

Policy Report

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The Future of Post Offices as Banking Institutions in India

Nandini Dubey



THE HINDU CENTRE

for

Politics and Public Policy

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ABSTRACT

This report seeks to integrate threads of India's financial inclusion dynamics and recognise the role post offices could play with their homespun technology. It anticipates a future for Indian post offices as banking institutions, taking into consideration the deposits, performance, and administration of the branches that provide Core Banking Solutions (CBS) in Chennai. This report will look at the transitions and institutional layering that the Post Office Savings Banking is going through. This report aims to provide an unbiased evaluation of post office banking, focussing on the loopholes that need to be plugged in the process of institutional layering. The report includes suggestions that will enable the Indian postal services to become an instrument of financial inclusion. The main conclusion of the study is that post offices can do better as an agency commission for credit facilities than as a provider of first party services.

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I. Financial Inclusion and Post Offices

Why financial inclusion?

No country is free from economic inequality. Even First World countries need to worry about inequality because its consequences affect the aggregate demand of the economy and could bring down the cumulative growth rate by a considerable extent.¹ In addition to its debilitating effect on an economy's growth and development, income inequality may also result in conflicts. Rens Willems² correlates poverty with conflict and focusses on the need for social cohesion. Ted Gurr's "Relative Deprivation" theory³ argues that "incomes are all economically and statistically significant factors in conflict risk".

Much has been done by Indian policy makers in recent years to improve the poor status of financial inclusion and ameliorate poverty by

¹ Rising inequality is estimated to have knocked more than 10 percentage points off growth in Mexico, New Zealand, Sweden, Finland and Norway, over the past two decades. In Italy, the U.K. and the U.S., the cumulative growth rate would have been six to nine percentage points higher had income disparities not widened.

Source: The Institute's Blog (2014) Inequality Hurts Economic Growth, For All of Us. [Online]. The Institute of New Economic Thinking. Available from:

<http://ineteconomics.org/institute-blog/inequality-hurts-economic-growth-all-us>.

[Accessed: April 3, 2015]

² See, Willems, R. (2012) When Do Inequalities Cause Conflict? Available from:

<http://www.thebrokeronline.eu/Articles/When-do-inequalities-cause-conflict>.

[Accessed: April 3, 2015]

³Gurr argues that a large gap between a group's expected and actual economic and living conditions can fuel conflict. Source: *ibid*.

proposing and implementing give-away⁴ schemes that are also capable of extracting electoral mileage for the political leadership in power.

Abhijit Banerjee in his book *Poor Economics* treats such lending as the cause of failure of social banking. He also identifies the ‘fear of bad debts’ as the reason behind banks not lending to the poor, thereby “leaving the field to moneylenders” who have “an advantage of getting their money back.” (Banerjee & Duflo, 2014)

The needs for microfinance institutions arise because of gaps in financial sector lending. However, Banerjee states that the popularity of microcredit is limited by its rigid claims, transaction costs with their focus on “zero default”.

There is a need to check whether financial inclusion should be associated with encouraging savings among the poor or lending to them or both, and choose institutions accordingly. What matters the most to Indian policy makers today is to reach out to the population that does not have access to banking and develop institutions that can make it possible.

How can the Indian postal service help?

The Indian postal service constitutes the world’s largest network of 1,55,015 post offices (as on 31.03.2009) of which 89.76 per cent are in the rural areas, with each post office on an average serving an area of 21.21 sq. km and a population of 7,175 people.⁵ Fully government-owned and operated by the Department of Posts (DoP), Ministry of Communications and IT, India Post has the capacity to reach unbanked

⁴ Give-away schemes are those schemes (aid schemes) where there is no such concept as loan repayments.

Give-away schemes are those schemes (aid schemes) where there is no such concept as loan repayments. <http://www.iosrjournals.org/iosr-jhss/papers/Vol6-issue4/B0640407.pdf>

citizens in the remotest rural areas. India Post also acts as an agent for the Government of India in discharging other services for citizens, such as disbursing wages for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and old age pension.⁶ At present, it has the world's largest Postal Savings Bank network, with more than 31 crore live accounts and deposits exceeding Rs. 6 lakh crore. (PTI, 2014).

Post office banking anywhere in the world have the ability to reach out to even the remotest unbanked population and absorb those that are financially excluded. The concept aims at going beyond "social banking". Though there is no precise definition for the term social banking, the examples of cooperative banks and microfinance institutions show that the main motive of social banking is effective lending. However, in the case of post office banking, there is an added benefit of greater accessibility and connectivity, which postal services have all over the world as communication institutions. However, despite the vast network and extensive coverage of India Post, its success as a banking institution has been limited so far, with future prospects dependent on the objectives and priorities it sets for itself, the innovation it brings about and the processes it undertakes.

⁵ See, <http://www.indiapost.gov.in> for more information.

⁶ Ibid.

II. Post Office Banking Policy: An Overview

The world's first postal account was made operational in the U.K. in 1861 to encourage the poor to save. In India, postal savings banks were started in 1882. Eventually, by 1896, post offices were the sole savings bank agencies mobilising small savings. Over the years, the postal network in India has increased manifold. Picture this: there were a mere 889 post offices in 1861 which rose to 23,344 post offices in 1947. At present, there are more than 1.5 lakh post offices. The Postal Life Insurance scheme was launched in 1984 as a welfare scheme for the Posts and Telegraph Department employees and was finally opened up for all in 1995 (Malakar, 2013). So for over a century, post offices have been at the forefront of offering not only different types of banking facilities, such as time and recurring deposits, but also offering certificates of different denominations and social security schemes (Singh, 2014).

Core Banking Solutions (CBS), which simply means 'Anywhere and Anytime Banking', with one of its objectives of becoming a one-stop solution for financial inclusion initiatives of the Government of India, was implemented in the India Post 2012 Project. It aimed at using Infosys's CBS software, 'Finacle', which is also being used by major commercial banks in India. This replaced the existing Sanchay Post and a postal life insurance system based on Infosys's McCamish platform.

The 2013-14 budget laid out a proposal for the Post Offices to become part of the CBS and offer real time banking services. A provision was made for Rs. 532 crore for the project in the 2013-14 budget and Rs. 4,909 crore for IT modernisation in the interim budget. The country's first post office to migrate to CBS was the one on Greaves Road

in Chennai City Central Division on December 16, 2013,⁷ and the first Post Office Savings Bank ATM was inaugurated at the Head Post Office in Thyagaraya Nagar in Chennai by Union Finance Minister P. Chidambaram on February 28, 2014.

India Post had applied for a bank licence under the guidelines issued by the Reserve Bank of India (RBI) on February 22, 2013. The department's application, screened by the Bimal Jalan Committee on new bank licences, could not pass muster. The IDFC (Infrastructure Development Finance Company) and the Bandhan Financial (a microfinance institution) were granted banking licenses out of the 26 that had applied.⁸

Bandhan Financial was started in Kolkata in 2001 to dole out micro loans to the country's lower-middle class borrowers. Around 97 per cent of these micro loans are given to women small entrepreneurs doing *zari* work, tailoring, selling vegetables, etc. It has more than 2,000 branches all over India with major presence in the eastern region. It has only 0.13 per cent Non-Performing Assets (NPA) on net advances.

