



FEDERATION OF NATIONAL POSTAL ORGANISATIONS

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To
Shri M.Ramanujan,
Member(Banking &HRD),
Postal Services Board,
Dak Bhawan,
New Delhi 110 001.

Sir,

Sub: The upcoming launch of India Post Payments Bank.

On behalf of my federation i convey my heartiest congratulations and appreciation to Hon'ble MOC&IT, Officers of DoP and to my postal fraternity on getting a licence from Reserve Bank of India and approval of cabinet to set up India Post Payments Bank under the rubric of differentiated bank model. It is the need of hour to diversify our business and role not only to contribute for the financial inclusion but to make Department of Posts a viable organization and stay relevant for decades more. Towards that direction it is a wonderful opportunity to capitalize and contribute to growth of department and the nation as a whole.

2. While we appreciate the evolution of new scope for Department of Posts, while analyzing the scenario and circumstances it is also felt that there are certain genuine concerns which should be given proper attention and remedies to be evolved so that ultimately the goal and aim is achieved without any difficulties or road blocks. As such few aspects which administration might be aware of already but still my federation feels appropriate to flag are elucidated below for consideration.

3. Kind attention is drawn to the portions of Hon'ble MOC & IT appeal published in the website of India Post . One of the major points is that "The India Post Payments Bank is being set up primarily to achieve the goal of full financial inclusion of the people in our country. The India Post Payments Bank shall be a technologically enabled Banking platform that gives a wide range of services such as Direct Benefit Transfers, all kinds of Payments and Remittances and more significantly undertake sale of a variety of 3rd party products".

4. Though there cannot be a second opinion about the goal to achieve the full financial inclusion it cannot be ignored that the proposed new entity should also have an aspiration of being commercially viable rather than being service oriented alone like the present Department of Posts which has the limitations of USO obligations. It also has to go beyond that by earning profits it also has to generate revenue to Department of Posts. Under these Circumstances closer review of parameters which the payments bank are allowed to operate under reveals that the present payments bank is allowed to offer only CASA i.e Current and Saving Account and not anything else like TD, RD which currently the existing DoP as an agent of MoF offers to common public. This will deprive the new entity to compete even against the existing POSB offerings which will be viewed as same arm of an institution. Denial even to compete with the existing POSB product will eliminate with that of competition to other players also. The RBI has also put a cap of Rupees one Lakh per Savings Account as maximum admissible limit. In this context stating that major focus would be on offering products like Direct Benefit Transfers, all kinds of Payments and Remittances alone will not fetch any substantial revenue to the new entity. This stated on the fact that since we are majorly focusing on rural folk and those who have been underbanked channelizing the DBT, remittances and payments would not be withheld by the customer in the account which are likely to be withdrawn by the

rural poor instantly or more earlier which leads to a situation that the said money does not lie with the IPPB which can earn interest income by investment in government securities and other probable areas. If the IPPB decides to focus on fee based income to offset the costs incurred then the customer would not be happier to transact with IPPB for the money which he receives as subsidy.

5. The present IT solutions developed for Department of Posts has not stabilized fully. There are several areas which still consists major loopholes which are still to be plugged. Though these issues are being taken up separately with administration quite frequently it is necessary to mention here since there should be an integration of systems between Department of Posts and the IPPB to make hassle free settlement of accounts as well as to provide better and quicker services to satisfaction of customers.

6. The main aim as well as opportunity for IPPB is to focus the rural inclusion. Given the backdrop idea of leveraging the Grameen Dak Sevaks which will be very significant in the successful roll out of Payments Bank, to make financial inclusion possible for every Indian his existing working conditions has to be relooked into. Presently he is expected to work only for five hours in a village. i.e 1,30,000(+) villages operate only for five hours. Does this mean the rural customers through branch post office can access or avail the IPPB only of limited five hours against a full fledged bank branch which operates for eight hours. Though undoubtedly the compensation for additional work performed by the GDS would have been figured through appropriate structure the deprivation to rural customers for five hour access alone to banking facility remains a concern.

7. Cash management/transportation involves huge cost. Assuming that the IPPB makes faster inroads in rural areas and gains quicker support how would the branch post offices be equipped to handle and maintain the cash which would be sizable ticket. Thought the IPPB would take care of cash management between the its bank branch and DoP how would the cost involved on transfer of funds between the DoP main offices and its village branches are to be managed or addressed. Even if it is presumed to be compensated through some revenue model would it not be costlier for both IPPB and DoP.

8. Another component is offering loans and insurance as third party products. The larger idea of DoP to set up its own bank is to relive of itself from limited role of doing agency services but to function as full service provider though not immediately would it not look that DoP will be forced to do sub- agency work since IPPB will sell third party product as agents of other banks or institutions which would be resold by the post office branches as sub- agent. The revenue to be earned by DoP on this account would be much meagre as the IPPB branches itself would be paid a lesser remuneration by the third parties. As such role of DoP will be less than banking correspondents model which had failed in the Indian Context.

9. The human resource required for successful operational of the bank cannot be solely depended upon sharing the resource of DoP. Already the workload of existing workforce of Post Offices have become unmanageable given the multiple governmental framework. Indeed it is the time to reassess the present strength of work force available at DoP and the quantum actually required to offer better services to common man. Going on adding products in post offices without proper human resource expansion plan would result in futile exercise. In this context depending on DoP HR even for initial period would hamper the functioning of existing structure. Though we support whole heartedly for drawl of staff for IPPB by means of deputation which provides wider opportunity to existing employees adequate and the quality of training to them is a prerequisite which cannot be entrusted to the same PTCs, WTCs and DSMs. If it is anticipated so then it would definitely hit the very basis of goal. A professional mode of approach towards this aspect is essential to avoid the training mode offered to the existing postal staff for CBS.

10. Though the IPPB and the Post offices can coexist which will give a brand value but should function under separate demarcation? Making IPPB functional within the present post office as an extension counter would prove to be disastrous. Separate infrastructure including systems, chairs , tables fans, accessories, wash room facilities etc should be given to IPPB rather than sharing the existing DoP's infrastructure.

Coexistence will give a definite brand value proposition but it should make the users of IPPB and customers have a feel of bank when transacting with IPPB rather giving a feel of Post office extension counter. Massive investment on this area should be anticipated.

11. Thus there are several issues which we should look in right perspective and take appropriate remedial measures before we hit the spot which would make a situation that IPPB instead of blooming adds fuel to the deficit of Department of Posts. Indeed these are all genuine apprehensions at the time when my federation feels happier and proud of having found out a way to serve the nation and stay relevant forever by the government and officers from Department of Posts. Given the prevailing circumstances my federation would like to place on record that though we in principle agree for the need to diversify into banking business to sustain our relevance in future we also disagree the proposal in present format which consists lot of infirmities which may leave in quandary. Thus a detailed comprehensive dialogue and deliberations are required on each and every step we move forward to ensure that interests of Department of Posts, users and its employees are protected always..

A line in replay is highly solicited.

Yours sincerely,



D.THEAGARAJAN,
Secretary General