

India Post- Core Banking Service are attracting investors towards Post Office Saving Banks

¹Prof. Arvind Kumar & ²Manoj Kumar

¹ex-Dean of Faculty of commerce, University of Lucknow, Lucknow, UP (India)

²Research scholar of Department of Commerce, University of Lucknow, Lucknow, UP (India)

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Corresponding Author

Email: manojkrmaurya2019[at]gmail.com

ABSTRACT

As we know that the India Post has been providing service since British-India. It is very oldest organizations of Indian Government, Was only way to convey the message from one place to another place. But there are many changes have been done since independence, now we see that the present Post Office look is much more different than 1947's. Presently, Post Office has become a CBS Post Office. There are many places in India where many people are unbanked and are not any organizations where they can deposit their money for future security, but when we see India Post, has lakhs branches and covering across India. That is why we can say that CBS Post Offices has become panacea for rural households and vulnerable people. The Indian Postal Service, with 155,333 post offices, is the most widely distributed post office system in the world. India Post Office Savings Bank is widely known and traditional formal institution offering saving products. Its outreach has been ceaselessly increasing both in terms of number of accounts as well as number of branches, especially in small regions of the country. Post Office Savings Account is similar in many ways to a regular account. It is considered to be a highly secure instrument to deposit funds into and offers the option of full or partial liquidation of funds at very short notice in case the need arises. These accounts generally offer a guaranteed return on investment and are ideal for senior citizens and people who are looking to earn a regular income without exposure to risk. It is also best suited for those individuals living in rural and semi-rural areas, which have limited exposure to banking. The present paper examines the preference of investors of rural-urban areas towards different investment schemes of CBS Post office and factors that motivates them to choose investment schemes of CBS Post office.

1. Introduction

The statue presently governing the postal services in the country is the Indian Post Office Act, 1898. In the mid-19th century, the post office served as facilitator of travel with its conveyance systems and by maintaining the dak bungalows and dakserais. Mail orders services were started with the value payable system introduced in 1877, while fund remittances at the doorstep became possible from 1880 through money order services. With the introduction of Post Offices Bank in 1882 banking facilities were accessible to all and by 1884 all Government employees were covered by the Postal Life Insurance. Besides providing postal communications facilities, the post office network has also provided facilities for remittance of funds, banking and insurance services the latter half of the 19th century. Leveraging the vast rural network of post offices, spread across the length and breadth of the country, to provide services relevant to the rural areas, and generate revenue for the Department is a core focus area for the Department.

Over the years financial inclusion has emerged as an important focus of the Department's activities. Post offices have been entrusted with disbursement activities of various Government sponsored Social Security Schemes like Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS) and Indira Gandhi National

Disability Pension scheme (IGNDPS) and Indira Gandhi Matritva Sahyog Yojana (IGMSY). So far, a sum of Rs. 52,334 crore has been disbursed under MGNREGA scheme through 6.42 crore post office saving bank accounts. Providing services to third parties such as collection of data for compilation of Rural Consumer Price Index (CPI) on behalf of the Ministry of Statistics and Programme Implementation is another emerging business data, along with making the rural postal network a significant component of India's emerging country-wide digital payment network. For this purpose, each GDS post office is being provided connectivity to the Central Server of the postal network, along with a Micro-ATM enabled point-of-sale machine.

People investing in Post office schemes are dealing with or rather forced to deal with Post Office near their house. But post offices have been modernized. They are moving to Core Banking Solution. The Core Banking Solution (CBS) project brings facilities of ATM Banking, Internet Banking, Mobile Banking and Phone Banking to the Post Offices Saving Bank (POSB) customers to perform transactions 24x7 in ATMs and to transfer money from their account to any bank account through National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS). This article talks about Modernization of Post Office, Overview of Post Office Internet Banking, Mobile Apps for Banking and Postal Information and Core Banking Solution in detail.

Postal Network

At the time of independence there were 23,344 post offices throughout the country. Of these 19,814 post offices were in the rural areas and 4,160 in the urban areas. Today, India has the largest postal network in the world with 154,856 post offices, of which 139,164 (89.78%) are in rural areas and 15,692 (10.22%) are in the urban areas. Thus, the network has registered nearly seven-fold growth since independence, the focus of this expansion having been the rural area.

