

# E- FINANCE: INDIA POST TO PROMOTE FINANCIAL INCLUSION

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## Abstract

Finance can be defined as the art of money management. E-finance whether delivered online or through other remote mechanisms, have spread quickly in recent years. The spread of e-finance to banking services has been more varied across countries. Spurred by the entry of new e-finance providers from outside the financial sector, many financial service providers are now offering e-finance services. These developments will force banks to lower intermediation fee and commission as providing e-finance is cheaper than providing financial services with existing technologies. India is conducting a similar experiment with its post office. The government has been investing in high-speed internet wiring to link 154000 post office branches with 110 million savings account holders. The government is also using satellite system to link all the branches and to permit international money transfers at cheaper rates

**Key words:** E-finance, internet, financial inclusion, post office, services, etc.

## 1. Introduction

Electronic financial services delivered online or through other remote mechanisms have spread quickly in recent years. Approaches to financial sector development need to take into account the possibilities for countries to leapfrog using e-finance. E-finance can allow countries to establish a financial system without first building a fully functioning financial infrastructure. Because e-finance is much cheaper as it lowers processing costs for providers and search and switching costs. The government's main role will be to enhance the enabling environment. But, developments also require a review of government's direct and indirect roles in the financial sectors of emerging markets.

## 2. Impact of E-finance

E-finance leads to much lower costs and greater competition in financial services, through both new entry from outside today's financial sector, and greater competition among current financial service providers. These developments force banks to lower intermediation fee and commission as providing e-finance is much cheaper than providing financial services with existing technologies. Current financial institutions likely experience a sharp decline in revenue.

### 3. Leapfrogging opportunities

The impact of e-finance is not limited to industrialised countries and the most advanced emerging markets. For countries with underdeveloped financial systems, e-finance offers an opportunity to leapfrog. Such countries may have unsophisticated financial systems with limited services and poor financial infrastructure. To the extent that financial services are provided, they might reach only select groups: urban customers with high net worth, state enterprises, and large agribusinesses rather than small and medium-size firms, farmers, or micro-enterprises.

### 4. New policy issues

Realizing the gains of e-finance, changes in public policy toward financial services are required. The most pressing policy issues involve the enabling environment for e-finance. It involves setting regulatory and other frameworks for contract enforcement, for information and privacy, and for telecommunications, security, and public infrastructure for electronic transactions. The telecommunications framework should avoid protecting incumbent providers and allow private firms to enhance connectivity for all consumers using forms from fixed lines to mobile and satellite. If information is good enough, e-finance will extend the reach of financial institutions and capital markets. Governments will need to review their information and privacy policies in light of the new possibilities. Managing risks will become more important at the consumer and investor levels. E-finance can increase risks such as theft and lack of privacy. It can also create new ones such as the non-disclosure by so-called objective information providers of offline businesses and related conflict. As with any new phenomenon, e-finance faces large data problems. The data presented here on internet penetration and even that for total customers must be viewed with caution. More efforts will be needed to develop a consistent methodology for measuring concepts such as internet penetration and related basic data on e-finance. The paper covers a variety of issues, post offices to promote financial Inclusion. E-finance offers many opportunities but it is no solution. Most of the benefits, such as widening access to financial services, can be realized only if complementary reforms are made in communications infrastructure, security, contract enforcement, corporate governance, and other areas.

### 5. Making creative use of existing post offices

Post office provides a wide variety of services, including financial services, to over 40 million people dispersed over more than 1.2 million square kilometers. Under the citizen's post office concept the agency is providing telephones, fax machines, computers, Internet access, and other value added financial services through alliances with a growing number of private providers in search of appropriate distribution channels. The post office has already formed alliances with e-commerce companies to provide financial services through terminals located in its branches. The terminals allow people in remote areas to access e-mail and obtain information online. India is conducting a similar experiment with its post office.