The IDFC, started in 1997, works with major infrastructure projects across the country and provides loans to sectors like power, telecommunication, ports and roads. It also has very low NPAs, about

⁷ See, http://www.business-standard.com/article/companies/soon-car-manufacturers-e-commerce-can-use-postal-service-114022700373_1.html and <http://sapost.blogspot.in/2014/12/chennai-gpo-to-become-1000th-to.html>

⁸ Adhikari, A. (2014): "Deserving the honour", Business Today, 11 May 2014. Available from: <http://businesstoday.intoday.in/story/bandhan-idfc-new-bank-licence-challeneges/1/205355.html>

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0.5 per cent of net advances.⁹ One of the reasons behind giving licence to these institutions was to avoid creating replicas of existing private sector banks.¹⁰

India Post appointed consultancy firm Ernst & Young (E&Y) India in February, 2013 to advise it on their plan for a banking foray and the firm would soon submit its final report, as suggested by Ashvin Pareikh, Partner (Financial Services), E&Y, last year. Pareikh said that the idea was to create a completely new bank rather than converting the post offices into banks (Unnikrishnan, 2013). According to an interim report submitted by E&Y India in April 2013, the proposed Post Bank of India will focus on the bottom of the pyramid in non-metro centres and avoid urban areas that are already well served by large banks with an objective to create a completely new bank rather than convert the existing Post Office Savings into a bank.

Meanwhile, as part of its modernisation plan to go with its bid to win a banking licence, the Department of Posts had awarded a contract to Ricoh India, an imaging and IT solutions company, and Telecommunications India (TCIL), an engineering and consultancy firm, in October, 2014. The Rs. 1,370-crore order would require the consultants to suggest means and strategies to modernise the 1.29 lakh rural post offices under the Rural Information and Communication Technology (RICT) and Rural Hardware (RH) project.¹¹ The RICT and RH project aims at enabling rural outlets as vehicles for financial inclusion with provision for loading of software and automation.

⁹ Ibid

¹⁰ Ibid

¹¹ <https://ricoh.co.in/about/news/2014/ricoh-india-chosen-to-supply-rural-ict-solution-for-department-of-posts.aspx>

India Post will be applying for a banking licence for payment banks¹² under RBI's differentiated banking licences.¹³ Abizer Diwanji, national head of financial services, E&Y India, said, "Payment banks may also offer a higher rate of interest on savings bank accounts in order to attract customers." (Nair, 2014). However, on December 4, 2014, the Task Force Panel on India Post, headed by former Cabinet Secretary T.S.R. Subramanian and comprising experts, including former Infosys board member, T.V. Mohandas Pai, recommended the launch of the proposed Post Bank through an Act of Parliament and not by approaching the Reserve Bank of India (RBI) (Unnikrishnan, 2014).

The Task Force, appointed by Prime Minister Narendra Modi in August 2014 to study the feasibility of Postal Bank in India, submitted its report to the Communications Minister, Ravi Shankar Prasad, on December 4, 2014, recommending the launch of the Post Bank of India through an Act of Parliament. The committee suggested setting up a holding company fully owned by the Department of Posts with commercial subsidiaries for postal bank, e-commerce, insurance, delivery of various government services, including Aadhaar, ration cards and Kisan Vikas Patra, and distribution of third party products, such as bill collections and payments, instead of approaching the Reserve Bank of India for a banking licence. The report also suggests the Postal Bank of India to disburse loans up to Rs.1 lakh to start with and the second loan to be granted only after the first loan is paid back.

¹² Payment Banks and small finance banks are banks with the minimum paid-up capital worth Rs. 100 crore each. The main aim for setting up such banks is to further the purpose of financial inclusion by providing small savings services, payment/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

¹³ Differentiated Licences include licences for small savings banks and payment banks.

Post Office Banking in a Global Context

In many other countries, postal services play a significant role as banking institutions. The Arab countries, though rich in natural resources, are widely varied in terms of economic development. The region has poor states like Comoros, Mauritania, Djibouti and Somalia. Currently, 30 per cent of postal customers in the Arab world use postal financial services (Kirby, 2013). These services account for 25 per cent of postal turnovers. In the Maghreb (Morocco, Algeria, Tunisia, Libya and Mauritania), this share increases to 50 per cent (Kirby, 2013). Currently, 42 per cent of adults have deposit accounts but only one-fifth (21 per cent) of them have loan accounts with a bank. A 2009 study using World Bank data determined that 67 per cent of the total adult population in Arab states has almost no access to credit, second only to Sub-Saharan Africa in regional rankings.¹⁴ These postal banks attract the poor with their facilities for “lock-in mechanisms” and “account matching”.

Even China, the world’s fastest growing economy, established its postal savings bank in 2007 and is now preparing to go public and is seeking both foreign and domestic strategic investors (Lee & Ho, 2014). Chinese post offices have served the financially excluded and remote rural population with their remittances, micro lending and wealth management services.

The Japanese economy, which runs on manufacturing, is a free market competitive economy. The Post Bank of Japan is also planning a public issue. In March 2014, its deposit portfolio was in excess of 176 trillion Yen, placing it among the largest global banks (Bandopadhyay, 2014).

¹⁴ See

http://www.planetfinancegroup.org/sites/default/files/publications/Etude%20Poste_MF_CGAP_011.pdf

In Morocco, Poste Maroc has more branches (1,755) than the country's two largest retail banks, Banque Populaire (690 branches) and Attijariwafa Bank (626 branches), combined. This makes post offices the most accessible financial institution nation-wide (Kirby, 2013).

Morocco's Al Barid Bank (ABB), in particular, is an excellent example of the success of postal finance for both the region and the world (Kirby, 2013). While Egypt, Yemen, Algeria, and Tunisia dedicate an internal unit of their respective postal ministries to postal financial services, ABB is a fully-owned subsidiary of Morocco's postal network and the bank can thus offer a more diverse range of products, including savings, insurance, and money transfers. Because of this variety of services, ABB is also well positioned to make a stronger overall contribution to financial inclusion (Kirby, 2013).

Brazilian post offices work in collaboration with Banco do Brasil, the country's largest bank.¹⁵ Brazil's financial inclusion got a boost after Brazil Post formed a partnership with financial institutions (Singh, 2014).

In April 2014, the inspector general of the United States Postal Service (USPS), where a lot of post offices have been more or less idle, suggested that post offices should offer multiple financial services such as cheque-cashing, small loans, bill payments, international money transfers and money card. (The Economist, 2014)

¹⁵ As per the official website of Banco Postal, it had integrated with Banco de Brazil in 2012. See

http://www.bb.com.br/portallbb/page100,19424,19427,20,0,2,1.bb?codigoNoticia=34003&codigoMenu=16983&codigoRet=17008&bread=3_5.

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The U.S., described in 1906 as “the Canaan of capitalism” by German economist Warner Sombart,¹⁶ currently has more than one-quarter of its households either unbanked or underbanked (The Economist, 2014). The average unbanked household has an annual income of only around \$25,500 but spends around 9.5 per cent of its income on fees and interest charged by cheque-cashers and payday lenders, which are banking substitutes.¹⁷

From the Deutsche Postbank AG of Germany to the Kiwi Banks in New Zealand, world- wide there are many successful models of post office banking innovation.