Expansion of the postal network, especially in rural areas, has to a great extent been brought about by opening part time Gramin Dak Sewak Post Offices, a system unique to the Department of Posts. Under this system, postal personnel, called Gramin Dak Sewak are employed, subject to fulfillment of certain criteria, to run the post office for a period not exceeding five hours, and convey mails on payment of a certain allowance. Such post offices offer mail, retail, saving bank, life insurance and remittance services in addition to disbursement of wages and pensions under certain social security programmes such as MGNREGS. On an average, a post office in India serves an area of 21.23 sq.km and a population of 7,815 people. Post offices are opened subject to fulfillment of norms regarding population, income and distance stipulated by the Department. There is an element of subsidy for opening of post offices in rural areas, which is to the extent of 85 percent of the most of the cost in hilly, tribal, desert and inaccessible, and 67 percent of the cost in normal rural areas.

The postal network consists of three categories of post offices, viz. head post offices, sub post offices and extra departmental branch post offices. All categories of post offices retail similar postal services, while delivery function is restricted to specified offices in terms of management control, accounts are consolidated progressively from branch post offices to sub post offices and finally in the head post offices.

In addition to post offices, basic postal facilities are also offered through franchisee outlets and Panchayat Sanchar Seva Kendras. Franchisee Outlets are opened in urban areas where it is not possible to open a regular post office. In this scheme only specified counter services are franchised, whereas transmission and delivery of mails along with small savings schemes are not franchised.

Panchayat Sanchar Kendras are opened at Gram Panchayat Headquarters where post offices do not exist. This scheme is implemented by Gram Panchayats through an agent appointed by them. As on 31.03.2013 there were 1,749 Franchisee Outlets and 3,232 Panchayat Sanchar Seva Kendras (PSSKs) functioning in the country.

Rural Business

In specific terms, Project Arrow entails comprehensive improvement of the 'Core Operations' of the post offices as well as modernized ambience under 'Look and Feel' silo of the Project. Enhancing the quality of services in 'Core areas' envisages focus on mail delivery, remittances, saving bank and office service levels through continuous monitoring of key performance indicators, identifying problem areas and take remedial action on a real time basis, including making systemic

changes to improve service quality. This has helped the Department to emerge as a one-stop shop for retail products and offer a single window facility for small savings, money remittances and other financial products and services including social initiatives such as the National Rural Employment Guarantee Scheme and the National Old Age Pension Scheme. The monitoring of 'core operations' is being undertaken in more than 21,600 post offices. 'Look Feel' of the post offices have been improved in 2,615 post offices.

The Project Arrow experience is a working model for ushering in an integrated and lasting improvement in the Postal system. Looking at the impact of the project, the Department is carrying it forward. 'Look and Feel' activity is being undertaken in 356 more post offices during the year 2014-15 and under the 12th Plan it is proposed to improve the 'Look and Feel' for 2,500 post offices.

2. Review of literature

The objective of this study is to explore modernization of post offices and overview of Post office Internet Banking, Mobile Apps for Banking and Postal Information and Core banking Solution in detail. The present study examines the factors that appear to exercise the greatest influence on the investor decision making. It includes the factors investigated by previous studies like sources of investment advice, purpose of investment, education and occupation, globalization of Indian Postal service, "vision for Resurgent India-Post", "The road for future of India Post".

1. "Globalization of Indian Postal Service - A Study" By Ms. Sonia Riyat, Lecturer and Academic Coordinator, Netaji Subhas Institute of Business Management, Pokhari, Jamshedpur. Ms. Sonia Riyat conducted a workshop with Jamshedpur India Post employees. During the workshop, she has interacted with the post office employees and understood the problems faced by the employees and the post offices. Based on this she has given some suggestion to India Post

1. Providing Soft-Skills to India Post Employees while competing with courier agencies, private banks, insurance companies, and mutual fund companies.
2. Business Process Reengineering (BPR) of existing business processes.
3. Organized relationship with the customer.
4. Developing a true and fair employee feedback system.
5. Suggested social, economical, cultural, and technological changes in the working style.
6. Motivating and identifying the customer satisfaction (Riyat, 2008)

2. "Indian Postal Department - Generating Financial Resources" by Prof. R Jain, Prof.S Morris, Prof. G. Raghuram, Indian Institute of Management, Ahmedabad, Prof. Jain and his team members conducted a study and highlighted few points

1. Proper use of India Post infrastructure and their services. Government should give more attention towards it.

2. Indian postal sector should go through the financial reforms and undergo some changes that may help them in self financing.
3. Privatization of few services of India Post.
4. Proper utilization of existing resources available with them and commercial use of India Post properties.

