



Frequently Asked Questions

India Post Payments Bank (IPPB)



Concept of Payments Bank

1. What is a Payments Bank?

A Payments Bank is a “differentiated bank” set-up under the guidelines issued on Nov 27, 2014 by the Reserve Bank of India (RBI) to further financial inclusion for the underserved population by providing (i) current and savings accounts and (ii) payments or remittance services to migrant labour workforce, low income households, small businesses, unorganised sector entities and other users. This is to be done by enabling high volume-low value transactions in deposits and payments or remittance services in a secure technology-driven environment.

Please click on this link for further details:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32615 (RBI Guidelines)

2. Why is a Payments Bank required?

A vast majority of the rural population (over 60%, as per RBI), is still unbanked or underbanked. An easily accessible payments network and universal access to savings is fundamental to financial inclusion. At the same time, several non-banking entities such as the Department of Posts (DoP), prepaid payment instrument companies, business correspondent companies, etc., have had reasonable success in facilitating payments and other select financial services in urban areas. Their customers, however, face several limitations and difficulties arising out of their non-banking status. Of particular note amongst these is the DoP which has a wide network and experience of handling financial transactions, but does not have a banking license. Given their potential to further the cause of financial inclusion, the RBI granted such entities a differentiated banking license, i.e. a payments bank license, which enables these entities to provide banking services other than credit. Credit and insurance are as integral to financial inclusion as are other banking services, and payments bank can offer these products as well but only in partnership with other banks/ insurers and on a non-risk sharing basis.

3. What is the scope and activities of the Payments Bank?

As per the RBI Guidelines, the payments bank will be set up as a differentiated bank and shall be permitted to set up its own outlets such as branches, Automated Teller Machines (ATMs), Business Correspondents (BCs), etc. to undertake only certain restricted activities permitted to banks under the Banking Regulation Act, 1949, as given below:

- Acceptance of demand deposits, i.e., current deposits, and savings bank deposits from individuals, small businesses and other entities, as permitted. The payments bank will be restricted to holding a maximum balance of Rs. 1,00,000 per individual customer.
- Issuance of ATM / Debit Cards. Payments banks, however, cannot issue credit cards.
- Payments and remittance services through various channels including branches, Automated Teller Machines (ATMs), Business Correspondents (BCs) and mobile banking.
- Issuance of PPIs as per instructions issued from time to time under the PSS Act.
- Internet and mobile banking - The payments bank is expected to leverage technology to offer low cost banking solutions.
- Functioning as Business Correspondent (BC) of another bank – a payments bank may choose to become a BC of another bank, subject to the RBI guidelines on BCs.
- As a channel, the payments bank can accept remittances to be sent to or receive remittances from multiple banks under a payment mechanism approved by RBI, such as RTGS / NEFT / IMPS.



- Payments banks will be permitted to handle cross border remittance transactions in the nature of personal payments or remittances on the current account.
- Payments banks can undertake other non-risk sharing simple financial services activities, not requiring any commitment of their own funds, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of the RBI and after complying with the requirements of the sectoral regulator for such products.
- The payments bank may undertake utility bill payments etc. on behalf of its customers and general public.

Please click on this link for further details: https://rbi.org.in/scripts/bs_viewcontent.aspx?Id=2900 (RBI Guidelines)

4. Are there any restrictions on payments banks as compared to other commercial banks?

Given that their primary role is to provide payments and remittance services and demand deposit products to small businesses and low-income households, payments bank will initially be restricted to holding a maximum balance of Rs. 1,00,000 per individual customer.

Payments banks cannot issue credit cards and cannot grant loan/ credit out of their own books of accounts.

Apart from amounts maintained as Cash reserve ratio (CRR) with RBI, Payments Bank will be required to invest minimum 75 percent of its demand deposit balances in Government securities/treasury bills with maturity up to one year and hold maximum 25 percent in current and fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

The payments bank cannot set up subsidiaries to undertake non-banking financial services activities. The other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking and financial services business of the payments bank.