## 6. Financial inclusion covered by India Post

Department of Posts strides like a leviathan amongst the postal networks of the world. It is the largest postal network in the world. It has a staggering network of 154965 post offices and this network remains unmatched and unparalleled. The Department of Posts has proved to be one of the greatest institutions of the country which plays an important role in the socio-economic activity of the nation. The postal network of India touches the remotest corners of the country. While the core activity of the Department is processing, transmission and delivery of mail, there are also a diverse range of retail services undertaken by the Department which includes money remittance, banking, as well as, insurance. The Department is digitizing all its 154965 post offices. The digitized post office may work as multi services center. It may become the nodal centre for the dissemination of information vis-à-vis government policies, disbursement of social security benefits and financial inclusion of rural mass. These post offices offer a digital means of communication, and money transfers.

**1. Core banking solution:** The core banking solution project will bring facilities of ATM, internet banking, mobile banking and phone banking to the post offices saving bank customers to perform transactions 24x7 in ATMs and to transfer money from their accounts to any bank account through National Electronic Fund Transfer and Real Time Gross Settlement.

**2. Core activity under project arrow:** The core activities of the post offices under the four silos are:

**a. Mail delivery:** Delivery of mail on the day of receipt, to provide intimation of delivery; track and trace, monitoring mechanism and progress at every stage; dispatch of mail on the day of booking.

**b. Savings bank:** Reduction in transaction time at counters; adequate availability of forms and other stationary; monitoring mechanism to assess the key performance indicators.

**c. Remittance:** Delivery of money orders on the day of receipt availability of cash in the sub-post offices and branch post offices; providing services of instant money order, electronic money order, and electronic international money order.

**d. Office service level:** Improvement in customer of public forms, customer care center, citizen charter, and conducive and friendly environment in the public hall.

**e. Look and feel:** Infrastructure for standardization of interior of exteriors of identified post offices to ensure uniform branding for easier visibility.

**3. India post payments bank:** India Post Payments Bank could become the most effective vehicle of real financial inclusion in the country. IPPB got incorporated as a public limited company with 100 per cent GOI equity under Department of Posts on 17<sup>th</sup> August, 2016. Two branches were launched on 30<sup>th</sup> January, 2017 at Ranchi in Jharkhand and Raipur in Chhattisgarh in collaboration with Punjab

National Bank. The IPPB is targeted to launch its other branches by 31<sup>st</sup> March, 2018. Vision of India Post Payments Bank is building most accessible, affordable and trusted bank for common man, and spearheading financial inclusion agenda for under-banked populace. IPPB aims to be the largest payments bank for the common man. It will leverage the trust which the India Post enjoys in the minds of the public, coupled with the simple, affordable and convenient digital solutions it will offer to the rural population using door step banking through the Gramin Dak Sevaks, Postal Assistants and across the Post Office counters. The channels of India Post Payments Bank are: counter operations, ATMs / Micro ATMs, doorstep, mobile & internet banking, Aadhaar based payments, pre-paid instruments such as mobile wallets, PoS, MpoS, and USSD / UPI. The IPPB primarily focuses on serving social sector beneficiaries, migrant labourers, and unorganized sector employees, Micro small and medium enterprises, panchayats, low income households, in rural areas and the unbanked and under-banked segments in both the rural and urban areas.

## 7. Suggestions

1. Financial inclusion has gained its moment in the recent past 10 years. Still it has to go a long way to reach its goal. It is not the sole responsibility of the Government. It has to rely upon so many agencies like banking sector, insurance sector and other financial service agencies.
2. No doubt the banking and insurance sectors have faced a very great reformation in 1990s itself. But still the problem and difficulties do exist, because of the hydrogenise nature of Indian public.
3. India Post is fully eligible to do this e-financial service by its staggering network of 1 54882 post offices and which cannot be matched with any other financial agency. In this way India Post has a unique qualification.
4. It is imperative to assess its growth and its fulfillment of the objective of the government policy of financial industries.

## 8. Conclusion

E-financial services on wide majority parts of rural India. The importance of credit facility to agriculture remains unutilized for the actual purpose for which it is being granted. The policy moves and measures from banking institution should be more effective and liberal in grant of credit and loans with a careful management. With the upcoming years there is a strong hope that the vision and mission of financial inclusion will be successful and a large group of customers would enjoy the benefits of e-financial services.

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