Suggestions towards improvement of **Urban Postal Services** are as follows

1. Providing maximum post services in the urban region
2. Convenient opening times and minimum five working hours during a day.
3. One and two man post offices as per the requirement of the region.

Suggestions towards improvement of **Rural Postal Services** are as follows

1. Postal facilities at a relatively lower service cost to the rural customers.
2. Assigning Dak Sewak from local places as per the need in the rural region.
3. Less working hours and fixed honorarium should be pay. Thus, they have suggested financial reforms of post. **(Prof. R Jain, 24th August 2001)**

3. "Vision for Resurgent India-Post" by Dr. APJ Abdul Kalam, Hon'ble Ex-President of India on the Inaugural function of the sesquicentennial year of India Post on 4th Oct, 2004. Dr. APJ Abdul Kalam said in his speech that there has been considerable technological change in the communication system in the future. The strength of India-Post lies in its people. Postmen have knowledge of the village and they have a lasting relationship with the

people. The major focus of **Providing Urban Amenities in Rural Areas (PUARA)** would be on entrepreneurship, sustainable employment, economic growth and marketing (local vs. global). The rural economy can be enhanced if we can provide knowledge inputs at the right time to the farmers, artisans, craftsmen, small-scale industries, self-help groups and entrepreneur through these connected post offices. They recommended the following six missions for India-Post for the new millennium:

- a. Transforming the Post-man or Post-woman to play a dual role of being the friend of the family and information officer for empowering the villages.
- b. Preparing the system of India-Post to provide an empowered network for promoting rural development.
- c. Creating a networked infrastructure of all the post offices in the country through computers and telecommunications.
- d. Establishing village knowledge centers with database required for the rural development (agriculture, infrastructure, education, employment, healthcare, land records etc.) in collaboration with the relevant agencies.
- e. Training the human resources to undertake envisaged activities.
- f. Empowering the post office personnel in a village to be re-designated as rural knowledge officer, with mobile telephone, PDA and other requisite facilities. **(Kalam, 2004)**

4. "The Road for Future of India Post" by Dr. Manmohan Singh, Hon'ble Ex-Prime Minister of India on the occasion of the Sesquicentennial year of India Post on 4th Oct 2004. Dr. Manmohan Singh said in his speech that Post Offices have grown from simple providers of mail facilities to providers of money transfer services, banking facilities, small saving services, insurance services, utility payment services, even mutual funds and bonds. Meeting twin challenges of technology (e-mail, SMS, electronic information transfer, telephone) and competition (courier services) would require the department to look minutely at the users of its postal services to ensure that they do get substantial value from its products and to prevent them from migrating to other communication channels. Customization, value addition, flexibility and new products should be the key words to win and win the future. There is a need for streamline the workforce and introducing new technologies to make it more productive and efficient while clearing mail. The workforce will also need to be trained to make it capable of handling multiple tasks and functions, as required by the post office of the future. **(Singh, 2004)**

5. "Sesquicentennial year of India Post" by Shri. Dayanidhi Maran, Hon'ble Ex-Minister for Communication and IT on 4th Oct 2004. Shri. Dayanidhi Maran said the year 1854 was a milestone for the Department when a small network of seven hundred and one Post Offices was brought under centralized administrative control. Today with more than one lakh fifty five thousand Post Offices, it is the largest postal network in the world giving a reliable primary communication and banking service throughout the length and breadth of the country. During the sesquicentennial year, it is proposed to introduce 'Logistics Post', a new service on a countrywide basis. **(Maran, 2004)**

3. Post office and Small Saving Schemes

People investing in small saving schemes in Post office are confined to dealing only post offices they have had direct dealings with. The post office might seem like a relic of the past to some but fact is the department of posts mobilizes over Rs. 6 lakh crore of long-term savings schemes. It has also closed to Rs.40,000 crore in its postal savings accounts.