¹⁶ See A Short History of American Capitalism by Meyer Weinberg. Available from: <http://www.newhistory.org/download.html>

¹⁷ High-street banks find it hard to make money serving poor customers, since they tend to have little money on deposit that the banks can lend out and penalties such as overdraft fees are not always enough to compensate. Since 2008, 93 per cent of bank-branch closings have come in areas where median household income is below the national average. Some 59 per cent of its post offices are in places with either a single bank or none at all. See, Put Your Money Where Your Mail Is, The Economist. 19 April 2014. Available from: <http://www.economist.com/news/finance-and-economics/21601026-americas-postal-service-ponders-foray-financial-services-put-your-money>.

III. Case Study: Post Offices in Chennai

As the process of CBS migration began in Chennai, the southern part of the city was selected as the sample area for the study along with its 37 CBS-migrated post offices. Due to the severe work load on the Post Master in the Tambaram East Post Office, only 36 Post Offices, 28 Sub Offices (SOs), and eight Head Post Offices (HOs) could be evaluated.

The questionnaire-cum-interview technique was used. The former sought to elicit quantitative responses and the latter, qualitative feedback about the revenue and services activities of the post offices. It took approximately three months to collect the data from these CBS Post Offices. Of the 37 post offices, about 20 were first accessed through e-mail to ascertain their access to internet technology and whether they responded. The remaining post offices were contacted in person. The postal staff were responsive but were unable to send data quickly because of difficulties in adapting to the new technology and everyday work pressure. The filled-in questionnaires were sent back through both traditional modes of communication such as Speed Post, Registered Posts, and via internet mediated communication, including email, WhatsApp and other forms of messaging. Of the 36 post offices, seven could not be reached over email and phone and the questionnaire had to be sent through mail as even their address mentioned on the internet did not show up on Google Maps. The difficulty in establishing contact with post offices is also evident from the fact that phone numbers of only 29 post offices were correctly mentioned on the internet. (Source: Sulekha Yellow Pages India website, www.justdial.com and www.asklaila.com; last accessed: January 21, 2015)

The Essentials of a Good Bank Branch

In response to the question on the characteristics of a good bank branch, the postal staff, who were interviewed, mentioned speedy service, customers' trust in the postal department, good management, decentralisation, profitability and accessibility. The points that emerged from discussions with them as well as from the questionnaires are outlined below.

Connectivity

Decentralisation is required to a large extent within the postal services in terms of delivery of services. The CBS post offices faced problems such as delay in meeting infrastructure requirements, and delay in the delivery of services such as closing of accounts and meeting death claims. Unlike the bank branches, the post offices branches are not connected to one another. An account opened at one branch of the post office cannot be accessed through any other branch. Nandini¹⁸ of Selaiyur SO said, "For premature closure, we used to give cash payments. But now I have to pay by cheque. For this, I have to send the cheque to my head office and, if there are intervening holidays, the customer is deeply inconvenienced."

Many of the post offices did not have a working e-mail address and many were unaware of their own phone numbers. The post offices that did not have working email addresses at the time of the study were the Perambur Barracks SO, the Tambaram East SO, the Anna Road HO and the Chintandripet SO. An internet search did not yield the email addresses of CBS post offices, and the only way to reach them (apart from going there physically) was over the telephone. A few of these post offices had

¹⁸ Name changed to protect identity, interviewed at Selaiyur SO on October 1, 2014.

their numbers incorrectly displayed (for example, the Greames Road SO and the Vadapalani SO).

The ineffective connectivity is evident from the fact that many post offices were unaware that I had been granted permission to collect data by the Post Master General's Office, Chennai Division. Despite presenting the permission letter from the Post Master General's Office, I was asked to take permission from the respective Senior Superintendents of Post Offices or the regional office by many of the post offices, which resulted in delay in data collection. Further, there were post offices that did not show up even on Google Maps.

Speedy Services

Speedy service is the hallmark of a successful bank. However, the post offices surveyed were hamstrung by a host of problems, chief among them being technical snags in the newly automated Finacle software, shortage of staff and labour force indivisibility.

The newly automated software, Finacle, was introduced to speed up services. But it seemed to have achieved the opposite effect with staff in almost all the CBS post offices pinpointing the software as the main source of delay. Nandini of Salaiyur SO complained that the server routinely became unreachable during peak hours. There were technical snags that created problems in the handling of accounts, which, in turn, led to customer complaints and dissatisfaction. Swastik¹⁹ of Chengalpattu pointed to a customer who had waited for over an hour to get her monthly deposit account closed.

¹⁹ Name changed to protect identity, interviewed at Chengalpattu HO on November 27, 2014.

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The staff claimed that they contacted Infosys and asked them to look into the software issues. Though the company generally responded fast, a few postal account staff stated that there was delay on the part of the company in case of problems related to the server. Pointing out shortcomings of the software, Nandini of Selaiyur SO said that the Finacle software did not recognise couples with different last names. Explaining this technical anomaly to customers, she said, was not easy. I also learnt that another software called Finacle Helper has been developed by Gaurav Patel, System Administrator, Mahim HO, Mumbai, to help the staff working in the new environment of CBS. But none of the post office staff interviewed at the CBS post offices in Chennai had information about this software. Most post offices faced several technology issues related to the server and Internet connectivity.

They said that they could not receive the questionnaire because of frequent server shutdowns. “Please understand this is a very small post office with very poor and old infrastructure. We don’t have a working printer. We have been asking for funds to get a new printer for the past two months but there has been no reply,” said a staff at one of the post offices who did not want to be named.

Sudha who works at the MES post office requested me to send a copy of the questionnaire by Speed Post. Shortage of staff was another problem that hampered efficient delivery of services. In post offices, mail services are not segregated from banking, which adds to the workload of staff. A single counter performs multiple tasks such as collecting deposits and updating passbooks. Providing separate counters for different tasks can easily increase efficiency.

Management

Workforce shortage makes separation of counters and services difficult. If these were not enough, the post offices had also been grappling with absenteeism. It was quite an eye-opener when the Post Master of Selaiyur Post Office was found doing treasury work on the day I went to meet him.²⁰ Similarly, on the day I interviewed him, the Post Master of the Alwarthirunagar SO was engaged in mail operations.²¹

A postal department employee, Prakash, at the Alwarthirunagar SO was quite livid while detailing the problems faced due to staff shortage: “In just one counter, we attend to about 300 customers, covering as many as 191 separate activities. One of my colleagues had a miscarriage from being overworked and tensions arose from her inability to handle the complex technology.”

Post office staff also complained of inadequate training for handling CBS services. “Nobody in this field is fully proficient in Core Banking” said Nandini of Selaiyur PO. “We went for training for just one week. Whatever knowledge we have gained is on the job. Every day we get new issues that we don’t know how to handle.”

The training period ranges from one week to a few hours. “What can we learn from this? It is better to take voluntary retirement than deal with this work pressure,” said Suganthi²² at the MES post office.

²⁰ Interviewed by the author on October 1, 2014.

²¹ Interviewed by the author on Phone on November 10, 2014.

²² Name changed to protect identity, interviewed at Madras Electricity System (MES) SO on November 23, 2014.

Vidya²³ of the Besant Nagar Post Office pointed out that although her branch opened 2,500 accounts each month, which was a target given to them by the department, the deposit amounts were minimal.

“We have got very old customers who do not accept new procedures. For example, earlier in Sanchay Post, the interest rates were calculated on a monthly basis. But in the new system, Finacle, it is calculated on per-day basis. The tasks here are varied, right from opening the account to closing it. After coming into CBS we should have become paperless. But we have to maintain both registers and an online database,” said Kiran²⁴ at Anna Nagar post office. “If they need hassle-free banking, they need to segregate the banking operations from the RMS (Railway Mail Services) and mail operations,” she added.