The payments bank will be required to use the words “Payments Bank” in its name in order to differentiate it from other banks.

5. Has this model of Post office setting up a bank worked anywhere else in the world?

Postal operators are the leading financial services providers in over 75% of the countries around the world. Some of the Post Banks in the world have been highly successful, i.e. Japan, New Zealand, Switzerland, France, China, South Korea, South Africa, Morocco to name a few.

Department of Post

6. Why is DoP setting-up a payments bank?

DoP has been successfully running the Post Office Savings Bank for the Ministry of Finance. Setting up its independently owned bank is the next logical progression. Based on feasibility studies and a subsequent Detailed Project Report, the Department, in 2013, made an application to the RBI and a proposal to the Public Investment Board (PIB) to set up a universal bank. However, the Department was advised by the PIB to set up a “differentiated bank” under the relevant guidelines. Accordingly when the RBI came up with the guidelines for licensing of Payments Banks in November 2014, the Department of Posts made an application for the same and got the in-principle approval in September 2015 for setting up its payments bank.



The setting up of the payments bank is therefore necessary in view of current market realities and to ensure continued relevance of DoP's products and services. Among other things, the decision to set up the payments banks comes in the wake of changes in the banking and payments landscape in the country. The payments bank will ensure that the banking and payments services offered through the postal network are well integrated and completely interoperable with the rest of the banking and payments ecosystem and will leverage new age technology in line with key technological advances in the banking sector such as unified payments interface (UPI).

7. What is the GOI's outlook on DoP's foray into banking?

In the Union Budget of 2015-16, the Honourable Finance Minister made the following announcement:

"The Government is committed to increasing access of the people to the formal financial system. In this context, Government proposes to utilize the vast Postal network with nearly 1, 54,000 points of presence spread across the villages of the country. I hope that the Postal Department will make its proposed Payments Bank venture successful so that it contributes further to the Pradhan Mantri Jan Dhan Yojana."

In his Independence Day speech at the Red Fort, on 15th August 2016, the Hon'ble Prime Minister Shri Narendra Modi spoke about IPPB:

"The Post Office is an example of our identity. We have revived and rejuvenated our post offices. IT is now linked with the poor and small persons. If any government representative gets the affection of a common man in India, it is the postman. Everyone loves the postman and the postman also loves everybody, but we never paid attention towards them. We have taken a step to convert our post offices into payments banks. Starting with this, the payments bank will spread the chain of banks in the villages across the country in one go"

8. How will setting up the payments bank benefit DoP?

The payments bank will not only drive revenues for DoP but also help in maintaining DoP's brand image and relevance in the current financial landscape that is evolving rapidly. For e.g. Utility bill payments services of the IPPB as a Bharat Bill Payment Operating Unit (BBPOU) will help DoP in increasing its market share in the utility bill payments space and provide technology driven services to customers. New age technology will enhance customer experience, provide more options and help in serving the larger cause and vision of the GOI i.e. to bring about financial inclusion for the vast unbanked and underserved population.

9. What will be the role and relationship of DoP with the proposed payments bank?

The payments bank will be 100% owned by the Government of India via DoP, and will have an independent board of directors with representation from DoP and other stakeholders from within the Government of India to ensure strategic alignment with the overall objectives of the DoP and the Government of India.

The post offices at different levels will be the main customer touch points for the bank's services. A close liaison between the bank and DoP staff at the access points will be maintained on a regular basis at the branch level for success of the delivery model

India Post Payment Bank (IPPB)

10. When will India Post Payments Bank (IPPB) start operations?

IPPB is expected to start operations in FY 2017-18



11. How many branches are likely to be opened?

IPPB is slated to have 650 branches at district headquarters. All post offices across the country will function as customer access points for IPPB.

12. What will be the USP for IPPB?

The latest payments and banking technology, easy to use interface, the trusted network of the post office and its dedicated staff with a local connect will be the USP of the IPPB. IPPB will bring in innovative services and interface for its target customer segments in all areas. The accessibility and ease of use of services through a combination of modern technology and the widespread DoP physical network, capable of providing door step services will make it a unique payments bank. Through a combination of physical and digital channels, payments bank will build the most accessible bank in the country especially in rural and underserved areas of the country.

