



# Frequently Asked Questions

India Post Payments Bank



## FAQs

### Concept of Payments Bank

#### 1. What is a Payments Bank?

A Payments Bank is a “differentiated bank” set-up under the guidelines of 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 secured technology-driven environment.

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

#### 2. Why is a Payments Bank required?

A vast majority of the rural population (approximately 61%, as per RBI), is still not covered by formal banking and are underbanked. An easily accessible payments network and universal access to savings is fundamental to financial inclusion. The country has had the experience of pre-paid Payment Instruments with reasonable success in facilitating payments in urban areas. Their customers, however, face several limitations and difficulties arising out of their non-banking status. On the other hand, entities like the Department of Posts (DoP) have a wide network and experience of handling financial transactions, but do not have a banking license. Therefore, to bridge this gap, new, low cost, lean, modern technology based delivery models were needed to further financial inclusion with the differentiated scope of activities as laid out for payments bank.

#### 3. What is the GOI’s outlook on the Payments Bank and DoP’s foray into banking?

In the Union Budget of 2014-15 speech, the Hon’ble Finance Minister made the following announcement:

“After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force”.

Carrying forward the same outlook, 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.”

#### 4. 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.

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## 5. 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.

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.

## 6. 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 hugely successful in the countries of their operations e.g. Japan, New Zealand, Switzerland, France, China, South Korea, South Africa, Morocco to name a few.

## Department of Post:

### 7. 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 payments and remittances market space in the country and the declining share of the Department in the market with the popularity of traditional money orders and other such products going down with the customers.

The payments bank will ensure that the payments and remittance services offered through the postal network are well aligned with the rest of the ecosystem where the requisite money flows from one entity to the other through new age technology.



The payments bank will leverage DoPs wide reach, deep penetration, extensive network of branches across the country, the deep connect with customers in rural areas and build upon it with modern day technology and processes to provide quality services and work to increase the market share for the DoP/IPPB combine. Through partnerships with third parties it will offer a gamut of financial services to further financial inclusion which is the basic objective of setting up the payments bank. It will also aim to channel all types of government to citizen payments and DBT through the payments bank and the DoP network. Payments bank will also work to improve access to financial services through technology based channels- PoS, mPoS, mobile phones, ATMs, and internet etc. in addition to the physical access points through the Post offices, delivery personnel, agents and others. The payments bank will thus ensure that the postal network continues to offer relevant financial services in sync with the market requirements.

## 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. The payments bank will open new opportunities and increase DoPs market share. For example, today, DoPs market share is only 0.3% of the Rs 6.2 Lakh crore utility bill payments transactions. The utility bill payments services of the payments bank as a Bharat Bill Payment Operating Unit (BBPOU) will help DoP in increasing our market share in the utility bill payments space and provide technology driven services to customers. The new age technology will enhance customer experience, provide more options and help in serving to 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 a 100% subsidiary of the DoP and will have an independent board of directors with representation from the Department and other stakeholders from within the Government 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

Role of the payments bank would be to:

- Design Products and Services
- Define Technology and Service delivery platforms
- Train and handhold village Postal staff
- Marketing and third party tie-ups
- Define and monitor quality standards and customer grievances
- Manage risk and compliance
- Undertake financial literacy of the target customer

Role of the DoP would be to:

- Act as customer interface for the bank
- Provide access points for the counter operations
- Door- step banking through delivery staff, franchisees, etcetera
- Operational supervision and inspections



## India Post Payment Bank (IPPB)

### 10. When will the India Post Payments Bank start operations?

As per the RBI mandate, IPPB has to start operations by 6<sup>th</sup> March 2017, i.e. within 18 months of having received the in-principle approval on 7<sup>th</sup> September 2015. To meet this deadline, the build out of the bank, pre-licence approvals and technology audit has to be completed within the stipulated date and the nationwide rollout can start thereafter. A pilot launch is planned in the last quarter of FY 2016-17.

### 11. How many branches are likely to be opened?

Corresponding to the Divisional, Regional and Circle Headquarters of the Department of Posts, about 450 branches are proposed to be opened by December 2018 linking the post offices as access points. The tentative roll out plan is as follows:

<b>Network Component</b>	<b>2017-18</b>	<b>2018-19</b>
Payment Bank Branches	200	250
Linked Post Offices	60000	95000

### 12. Will all Post Offices provide services of IPPB?

Yes, after complete roll out all post offices will be access points for the services of IPPB.

### 13. 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, the payments bank will build the most accessible bank in the country especially in rural and underserved areas of the country.

IPPB will play to its own strengths of traditional post office values. It will be driven by the core objective of financial inclusion for the underserved population to make formal banking services accessible to them at the least cost possible.



## DoP's role in IPPB:

### 14. How will IPPB function?

IPPB will be 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 up to 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 based 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 cash payment options like traditional money orders, IPPB will differentiate itself from the other players while comparing well with all other benefits offered by competitors.

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. In so doing it will also provide the following proposed services:

- Direct Benefits transfer (DBT) of social security payments of various Ministries,
- Utility bill payments for electricity, water, telephone, gas etc.,
- Facilitate payments of various Central and State Govt & Municipal dues, taxes and fees/taxes of various Universities/ educational institution
- Person to person remittances both domestic and cross-border. Special focus will be on providing, economical, safe and convenient money transfer facilities to migrant labourers, NRIs remitting money to relatives, institutions etc.
- Demand Deposits (Current account and Savings Account)- with special focus on MSMEs, small entrepreneurs, village panchayats & SHGs
- Distribution of third party financial products such as Insurance (health & general), mutual funds and pension products
- Access to formal credit products by acting as BCs of banks & MFIs

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

### 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 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 on offer by the payments bank. The purpose of the savings accounts and current accounts of IPPB is to facilitate flow of money and payments of different kinds from Government to Citizen, Citizen to Government, Citizen to Citizen, Citizen to Businesses and Businesses to Citizens whereas the POSB accounts are mainly savings instruments.

### 17. Can the savings accounts be shifted from POSB to IPPB?

The POSB accounts are operated by the Department on behalf of the Ministry of Finance. The decision on the future of POSB savings accounts lies with the Ministry of Finance. The IPPB account will give various transactional advantages to DoP customers apart from an additional option of earning interest depending on their requirements.

## 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. In addition to its own products, the payments bank will partner with third parties to offer a wide range of financial and banking services to cater to the needs of its target segments.

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

Given the difference in purpose of the two accounts, the POSB customers can be encouraged to open a 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 leave their deposits with POSB and transfer some of the money from these accounts to their IPPB account as per requirements.

However, the customers will have the choice of the amount they want to leave in their IPPB account at any point of time and they will earn interest on their money in these accounts also. They would be able 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.

Both POSB and IPPB will have different branding and the product features will be quite different. At time of signing, customers will be clearly told what the product features are. POSB and IPPB will actively declare to customers, which product they are buying.





## Overall:

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

You could volunteer to be a trainer for IPPB and get specialized training for the same. You can also suggest other ways in which you would like to contribute. You can send your questions and suggestions to [pbi-project@gov.in](mailto:pbi-project@gov.in)