“If Finacle can’t handle the burden of 700 post offices, how will it cope with the pressure when all the post offices are finally migrated to the CBS?” asked Ram²⁵ at the Thiruvanmiyur post office.

Security

“People keep money in post offices because they trust that their money is safe. It is not due to the interest rates, which are even lower than banking interest rates,” said Ram at Thiruvanmiyur Post Office. While visiting the CBS post offices, I observed that there was no security available outside the postal branches or near the counters. Postal records and records pertaining to customers were not kept safe and most were paper records. The treasury area of the post offices was also not secure.

²³ Name changed to protect identity, interviewed at Besant Nagar Post Office on October 6, 2014.

²⁴ Name changed to protect identity, interviewed by the author at Anna Nagar Post Office on August 12, 2014.

²⁵ Name changed to protect identity, interviewed by the author at Thiruvanmiyur Post Office on October 10, 2014.

Socio-Economic Profile of Customers

On the basis of observation, online sources and discussions with the local residents of Chennai, I divided the geographical area covering the CBS post offices into three parts for the purpose of studying the socio-economic profile of the CBS customers.

The areas were divided into affluent, middle income and lower income zones. Some of the parameters used included the volume of deposits as well as the amount of turnover of the CBS post offices. It is also important to note that Head Post Offices (HOs), which provide more services, will generate more revenue and accounts than the Sub Post Offices (SOs) or the No Delivery Sub Post Offices (NDSOs).

Affluent Areas

It was observed that people here had the highest preference for savings accounts in post office savings banks. This was followed by time deposit schemes, NSC deposits and Recurring Deposits (RD), even though post banking offers only four per cent as interest, which is less than what the commercial banks offer. However, in terms of average deposits, people deposited more in time deposit schemes followed by NSC deposits, RDs and savings account deposits. This shows that there are many small savings accounts and a huge number of time deposits in affluent areas.

The T. Nagar post office, for instance, generates revenues of nearly Rs. 20,000 crore every year.²⁶ T. Nagar is surrounded by residential areas and its head post office has an annual turnover of Rs. 320 crore (w.r.t. FY.

²⁶ See, Malviya & Kandavel (2013) India's Biggest Shopping District Theagaraya Nagar to Get a Retail Makeover. [Online]. 7 February 2013. Available from: http://articles.economicstimes.indiatimes.com/2013-02-07/news/36972296_1_t-nagar-panagal-park-theagaraya-nagar

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2013-14). T. Nagar has its very famous gold market, textile shops, retail giant Saravana Stores and other important clothing stores like Chennai Silks, Sri Kumaran Silks and Nalli Silks. T. Nagar post office customers showed a strong preference for savings accounts with about 1.8 lakh customers depositing around Rs. 81 crore (as on May, 2014). However, in terms of revenue, T. Nagar post office gained more through its time deposits, recurring deposits and NSC accounts with deposits worth Rs. 1,239 crore, Rs. 155 crore and Rs. 333 crore respectively (as on May, 2014). T. Nagar post office also gained on an average around Rs. 9.5 lakh per month (w.r.t. FY 2013-14) through the sale of stamps. It also worked as a night post office.²⁷

The area serviced by the Besant Nagar Post Office, developed by the Tamil Nadu Housing Board (TNHB), has residential plots and apartments as well as commercial complexes. It is also home to the Reserve Bank of India staff quarters, the CPWD Quarters,²⁸ the Customs Colony and the Government Officials Cooperative Housing Society residences. Besant Nagar SO, which also covers an affluent area, registered an annual turnover of Rs. 62 crore (w.r.t. FY 2013-14). It had as many as 5,536 savings accounts worth Rs.10 crore of deposits and 331 time deposit accounts worth Rs. 94 crore deposits (as on May 2014). It also had NSC deposits worth Rs.10 crore (as on May 2014) and average monthly NSC savings amount worth Rs. 28 lakhs (w.r.t. FY 2013-14).

However, it also had high monthly premature withdrawal of Rs. 90 lakh (w.r.t. FY 2013-14). Besant Nagar post office generated around Rs. 41.4 lakhs in monthly revenue through the sale of money orders, Rs. 24.5 lakh per month through speed post services and Rs. 35,000 per month

²⁷ Night post offices have extended working hours with financial transactions possible during 1600 – 1900 hours on working days and 1000-1500 hours on Sundays and Holidays.

²⁸ housing for the officials of various Central Government departments

through commissions on various services (w.r.t. FY 2013-14). Interestingly, this post office had 725 NREGS (w.r.t. FY 2013-14) accounts. Correlating this with the Rs. 41.4 lakh monthly revenue through money order sales, we may infer that the post office is also used by many migrant rural labourers.

Anna Nagar, like T. Nagar, is a highly commercial area within Chennai. The total turnover of Anna Nagar HO was Rs. 180 crore for FY 2013-14. The deposits were quite low but the post office earned Rs. 14 lakh through the sale of stamps, Rs. 26 lakh from speed post and Rs. 41.4 lakh from registered letters and parcels every month during FY 2013-14. However, it also had a high savings account transaction amounting to around Rs. 15 crore per month. Postal and agency services were important components of its revenue as it provided services ranging from airline ticket booking to e-Post, express parcel services and SAL.²⁹

Ashok Nagar is also one of the prominent shopping hubs and an affluent area in Chennai. In terms of revenue, Ashok Nagar SO also performed better in postal service activities than in banking activities. For instance, it earned around Rs. 2.5 lakh per month through the sale of stamps, around Rs. 11 lakh per month from money orders, around Rs. 40.9 lakhs per month through speed post services, around Rs. 12 lakh each from registered letters and parcels and around Rs. 21 lakh through express parcel services (w.r.t. FY 2013-14).

K.K. Nagar is close to Ashok Nagar and has a similar socio-economic profile. There are many retail stores and vegetable vendors near K.K. Nagar SO. In terms of accounts, it had more savings and NSC accounts

²⁹ Surface Air Lifted premier parcel service is available for 39 countries worldwide with available insurance for parcels and an economical service faster than sea mail yet cheaper than air mail.

than time deposit and RD accounts but the money deposited under time deposits was a whopping Rs. 70.9 crore as on May 2014. Its revenue from the postal service activities such as speed post, Postal Life Insurance premium and sale of stamps and IPOs was minimal.

Shenoy Nagar SO had time deposits worth Rs. 25 crore as on May 2014, which was more than its recurring or savings account deposits. It also earned around Rs. 41.5 lakh per month from money order and IPOs and around Rs. 2 lakh per month through from registered letters (w.r.t. FY 2013-14).

Middle Income Areas

It was observed that in middle income areas, there was a greater preference for Recurring Deposits (RDs) followed by NSC accounts, savings accounts and time deposit accounts. However, time deposits had larger amounts of average deposits followed by NSC, savings account and RDs.

Park Town HO, located on the crowded Evening Bazaar Street, scored the highest amount in Recurring Deposits, both in number of accounts and amount of money deposited, among all the CBS post offices of Chennai. It had 91,000 accounts bringing in about Rs. 206 crore deposits (as on May 2014). It also had the highest revenue from NSC account deposits, put at Rs. 386 crore. It was second only to T. Nagar post office in terms of its time deposits (as on May 2014).

