



# India Post Payments Bank Launched by PM Modi - GK Notes PDF!

The Reserve Bank of India (RBI), in its attempt to give impetus to financial inclusion in the country, has announced a new category of 'niche' or 'differentiated' banks. Two new types of banking systems have been introduced under this category, namely: Payment Banks and Small Banks. Let us try to understand what Payment Banks are and how the India Post Payments Bank (IPPB) will take banking to doorstep of every citizen through its vast postal network which was launched on 1st September by Prime Minister Narendra Modi. The IPPB will aim to reach to every nook and corner of the country through its already well-established postal network, especially in rural areas.

#### **India Post Payments Bank**

As per RBI guidelines, the IPPB will be registered as a public limited company under the Companies Act, 2013 and licensed under Section 22 of the Banking Regulation Act, 1949, with specific licensing conditions. Their primary role of IPPB is to provide payment and remittance services to the people of the area they service. They are allowed to accept demand deposit, issue prepaid payment instruments, enable internet banking, and function as business correspondents to other banks. However, they cannot indulge in any lending or credit activities and will need to distinguish themselves from other banks by using "Payment" in their names. IPPB will drive financial inclusion and not only assist India's growth but also will increase employment opportunities and empower the poor.

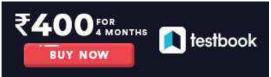
## **Highlights of India Post Payments Bank**











- The government owns 100% stake in IPPB, which is under set up under the aegis of the Department of Posts. IPPB will offer products and services like counter services, micro ATMs, mobile banking app, messages and interactive voice response.
- India Post Payments Bank (IPPB) will be like any other banks but its operations
  will be on a smaller scale without involving any credit risk and it can't advance
  loans or issue credit cards.
- IPPB services will be available at 650 branches and 3,250 access points from 1st Sept 2018 and will be eventually scaled to all 1.55 lakh post offices by December 2018. Out of it, 1.30 lakh access points will be located in rural areas.
- The IPPB will use the network of post offices and manpower of around 3 lakh postmen and 'Grameen Dak Sewaks' to take bank and banking services at every person's doorstep.
- The bank will accept deposits of up to Rs 1 lakh, offer remittance services, mobile payments/transfers/purchases and other banking services like ATM/debit cards, net banking and third-party fund transfers.
- While Deposits in any account that exceed Rs 1 lakh will be automatically converted into post office savings account. It will offer 4% interest rate on savings accounts.
- IPPB will use Aadhaar to open accounts, while a QR card and biometrics will
  drive authentication, transactions, and payments. While Grameen Dak Sewaks
  will be armed with smartphones and biometric devices to handle transactions.
- IPPB has also teamed up with financial services providers like PNB and Bajaj
  Allianz Life Insurance for third-party products like loans and insurance. IPPB
  also has permission to link around 17-crore postal savings bank (PSB) accounts
  with its own setup.
- The Cabinet in a recent notification has approved an 80% hike in spending on IPPB to Rs 1,435 crore to compete in the market with existing operators like Airtel Payments Bank and Paytm Payments Bank.









Experts believe that the launch of this payment banks will bring the 'one-size-fits-all' approach in commercial banking to an end. Organizations like SBI, Paytm, Vodafone, Yes Bank etc have applied for launching payment banks in India. Meanwhile we can hope that this format is as promising as it looks on paper and these banks will cater to the need of the lower income groups by introducing simple policies especially designed to help them and take India a step closer to achieving 100% financial inclusion.

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