India's post offices have lacked an integrated banking structure or a core banking solution. In India's Union Budget presented by Finance Minister P Chidambaram on 28 February 2013, he said: "Post offices will become part of the core banking solution and offer real time banking services. I proposed to provide Rs.532 crore for the project in 2013-14

4. What financial products do India Posts offer?

India Posts is operating small savings schemes since 1882. The total number of accounts of Small Savings Schemes is 29.89 crores. Presently, the following schemes are being offered:

- Public Provident Fund or PPF
- Sukanya Samridhi Scheme
- Monthly Income Scheme
- Senior Citizen Saving Scheme
- KVP (Kisan Vikas Patra)
- NSC (National Savings Certificates)

- Time Deposits or Fixed Deposits
- Recurring Deposits
- Saving Account

Post office small savings collection saw nearly a 40 percent increase in collection between November 2014 and November 2015 to Rs 2,15,803 crore. West Bengal remained the top state in terms of small saving collection, with total net collections Rs 3,974 crore till November 2015, against Rs 1,381 crore till November 2014, showing a rise of 188 percent. After West Bengal, Uttar Pradesh accounts for highest collections in small savings at Rs. 3120 crore net collections till November 2015, an increase of 185 percent in November 2014.

5. Post Office: Internet Banking, Mobile Banking, Mobile App

The Department of Posts (DoP) has undertaken at end to end **IT Modernization Project 2012** to equip itself with requisite modern tools and technologies. In order to IT enable Post Office Saving Bank, Core Banking Solution (CBS) is being implemented across India covering all the post offices. Core Banking means a banking service facility in which we can access our bank account and perform basic transactions like withdrawal or deposit of cash from any of the member branches or any other bank for that matter. The Post Office were using computer but now are migrating from Sanchay post to Finacle, Core Banking Solution from Infosys.

Pilot-in-Pilot roll out of CBS was done in Greams Road Post office, S.O. under thygarayanagar HO in Chennai City Region of Tamil Nadu Circle, in Chennai on 16-12-2013. After observing the functionally, roll out in other Post Offices was started in a phased manner. Total of 12150 Post Offices including 805 Head Post Offices and 11345 Sub Offices have been rolled out for CBS until now. All Post Offices in India will be migrated to CBS by Mar 2019.

Welcome to Core Banking Solution

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6. What is Core Banking Solution

Core Banking Solution means a banking service facility in which we can access our bank account and perform basic transactions like withdrawal or deposit of cash from any of the member branches or any other bank for that matter. Initially banking activities were restricted to account-holding branch only. For example, say I had an account in Dena bank, Mulund. If I had to withdraw cash I was able to do so only from Mulund Branch i.e. I cannot withdraw cash from any other branch. But today, if I am holding the same account in the same branch, I can withdraw money from any ATM or branch of Dena Bank irrespective of the location. Even ATMs of other banks can be used for the same purpose.

Similar to banks, Post Offices are also moving to core banking, that means you can perform transactions from any of the Post Offices in India. As on February 22, 2016, 17,057 post offices are utilizing Core Banking Solution. Core Banking Solution is rolled out in 805 head post offices and the corresponding sub offices. 510 ATMs have been installed.

During the earlier times each branch had its own computer and transactions were automated on that computer only. This is called as Total Branch Automation. Consolidation of data of various branches was done at Head Post office at a decided periodicity. With advancement in technology all the computers of all the branches were connected to a single computer at the main centre and transactions were recorded centrally. This concept is core-banking.

What are the objectives of Core Banking Solution project in Post Offices?

To provide Anytime, Anywhere banking. Anytime, Anywhere banking means that the banking customers can make inquiries and transactions at any location and at any time via multiple channels like ATM, internet banking, phone banking, SMS etc. the key objectives are as below.

- To increase the number of customers
- To provide multiple delivery channels like internet, mobile banking, ATMs, thereby bringing access to financial services to the doorsteps of the customers.
- To enable faster money fund transfers to reach out to more customers.
- To become one stop solution for financial inclusion initiatives of the Government of India.

In CBS environment, transactions can be initiated in any CBS post office. Any depositor of Savings, RD, TD, MIS, SCSS, PPF or certificates can initiate transaction either Financial or Non-Financial at any CBS Post Office.

Post Office as Banks

In August 2015, the Reserve Bank of India has granted in-principle approval to 11 applicants to set up payments banks, including India Post. The department, which has received expressions of interest from all the top global consultancy firms is pursuing a plan where there will be two Post banks. The first will be two traditional financial services of the department. This includes the postal savings accounts and eight other post office saving schemes. Although not a Reserve bank of India-recognized bank, this division, which is a bank for most practical purposes, will continue to operate in its existing form.