Mylapore area has many educational institutions. The Mylapore HO is located in a purely residential area and boasted of the highest savings account deposit among all the CBS post offices of Chennai, pegged at Rs. 161 crore (as on May 2014). The Mylapore HO, with an annual turnover worth Rs. 1.7 crore, had 10 lakh RD accounts bringing in deposits worth Rs. 775 crore (FY 2013-14) . Even the value of NSC

deposits was quite close to that of T. Nagar post office (around Rs. 330 crore). Sale of money order also contributed considerably to its revenue, amounting to about Rs. 45 crores (FY 2013-14).

Tambaram HO, located on the Grand Southern Trunk Road, opposite to the Tambaram railway station and near the Tambaram Bus Depot, serves mainly the migrant population and street vendors. There are several restaurants around that area. This head office had an annual turnover of Rs. 179 crore and more savings accounts deposits, worth Rs. 26 crore, than RD, time deposits or NSC deposits (FY 2013-14). A sizeable revenue was also generated through the sale of stamps estimated at around Rs. 9.5 lakh (w.r.t. FY 2013-14).

Pallavaram SO post office, on the National Highway 45, also caters to the same profile of population. It had an annual turnover of Rs. 73 crore and had fewer deposits compared to the Tambaram post office: 35 time deposit accounts worth Rs. 38 lakh and 11 NSC deposit accounts worth Rs. 85,000 (as on May 2014). It also had high premature withdrawals worth Rs. 15 lakh for the financial year 2013-14. However, it earned considerable revenue through registered letters, parcels and speed post services.

St. Thomas Mt. HO, which falls on the NH 45 as well, earned higher revenues compared to other post offices via premiums paid for annual Postal Life Insurance (PLI).

Chengalpattu post office located in Chengalpet, which is an industrial area, had 13,384 savings accounts with about Rs. 6.6 crore deposits. On the other hand, it had only 5,392 time deposit accounts, but registered deposits of about Rs. 36.8 crore from them (as on May 2014). However, the post office earned very little revenue through its postal service activities (around Rs. 2.2 lakh per month through the sale of stamps, Rs.

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22,180 per month through money orders and IPOs, Rs. 49,529.8 per month through speed post and Rs. 64,033.7 through registered posts, as per FY 2013-14 data).

The Ethiraj Salai post office, which lies in an area surrounded by many government buildings, earned most of its revenue from time deposits with 3,769 accounts containing aggregated deposits worth about Rs. 10 crore (as on May 2014).

Teynampet is a commercial area and the Teynampet SO had a larger number of time deposits, (1,764 accounts worth Rs. 29 crore) than RD (2,767 RD accounts with deposits worth Rs. 6.8 crore) and savings account deposits (9,700 savings accounts with deposits worth Rs.9.7 crore) as on May 2014. Besides, it earned revenue worth Rs. 49 lakhs through money orders and IPOs, Rs. 31.9 lakh per month through speed post services and Rs. 33.9 lakh through its registration letter services (data for FY 2013-14).

West Mambalam SO is located inside the postal colony (where post office personnel live) and mainly caters to middle-income and high-income groups. It had around 23,000 NSC accounts and earned an average of around Rs. 17 lakh per month from the sale of stamps and around Rs. 60 lakhs through money orders (data for FY 2013-14).

Thiruvallikeni SO, located in a high-density area, caters largely to a middle income population. Dotted with old mansions and boarding houses, this area also houses schools, colleges and government buildings. Its annual turnover of Rs. 71 crore for FY 2013-14 was surprisingly lower than that of the Pallavaram SO. Its customers had made deposits worth Rs. 18 crore and Rs. 15 crore towards recurring deposits and savings account, respectively as on May 2014. For fixed deposits and NSC deposits, the branch raked in Rs. 23 crore each during the same period. However, it gained less as compared to the Pallavaram post office

in terms of revenue from sale of stamps, registered post services, IPOs and Money Orders but earned more in terms of revenue from the speed post and e-post services.

Gopalapuram area mostly has residential colonies, hotels and schools. The Gopalapuram Post Office with an annual turnover of Rs. 2 crore for FY 2013-14 had very small deposits but was very active in its agency and service functions. However, among the deposits, savings account and time deposits contributed the most with deposits worth Rs. 19 lakh and Rs. 23 lakh respectively (as on May 2014). Royapettah SO was more active in terms of its services and agency functions than its banking operations.

Vadapalani SO located on Arcot Road (densely populated region, mostly commercial area), with a total annual turnover around Rs. 60 crore for FY 2013-14, earned its revenue mostly through non-banking and postal operations. It had just 20 NSC accounts with deposits worth Rs. 2 lakh.

Guindy Industrial Estate post office earned less by way of deposits compared to other CBS post offices located in commercial/industrial areas. However, it earned good revenue via premium collected for PLI at around Rs. 2 crore for FY 2013-14. It also earned average monthly revenue of around Rs. 14 lakh through money order and IPOs during FY 2013-14.

Selaiyur near Tambaram, with many educational institutions and the Air Force Station close by, is home to many retired personnel of the Air Force. Selaiyur SO earned minimum revenue through banking activities but earned around Rs. 5.2 lakh per month through the sale of stamps and Rs. 2.3 lakhs through the sale of money order/IPO for FY 2013-14.

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Ambattur HO located near Ambattur Industrial Estate had more savings accounts than RDs (1,99,641 savings accounts compared to 79,336 RDs). However, the latter yielded more revenue – Rs. 98 crore compared to Rs. 42 crore from savings as on May 2014. Not surprisingly, the post office's presence in an industrial area ensured high commission revenue from money orders/IPOs (around Rs. 31.5 lakhs for FY 2013-14).

Avadi Camp HO, with its concentration of industries, especially of those manufacturing defence equipment and machinery, had an annual turnover around Rs. 47 crore for FY 2013-14. It had more RD accounts (68,159) than savings accounts (65,434), time deposits accounts (13,420) and NSC accounts (7681) as on May 2014. But it earned more from time deposits (around Rs. 132 crore) than RDs (around Rs. 64.9 crore), savings account deposits (around Rs. 25 crore) and NSC deposits (around Rs. 5 crore). With industrial labourers forming a large share of its customers, it was not surprising that the post office earned around Rs. 24.6 crore per month through money order and IPOs. Thus, this post office earned more revenue in spite of major commercial banks being located in this area.

Perambur Barracks SO is located in Perambur, an industrial area and a major railway hub housing railway employees. It registered an average monthly savings account cash transaction worth Rs. 78 lakhs, average monthly time deposit amount worth Rs. 14 lakh and per month NSC savings amount worth Rs. 36 lakhs for FY 2013-14.

Lower Income Areas

The largest preference in these neighbourhoods was for NSCs followed by savings accounts, RD accounts and time deposit accounts. However,

the monetary value of deposits was highest for time deposits, followed by NSC deposits, savings account deposits and RDs.

Greems Road SO is located in an area that is basically commercial with a slum settlement close by. It had a turnover of around Rs. 5 crore in FY 2013-14 with NSC accounts alone accounting for around Rs. 3 crore, far ahead of the Rs. 6 lakh, Rs. 25 lakh and Rs. 72 lakhs respectively deposited in RDs, savings accounts and time deposits. Sale of money orders contributed, on an average, around Rs. 1 lakh per month to its revenue in FY 2013-14.

