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## **1. Post office solutions: the challenges facing India Post Payments Bank**

- What are the salient features of India Post Payments Bank?**
- What is the rationale behind the establishment of public payments bank?**
- What are the challenges for the successful implementation of these Payment banks?**

**GS paper 3 ( Indian Economy, Financial inclusion )**

**In this video, you can find detailed answers for all the above questions.**

**The above article has been retrieved from:**

N.A. ( 2018, September , 10). Post office solutions: the challenges facing India Post Payments Bank. The Hindu. Retrieved from <https://www.thehindu.com/opinion/editorial/post-office-solutions/article24896851.ece>

**What is the context about?**

- 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 has been set up as a 100% Government of India owned Public Limited Company under the Department of Posts.

- It will initially have 650 branches and 3,250 access points in post offices across the country.

### **What are the salient features of India Post Payments Bank?**

- The government-owned payments bank will be able to accept deposits of up to ₹1 lakh from customers.
- As mandated by the RBI, a payments bank is not allowed to issue any form of loan or credit card.
- India Post Payments Bank is offering 4% interest to its savings account customers.
- India Post Payments Bank is currently not offering its customers an ATM or debit card.
- An India Post Payments Bank savings account can be opened with zero balance. There is no requirement for maintaining any monthly average balance.
- The QR code will be used to identify India Post Payments Bank account holders through smartphones or micro-ATMs. Further, after verification using biometric data, the customer is paid in cash.

### **What is the rationale behind the establishment of public payments bank?**

- The primary rationale behind the public payments bank idea is to help in the government's goal of achieving financial inclusion by providing savings, remittance, and

payments services to the rural and unorganised sectors of the economy.

- ❑ It is also hoped that the payments bank idea will help reinvigorate the postal system, which has a wide network of branches across India.
- ❑ The payments bank will also have a digital platform that is expected to make financial services more accessible even from remote locations.
- ❑ India Post Payments Bank will also provide access to third-party financial services such as mutual funds, insurance, pension, and loan products.

### **What are the challenges for the successful implementation of these Payment banks?**

- ❑ 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 promises to pay an interest rate of 4% to its savings account customers. To generate revenues, it plans to charge fees on money transfers and other financial services while investing idle customer deposits in safe government securities in order to earn interest.

- ❑ Meanwhile, the IPPB is also 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.