India Post Payments Bank (IPPB)

Mains, GS 2: Important aspects of governance, transparency and accountability, e-governance-applications, models, successes, limitations, and potential; citizens charters, transparency & accountability and institutional and other measures.

Mains, GS 3: Inclusive growth and issues arising from it.

In News: The Prime Minister Narendra Modi launched the India Post Payments Bank (IPPB), a financial service provider that will operate under the country's age-old postal department.

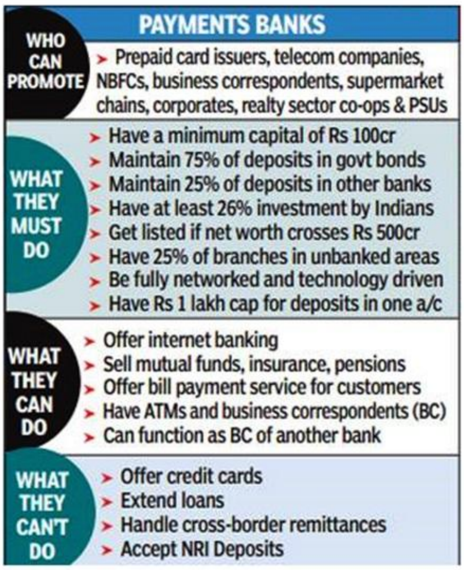
India Post Payments Bank (IPPB):

- A 100 % Government of India owned payments bank operating under the Department of Posts, Ministry of Communication, which aims to utilize all of India's post offices as access points and postal service workers to provide house to house banking services.
- The India Post Payments Bank (IPPB) will be like any other banks but its operations will be on a smaller scale without involving any credit risk. It will carry out most banking operations like accepting deposits but won't advance loans or issue credit cards.
- The payments bank will accept deposits of up to Rs 1 lakh, offer remittance services, mobile payments/transfers/purchases and other banking services like ATM/debit cards, net banking and third-party fund transfers.
- It will use Aadhaar to open accounts, while a QR card and biometrics will drive authentication, transactions, and payments.

- Its purpose is to further cause of financial inclusion by providing basic banking, remittance services and payments services to customers. It will facilitate spread of financial services like insurance, pensions, mutual funds to customers especially from rural areas and the unbanked and under-banked segments.
- It will also generate opportunities for propagating financial literacy across the country by using state of the art banking and payments technology. It will also generate new employment opportunities for skilled banking professionals. It will encourage citizens to move towards a cashless economy.

What are Payment banks?

- A payments bank is like any other bank, but operating on a smaller scale without involving any credit risk.
- They can issue ATM/debit cards but not credit cards.
- Unlike a regular bank however, a payment bank can't loan money to people.
- Payment banks can't accept NRI deposits, which makes sense considering the goal of financial inclusion.



Challenges in front of IPPB:

- A big challenge facing the new public payments bank is whether it can manage to earn the profits required to survive as a standalone business entity.
- Given the severe restrictions imposed by the Reserve Bank of India on how payments banks in general can employ their funds, the odds seem to be stacked against the IPPB at the moment.
- The IPPB is likely to face stiff competition from private companies, which are generally more nimble in adapting to business realities and far more customer-friendly compared to the government-owned behemoths.

(Q) Discuss how India Post Payment Bank (IPPB) can further the aim of financial inclusion in India.

Previous years UPSC mains questions:

- The setting up of a Rail Tariff Authority to regulate fares will subject the cash strapped Indian Railways to demand subsidy for obligation to operate non-profitable routes and services. Taking into account the experience in the power sector, discuss if the proposed reform is expected to benefit the consumers, the Indian Railways or the private container operators. (GS 2, 2014)
- The product diversification of financial institutions and insurance companies, resulting in overlapping of products and services strengthens the case for the merger of the two regulatory agencies, namely SEBI and IRDA. Justify. (GS 2, 2013)

- What are the salient features of inclusive growth? Has India been experiencing such a growth process? Analyse and suggest measures for inclusive growth. (GS 3, 2017)
- Pradhan Mantri Jan-Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion. (GS 3, 2016)