Vepery near Park Town is an old residential and partially commercial area in the heart of the city. Compared to other low income areas, Vepery SO had higher collections across the board, with Rs. 9 crore RD deposits, Rs. 3 crore savings account deposits, Rs. 2 crore time deposits and Rs. 4.9 crore NSC deposits. This Post Office also earned around Rs. 15 lakh per month through the sale of stamps and around Rs. 80 lakh per month through the sale of money orders for FY 2013-14.

Egmore NDSO, located in a narrow lane, falls in an area with many two-star and four-star hotels as well as lodges and restaurants. It earned good revenue through Money Order and IPOs and savings account deposits.

Located in lower-middle class neighbourhoods, MES SO, WUS SO, Chintadripet SO and Alwarthirunagar SO were characterised by small deposits as well as accounts. Chintadripet post office, near Arunachala Street had fewer accounts compared to other low income area CBS post offices, mainly on account of servicing poor people from the slums. The Post Office had 1,487 RD accounts, 1,693 savings accounts and 179 NSC accounts as on May 2014. MES SO, Sathyabama University SO and Mahindra World City SO, which were situated inside institutional complexes, also had low deposits. Alwarthirunagar post office had

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minimal accounts but was very active in terms of agency functions. It also earned around Rs. 23 crore per month revenue through e-post services and around Rs. 59 lakh per month through money order and IPOs in Financial Year 2013-14.

With slum areas nearby, Thiruvanmiyur caters mainly to low-income groups. Thiruvanmiyur SO had just fewer than 11,000 savings accounts with deposits of around Rs. 6 crore, 5,990 time deposit accounts worth Rs. 90.6 crore and 1,874 NSC accounts worth Rs. 80.3 crore. It had average daily savings account transactions worth Rs. 25 lakh for FY 2013-14. (In some cases, the yardstick for measuring savings account earnings is a year, in other cases it is monthly/daily average.)

Brief Findings

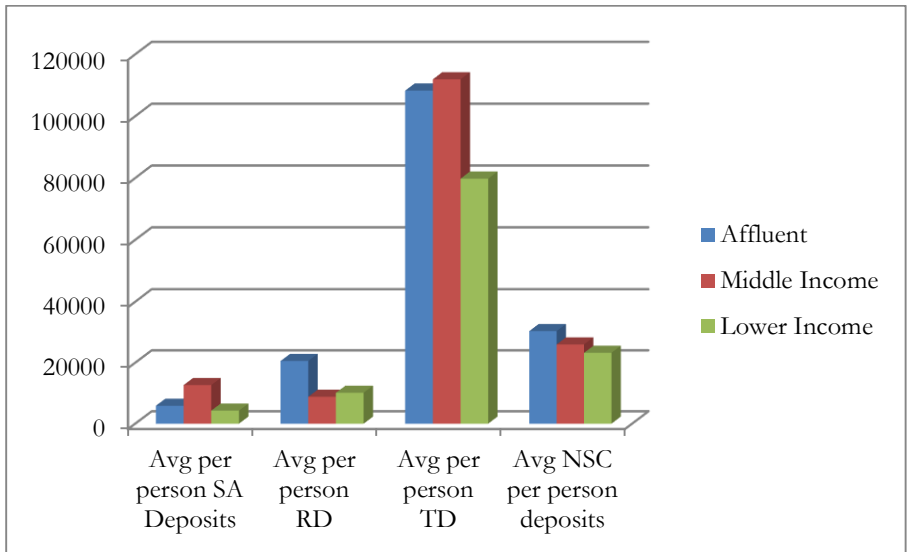
Table 1: Average per person deposits by various groups in various accounts as on May 2014 (in Rs).³⁰

Areas	SA Deposits	Recurring Deposits	Time Deposits	NSC Deposits
Affluent	5878	20,567	108299	30380
Middle Income	12669	8835	111941	26005
Lower Income	4292	10147	79808	23251

Source: Data collected from individual post offices in Chennai.

³⁰ Data for the following post offices were excluded because of CBS migration: **Middle Income:** Perambur Barracks SO, St. Thomas Mt. HO, Ethiraj Salai SO, Teynampet SO, West Mambalam SO, Royapettah SO, Guindy Industrial Estate and Gopalapuram. **Lower Income:** Chintandripet SO, WUS SO and Mahindra World City Post Office.

Chart 1: Comparison of average per person deposits by various groups in various accounts as on May 2014.



Source: Data collected from individual post offices in Chennai.

It can be seen from the above graphics that, overall, time deposits fared the best among post office savings activities. This was mainly due to two very popular schemes offered by post offices: the Senior Citizen Savings Scheme (SCSS) and the Monthly Income Scheme.

The SCSS can be opened as an individual or joint account with a maximum limit of Rs. 15 lakh for five years at an interest rate of 9.20 per cent per annum. The account holder can make a written request to transfer the interest amount into an RD account linked to the savings account. By this, he or she can earn a combined interest of approximately 10.5 per cent. According to the India Post official website, effective

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1.4. 2007, investments under this scheme qualify for benefit under Section 80C of the Income Tax Act, 1961.

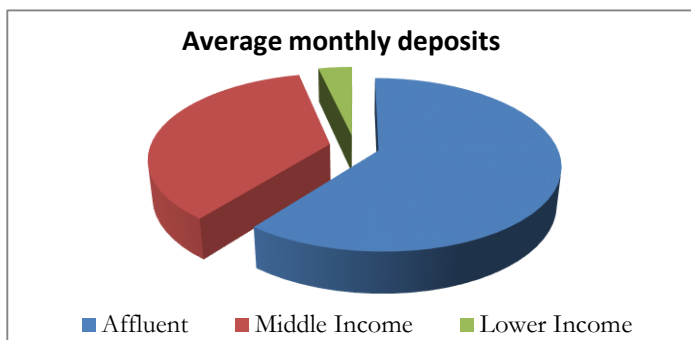
The MIS scheme allows interest to be paid monthly to senior citizens who also get auto credit facility for their savings accounts. It offers an interest of 8.5 per cent, which can be compounded by conversion into RD accounts, as in the case of SCSS.

Table 2: Average monthly deposits by various groups per post office for FY 2013-14.³¹

Areas	Average monthly per post office deposits (in Rs.)
Affluent	10,85,47,825
Middle Income	6,43,74,302
Lower Income	64,05,154

Source: Data collected from individual post offices

Chart 2: Average monthly deposits by various groups per post office for FY 2013-14.



Source: Data collected from individual post offices

³¹ Data excludes West Mambalam SO, due to inexact figures caused by CBS migration. St. Thomas Mt. HO's data for this specific column was not provided.

Table 2 and Chart 2 show that the average monthly deposits in each post office are much higher in the affluent areas compared to the lower income areas. To correct this and facilitate financial inclusion, Post Office Savings Banks need to come up with schemes that would encourage the savings habit among the poorer population.

While interviewing the staff at post offices, I found that most of their customers were senior citizens and had deposited their money either in the Senior Citizen Savings Scheme or in RDs. However, the Post Office Saving Banks offer only five-year Recurring Deposits (RDs), unlike the flexible RDs offered by commercial banks. If India Post Bank has to attract customers, they have to be able to match the services offered by commercial banks, which have already launched the Rupay card. Hikes in the interest rates on post office savings, currently pegged at just four per cent, should increase the number of accounts and quantum of deposits. Interest hikes are essential to attract customers living in middle and lower middle-income neighbourhoods.