13. How will IPPB employees be recruited? What are the various mechanisms through which they get selected?

Various options regarding the recruitment and selection of IPPB employees have been considered. These include deputation from DoP or other public sector banks, direct recruitment through IBPS, contractual arrangements for certain skilled staff positions etc.

DoP's role in IPPB

14. How will IPPB function?

IPPB has been set up as a Public Limited Company under the Department of Posts with an independent Board of Directors. It will be headed by a Managing Director and CEO, and will set up a corporate head quarter and approx. 650 branches to manage its functions on a day to day basis. IPPB will leverage the physical and IT infrastructure of the Post office and be set up on a lean operating model. It will focus on low-cost, low-risk, technology led solutions to extend access to formal banking.

Products and Services

15. How will the products and services of IPPB be different from DoP's payment and remittance products?

DoP payments and remittances products are based on the basic money order services adapted for the digital age. While IPPB will provide the same benefits of payments and remittances to the customers, by adopting newer, efficient processes and technologies such as mobile based payments, digital wallets and innovative payment and remittance products that are continuously emerging in the market today. Combined with doorstep banking transactions and easy to use mobile and internet banking options IPPB will significantly improve accessibility of its services. Additionally, IPPB products will be well integrated and inter-operable with the rest of the banking industry.

IPPB will drive the benefits of financial inclusion by bringing a host of financial products to suit the needs of different strata of society with special focus on the marginalized sections and citizens in rural areas.

Product innovation will be a continuous exercise to expand the bouquet of services adapting to the evolving needs of its customers technologies and the rapid advancements in communication and payments



16. Will there be an impact on POSB?

Apart from savings account with up to INR 1,00,000 in deposit, the products offered by IPPB are different from POSB products. POSB savings accounts do not have any ceiling limit unlike payments bank savings account. On the other hand payments banks can offer current accounts for use by businesses and institutions whereas POSB does not offer these accounts. Other kinds of deposits under POSB are unique to it and will not be offered by the payments bank. POSB accounts are mainly savings instruments.

Simply put while POSB is more focussed on returns from small savings, IPPB will be focussed on transactions. Thus there will be an inherent synergy between the two and each will complement the other.

17. How will IPPB improve disbursement of subsidies?

IPPB is being set up by the GoI with a primary focus of improving the Direct Benefit Transfer of various subsidies. IPPB will be providing a robust technology platform for DBT disbursements and build a strong reporting mechanism. By channelling a majority of subsidy disbursements through its combined network, DoP-IPPB combine will significantly increase its current market share.

Customers

18. Who will be the target customer of IPPB?

Apart from the existing customers of the DoP, IPPB will focus on the underbanked and unbanked population in different parts of the country. 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.

19. How will the customer choose between the savings account of POSB and IPPB?

Both POSB and IPPB will have different branding and the product features will be quite different. At time of signing up, customers will be clearly told what the product features are and customers will be able to choose the product of their choice.

Given the difference in purpose of the two accounts, the POSB customers can be encouraged to open an IPPB account for managing their fund flow including bill payments, remittances to other family members, businesses etc. depending on their needs. Customers focusing on savings may prefer to have their deposits with POSB and transact through their IPPB account as per requirements.

Customers will be given the option to channel money from their IPPB accounts to any of the POSB schemes. For example, an IPPB customer will be able to use money in his account to open and service a RD/ TD/ SSY or any other POSB account. Thus both IPPB and POSB can synergistically serve the customers.

Overall

20. I would like to know more and contribute to the IPPB journey. How can I do that?

You can send your questions and suggestions to pbi-project@gov.in or call us at [+91 11 23096008](tel:+911123096008) and check for regular updates on <https://www.facebook.com/ippbonline/> and <http://utilities.cept.gov.in/dop>.