in CBS Post offices. Inter Post office transactions can be done between CBS post offices ATM/Debit Cards can be issued to Savings Account holders

➤ **Current Account**

IPPB (Indian Post Office Payment Bank) offers the facility of a Current Account to the small merchants/ kirana stores and individual businessmen. This account is a prerequisite for carrying out and expanding business. IPPB's Current Account gets you started on the road to digital transactions for your business needs. Account can be opened with zero balance. Monthly AVERAGE balance required is Rs.1000 if not maintained the Rs.100 will be charge.

➤ **Recurring Deposit Account**

Post office RD is basically a monthly investment for a fixed period of 5 years with a interest rate of 7.2% per annum (compounded quarterly). On completion of the fixed tenure of five years. Post Account RD helps a small investor by allowing them to invest as little as Rs.10 per month and any amount in multiples of Rs.5. There is no upper limit for the investment. There is default fee of 5 paisa for every 5 rupee in case if you miss on any monthly investment. The account offers flexibility by allowing a partial withdrawal up to 50% of the balance after a year. There is no TDS on interest from post office RD. However, income is taxable in the hands of investor as per their individual tax slab. It's one of the best investment choices for every investor who is looking for risk-free investment avenue to save some amount every month systematically

➤ **Time Deposit Account**

All resident Indians can open and operate this account either singly or jointly. A minor aged 10 years or more can open and also operate this account. Minimum deposit

required to invest in the Post Office Time Deposit scheme is Rs.200. However, it must be noted that the amount to be deposited should be in multiples of 200 only. If not, the amount in multiples of 200 will be retained in the account and the balance will be refunded without any interest. Deposits under post office time deposit schemes can have tenure of 1, 2, 3 or 5 years, and only one deposit can be made in one account Following are the interest rates of the post office time deposit account applicable from 1st Jan 2019 to 31st March 2019.

Account	Applicable Interest Rate
1 Year	6.9%
2 Year	6.9%
3 Year	6.9%
5 Year	7.7%

Deposits made for the 5-year tenure are eligible for tax benefits under Section 80C of the Income Tax Act.

➤ **Monthly Income Scheme (MIS) Account**

Post Office Monthly Income Scheme is suitable for investors who are seeking fixed monthly income but are unwilling to take any risks in their investments. Though there is no limit on the number of accounts held by individuals, there are limits on the maximum amount that can be cumulatively invested across all POMIS accounts.

In case of sole operated account, maximum investment allowed in POMIS is Rs.4.5 lakhs

In case of joint holders (up to 3 joint holders), maximum of Rs.9 lakhs can be invested in POMIS

The Rate of interest is fixed and resettled by the Central Government and Finance Ministry every quarter depending on the returns yielded by Govt. bonds of the same tenure.

Period	Interest Rate
1st April 2018 to 30th June 2018	7.3%
1st January 2018 to 31st March 2018	7.3%
1st October 20017 to 31st October2017	7.5%
1st July 20017 to 30th September 20017	7.5%
1st April 2017 to 30th June20017	7.6%

➤ **Public Provident Fund Account**

Any individual who is a resident of India can only open a PPF account. NRIs are not eligible to open PPF accounts. However, a resident Indian who has become an NRI after opening a PPF account can continue the account till maturity. The minimum annual contribution that can be made to a PPF account is Rs. 500 while the maximum is capped at Rs. 1.5 lakh. The maximum limit applies to contributions made by a person for himself and for a minor child, both. There can be a maximum of 12 contributions in a year. A PPF or Public Provident Fund is a tax-free savings scheme offered by the Government of India, wherein interest on the account is set for every quarter and is paid by the government. The applicable interest rate on PPF for the first quarter of the year, 2020-21 i.e. from 1st April to 31st June 2020 has been fixed at 7.1%. The interest rate for January to March 2020 was 7.9%. PPF account matures after the expiry of 15 years from the end of the financial year in which the account was opened

➤ **National Savings Certificates (NSC)**

NSC can be easily purchased at any Indian Post Office at a fixed maturity period of 5 years. Interest rate is subject to periodic change as per Ministry of Finance announcements. Interest for FY 2020-2021 is 6.8%. Minimum amount required for an investment in National Savings Certificate is Rs. 100, while there is no maximum limit Principal invested qualifies for tax savings under Section 80C of the Income Tax Act, 1961 up to Rs. 1.5 lakhs annually. Interest is compounded annually but paid out

only at maturity without any TDS deduction. Issued in denominations of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000 and Rs. 10,000. National Savings Certificate is duly accepted by all the major banks and NBFCs as a collateral or security against the secured loans.

➤ **Sukanya Samriddhi Yojana**

Sukanya Samriddhi account can be opened only in the name of girl child by her parents or legal guardians. The girl child has to be below the age of 10 at the time of account opening. Multiple Sukanya Samriddhi accounts cannot be opened for a single girl child. Only two SSY accounts are allowed for a family i.e. one for each girl child. The minimum annual contribution to the Sukanya Samriddhi Account is Rs.250 and the maximum of Rs.1.50 lakh in a financial year. You have to invest at least the minimum amount every year for up to 15 years from the date of account opening. Thereafter the account will continue to earn interest till maturity.

➤ **Forex services**

India Post, with a network of more than 155,000 post offices, 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 select 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.

Conclusion:

Indian Postal Bank plays a key role as banking and financial services are not available in most of the over 600,000 villages, India Posts' payment bank would help in financial inclusion of the rural poor. This will further help to generate over 500,000 new jobs over three to five years, with special focus on rural and tribal area.

Indian postal bank also providing E banking facility which will easy to connect Rural to Urban and Urban to entire world.

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