India Post currently offers four per cent interest rates on savings where a non-cheque facility account can be maintained at a minimum balance of Rs. 50. It offers 5.4 per cent per annum quarterly compound interest on five-year recurring deposits and time deposits with interest rate above eight per cent on a minimum deposit worth Rs. 200.

Post Office Savings: SWOT analysis

Now let us consider how India Post measures up against commercial banking. The State Bank of India, which is India's largest public sector bank, has 16,069 domestic, 190 foreign and 5,700 associate bank branches, totalling up to 21,796 branches worldwide, as per the 2013-14 Annual Report. Yet, even this magnificent network of banks will not match India Post, once its CBS branches fully migrate. Punjab National

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Bank, the second largest public sector bank, is far behind with 6,201 domestic and five foreign branches totalling up to 6,206 branches (Post Office Bank of India, 2014). India Post leads in terms of deposits as well. Even with only 962 CBS-migrated post offices, it has a total of 5.51 crore accounts with deposits adding up to more than Rs. 87,000 crore (as on November 27, 2014). These 962 branches are only four per cent of the 25,000-odd post offices scheduled for full migration by 2015. Extrapolating from these figures, the post-migration value of India Post deposits would be in the region of Rs. 22 lakh crore as compared to the present Rs. 13.94 lakh deposits (2013-14). The following table shows the comparison between India Post and Bank deposits.

Table 3: Comparing the India Post and Nationalised Bank deposits.

S.No.	Name of Banks	CBS branches (31.03.14)	Total Deposit (in Rs. Crore)
1	India Post (POSB)	*25000	*22,68,574
2	State Bank of India	16069	13,94,409
3	Punjab National Bank	6206	4,51,397
4	Bank of Baroda	5062	5,68,894
5	Canara Bank	4755	4,20,723
6	Bank of India	4671	4,78,695
7	Central Bank of India	4336	2,40,069
8	Syndicate Bank	3251	2,12,343

Source: <http://www.postbankofindia.org/2014/11/india-post-to-shake-nationalised-banks-and-banking-industry.html> * Expected numbers after migration to CBS³²

³² Source: Post Office Bank of India,

<http://www.postbankofindia.org/2014/11/india-post-to-shake-nationalised-banks-and-banking-industry.html>

ATM facilities are also introduced in limited areas in post offices but the Department of Post is planning to install 2,800 ATMs by the end of 2015.

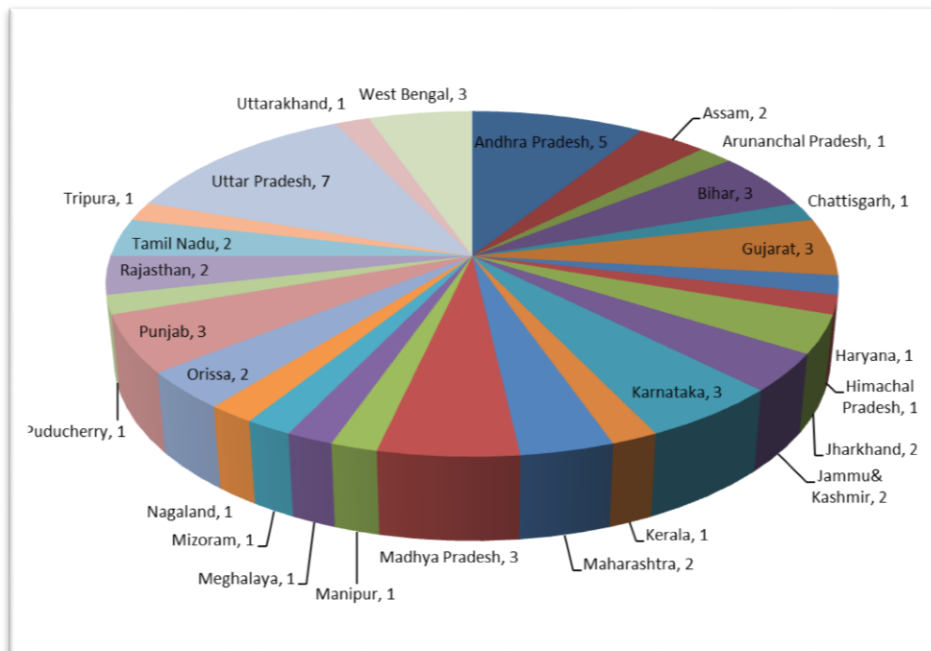
Agency Functions

Kalpana Tiwari, Member (Planning), Department of Posts, Government of India, attributed the government's hesitation in pushing the idea of a Post Bank of India (an umbrella bank?) to its fear that this public institution could be faced with a debt problem.³³

India Post is already doing the job of Payment Banks. As it specialises in its role as agent to discharge the activities of Ministry of Finance and develops a wide network, which none of the banks can compete with, it can act as an agent for providing credit facilities in collaboration with the Regional Rural Banks (RRBs). The RRBs were developed with the aim of developing the country's rural areas and are basically doing the task of priority sector lending. There are, at present, 56 RRBs spread across 26 states and the union territory of Pondicherry.

³³ Interviewed by the author on October 27 2014 at Dak Bhavan, New Delhi.

Chart 3: The spread of RRBs across India



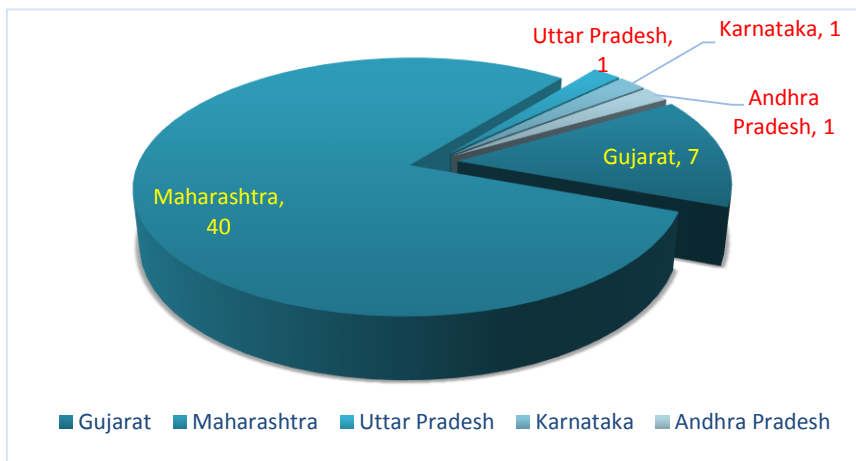
Source: Compiled from the list of RRB's in India. www.rbi.org

Thus, instead of providing credit facilities themselves, the Post Bank of India could leverage the RRBs for providing loans and earn a commission. The RRBs will also gain from this collaboration and have a better coverage. India Post can provide credit facilities to its customers through these institutions with the interest rates offered at the respective Banks and earn commission on the loan repayment by the customers. For example, the postal agents or Dak Sewaks, who usually know the population they cater to, can earn a percentage of interest on the money

repaid as commission by the RRBs. This will also ensure that these institutions do not fall into the trap of bad loans or debt.