Positive points of CBS Post Offices.

1. CBS has created interlinking of maximum Post Offices across the country.
2. Good steps for making connectivity between rural and urban Post Offices.
3. No steps for reposting.
4. Any postal employee can check the accounts details any where.
5. CIF system doing easy work in CBS.

6. Any customer can deposit the amount in any CBS Post Office.
7. Instant cash withdrawal and view of all financial transactions under one Passbook/Statement.
8. Instant issue of ATM cum Debit Card FREE of cost.
9. No annual charge for ATM card and cheque Books are also FREE of cost.
10. Instant account transfer across CBS Post Offices FREE of cost.
11. Automatic credit of RD deposits from savings accounts across CBS Post Offices in India FREE of cost.
12. Passbook can be updated at any CBS Post Office FREE of cost.

- Security guards must be recruited for security of cash handling and precious documents with things.
- Department should recruit advanced new employees with proper knowledge of computers and English.
- Finnacle software of India Post should be bilingual because some old aged employees they don't know English language have to face more problems.

Negative points of CBS Post Offices.

1. Internet connectivity is almost disturbed in rural areas so CBS Post offices are not performing well in rural areas.
2. Slow connectivity creates overcrowding and more stress over employees.
3. No exact time for doing work, generally cross the scheduled timing.
4. Motive of CBS was paperless work but creates more consumption of papers.
5. More exploitation of employees and officers.
6. Old aged employees are not performing well because they are not fully trained in computer work.
7. After launching of CBS system, VRS applications has been increasing day by day.

7. Suggestions

- India Post should improve their infrastructure in urban as well as in rural areas.
- Connectivity problems has created much more obstacles in smooth functioning of India Post, so India Post firstly think about its networking connectivity.
- Old aged employees have to bear more difficulties while working their works, so India post should provide them extra classes or can provide proper vestibule training.
- Postal department should advertise its schemes and plans, so people can easily know the CBS system and about the schemes.
- Department should maintain proper strength in the CBS offices, so that every minor mistake can be detected.
- Security and secrecy must be maintained because somewhere system manager has done frauds and embezzlement in office.
- India Post should maintain advanced systems and look like a CBS bank.
- Rural households must benefitted with CBS programme of India Post and tell them about the benefit of rural banking.

8. Conclusion

As we know that India Post is a very oldest organization and working since British times, it was started for dealing with postal or mail articles and small saving schemes, was only means for convey message and moving mail articles after independence it become one of the most important organization for improving economic conditions of India. Post office was only institutions where any one can easily open their account and take advantages of small saving schemes after that revolution of Banking Sectors, Post Office had limited deposited comparison to scheduled banks. After some time banks become CBS banks, CBS banks were providing efficient services to the people means instant transfer money, deposit money to any branch of banks. The above cases had created negative impact on the POSB (Post Office Saving Schemes), so ministry of communication and information technology permitted to Department of Posts for becoming CBS Post offices. Southern circles firstly started migrating the offices to CBS and then northern started. In 2015 most of the CBS offices had to faces problems in operating systems and networking problems, but now all the CBS offices are doing well and fully satisfying the local publics. Many things have become easy after the starting of CBS like cash deposited to any office across India, transfer of a/c from one office to another in minimum time, installment of schemes can be deposited in any branch, check balances of any account across India. now the planning is starting of cover every citizen with IPPB (India Post Payment Bank) because maximum government schemes subsidy will transfer to IPPB accounts. In coming days IPPB will provide Instant money transfer, RTGS, IMTS, NEFT, IMPS, AEPS, UPI and *99# etc. Main thing is that India Post has covered every corner of the country and reaches every villages or town even though in forest areas, mountain areas, hill areas, desert areas, critical areas like LOC has also branches of India Post. So it is boon for us that India Post become as CBS and further becoming India Post Payment Bank, IPPB will very useful for every citizen of India and most of the citizen will be benefitted with subsidy or any government schemes by IPPB. IPPB has now 650 branches across India, may be increased in future and will all the works which are mainly present times are being done by scheduled banks. IPPB is a fully central government bank and registered with companies Act 2014. Only negative point is that IPPB will not give loan to any people or any organization. Lastly i found that CBS and IPPB are the good steps of Ministry of communication and information technology and will be strong competitor of Banks, but there is need of further improvement or development and will have to improve infrastructure in rural as well as in urban areas.

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