Likewise, in regions where there are more Cooperative Banks, India Post can offer credit facilities through them as agents. These Scheduled Cooperative Banks will also get all-India coverage and the Postal Services will gain from commission on loan repayments. It is always good to collaborate with two institutions rather than either just Scheduled Cooperative Banks or the RRBs.

Chart 4: The spread of Scheduled Cooperative Banks across India



Source: Data compiled from <http://rbidocs.rbi.org.in/>

The Role of Postmen

The postman has traditionally been the conduit between people spread over vast distances. The postman's ability to reach the remotest places and his role in village life has been the stuff of folklore. This makes the appointment of postmen as business correspondent ideal in the context

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of the latest government scheme for financial inclusion, the Pradhan Mantri Jan Dhan Yojana. Postmen usually serve a fixed area and they enjoy a degree of familiarity with both the local terrain and its people, which could prove a blessing for the government as it moves to service the rural areas. The postal service running in rural areas through ages will be an asset for meeting the KYC (Know Your Customer) norms, as the postman is already in regular touch with the people of his area. Should postmen be trained in delivering financial services, not only will the job attract more candidates, but the institution of the postman will get a second lease of life.

The postman shares a friendly space in the rural area, knows all the families, their work, and their financial status. He has an understanding of the local geography which helps him anticipate the people's problems in crisis situations such as drought and crop failure. This familiarity with the region and its people will help both in granting loans and avoiding bad loans.

India Post also currently acts as an agent of the government in discharging such other services as wage disbursement for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and old age pension payments.³⁴ India Post also issues money orders and thus it already performs the functions close to the one performed by the business correspondents. India Post can adopt the business correspondent model of Aadhaar to provide doorstep banking.

With 1,54,000 post offices of which 1,37,000 are in rural areas, and with a manpower of 6,00,000 employees — the third-largest after defence and

Interviewed by the author on October 27 2014 at Dak Bhavan, New Delhi.
n.aspx" http://www.indiapost.gov.in/Modernisation_Introduction.aspx

the railways — the system is a vast infrastructure providing the ultimate "access" for poor people to basic services, the last mile connectivity, both literally and along the development path, to a billion people (Ranganathan, 2014).

Mediclaim Policies for Rural Areas

The government could consider delivering mediclaim exclusively for the rural population as a new scheme under PLI (Postal Life Insurance). The PLI scheme was made available to all people by 1995 and was also extended to the rural areas to benefit the social and economic exclusions and to spread awareness among the rural populace. This scheme could, in theory, cover the cost of medicines, travelling expenses to the nearest hospital/public health centre, doctor's fees and would cover snake bites, non-communicable diseases, respiratory disorders, viral fevers and other infectious diseases specific to different rural areas. These claims can be quickly met through the postmen serving the rural areas, as they would know the affected households and would also help in consulting the nearest health centre. The insurance claim amount can be directly credited into the post office savings account of the patients so as to eliminate delays in treatment. It should be a very low-premium mediclaim with flexible premium payment options and should have a good hospital/PHC network base. The government should take the initiative for such schemes and make plans for launching them as a collaborative effort with India Post.

The postmen can also help in spreading awareness about such schemes, and the procedures involved in accessing them. Insurance coverage will greatly widen India Post's customer base in rural areas.

Alternative forms of services and sources of revenue generation

India Post has an advantage over other banks when it comes to earning revenue from non-banking and e-commerce activities. Recently, it transacted about Rs. 280 crore through Cash on Delivery services on behalf of online enterprises like Snapdeal, Flipkart and Amazon. However, the amount of revenue India Post generated for itself is not yet known (*The Economic Times*, 2014).

India receives a large amount of remittances through the Gulf countries. Earlier in 2013, India Post signed an agreement with Wall Street Exchange (a company of the Emirates Post Group of UAE) for the launch of an International Electronic Money Transfer service through 'Instant Cash', a wholly owned subsidiary of the Emirates Post Group, with its services available in 59 countries through more than 60,000 locations. (*Business Standard*, 2013)

IDFC (infrastructure financier) and the Bandhan Financial (a micro lending organisation) got banking licences this year. IDFC, which has created a new SME (Small and Medium Enterprises) division (Saha & Anand, 2014) and the Bandhan Financial, with its cash flow-based lending and biometrics-enabled KYC (Business Line, 2014) are heading up for innovation in banking services. The Bandhan Financial is also planning to introduce “human teller machines” rather than ATMs (Business Line, 2014).

IV. Conclusion

India Post with its widespread network and man-power is uniquely positioned to deliver on the financial inclusion promises and policies of the government of India.

However, for India Post to be a true facilitator of financial inclusion, it needs to upgrade both its manpower skills and technological capabilities. Without this, the opening of new bank branches will serve little purpose. There is a vital need for India Post to revisit its priorities as a banking institution if it is to come up with new schemes and innovations.

Though the process of institutional layering is complex, it is guaranteed to transform lives because of India Post's unmatched network. Opening bank accounts results in transactions, investment or even just one time withdrawal of money. For instance, a look at the Bhamashah Yojana, an initiative started by the government of Rajasthan, shows the incidence of a large number of dead/inoperative accounts.³⁵ India Post's migration to CBS has given a chance to this institution to test its banking capabilities. India Post as a postal service is an amazing success story. Can it replicate the success in the area of Core Sector Banking?

Post Offices all over the world have stood the test of time and have gone through the process of institutional layering for survival. From the strategic role played by Post Master Benjamin Franklin³⁶ to the present

³⁵ See Debroy, B. (2014): "Jan Dhan Yojana the first step; now ensure the poor use accounts", The Economic Times Blog, August 29 2014. Available from: <http://blogs.economictimes.indiatimes.com/policy/puzzles/jan-dhan-yojana-the-first-step-now-ensure-poor-people-use-accounts/>

³⁶ See, Benjamin Franklin 1706-1790. Available from: <http://postalmuseum.si.edu/outofthemails/franklin.html>.

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significance of post offices in delivery of medicines³⁷, the post offices have proved to be an important institution with the strength of its wide network as a blessing. Finally, the role played by Post and Telecommunications Surveillance Service (PTSS)³⁸ in coordination with the Federal Office of Justice in Switzerland and the various banking activities discussed in the previous sections of this paper, make postal services all over the world an institution par excellence.

In India with its unmatched network, the Post Bank of India definitely has the potential to become an institution with long term effectiveness in inclusive banking. The process of Absorption Banking needs to be handled with care. A slow and steady, step-by-step approach is required. This process might lead to delays but the vast network of India Post, which is a blessing in terms of accessibility by the remote population in rural areas should not become a curse in terms of inaccessibility by the higher administration and planning authority. A network of more than 1.5 lakh post offices or even the targeted 25,000 CBS post offices would otherwise prove to be difficult to coordinate with. Its strength of coverage may otherwise prove to be its weakness in terms of management.

³⁷ The “operation medicine delivery” by the U.S. Postal Services³⁷ and the recent initiative by Sierra Leone post office (SALPOST) to distribute Ebola message hand-outs and other materials across homes. See, Postal Service plans major drug delivery drill. National Journal. [Online]. 25 April 2012. Available from: <http://www.nti.org/gsn/article/postal-service-plans-major-drug-delivery-drill-minnesota/>.

³⁸ Post and telecommunications, of which the Internet is a part, contain information that may help solve serious crime. The Surveillance Service monitors post and telecommunications by order of law enforcement agencies. See, <https://www.li.admin.ch/en/ptss/index.html>.

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