

CHAPTER - 7

CONCLUSION AND RECOMMENDATIONS

7.1 As per the Census 2011 figures, out of 24.67 crore households in the country, 14.48 crore households i.e 58.7% households had access to banking services. In the rural areas, 54.46% households were availing the banking services and in the urban areas, the figure was 67.68%.

7.2 The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15,082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2%) and 23,334 ATMs (14.58%) are in rural areas and the remaining in semi-urban and metropolitan areas. In the year 2014-15, the Public Sector Banks propose to set up 7332 branches and 20,130 new ATMs. However, given the staff constraints of banks and the viability of opening full fledged branches in rural areas, the demands for branch expansion far exceed the supply. (PMJDY Brochure – www.pmjdy.gov.in)

7.3 The first phase of the Pradhan Mantri Jan Dhan Yojna for Financial Inclusion, which was launched on 15th August, 2014 is currently on. Till January 2015, a total of 1254.73 lakh accounts had been opened. The work is still on and currently the focus is on opening of accounts. The success of the scheme for getting the financially excluded people into the mainstream is yet to be seen.

7.4 In the Pradhan Mantri Jan Dhan Yojna, the banks have to open accounts and cover all the rural households, making use of Regional Rural Banks (RRBs) and Business Correspondents. Post offices, however, have not been made use of in

the present scheme of things. Going by the fact that post offices are providing Savings Bank, Money Remittance and Insurance services, they are already a part of the scheme of financial inclusion in the literal sense.

7.3 The reach of the post office is there right till the last mile. The post office, including the rural network is being modernized and computerized at a fast pace and going by the manner in which the the computerization process has taken off, within the course of a year, the post offices located in the rural areas also, would be in a position to not only offer the Savings Bank services efficiently but would also be able to offer the Aadhar linked payments to the beneficiaries of the various Government schemes. A McKinsey (2011) study estimated that connecting every Indian household to a digital payment system and automating government payment flows can save \$22 billion a year, 80% of it from reduced leakages. (Brochure on financial inclusion, www.pmjdy.gov.in)

7.4 With the Government led Bharat Broadband project set to deliver fibre optics till the Gram Panchayat level, post offices in the villages will be in a position to offer all the wherewithal of bridging the digital divide.

7.5 As described in Chapter 3 , world over, because of their network, reach and proximity to the rural populace, Post offices are being utilized for the purpose of financial inclusion. Different models are being followed in different countries depending on their requirement and convenience. While some countries like Japan and Germany, have carved out a separate business under their Postal Departments to offer banking services, others like Brazil and Indonesia, have entered into strategic alliance with existing leading commercial banks in their

countries and their network is being used to provide financial inclusion to the countryside. In UK and France, post offices do not offer deposit services of their own, instead they have entered into strategic alliance with one or more major Banks to offer services at their outlets. Whatever be the mode, the fact that post offices are there at the right places with the right kind of expertise, trained manpower and trust of the people, is being exploited and made use of by various countries to financially and thereby socially include the left out people into the mainstream !

7.6 India Post is already handling the Government of India sponsored schemes like MGNREGA, Pension schemes etc. Core Banking Solution, which has already been implemented in post offices and would be fully implemented in all post offices by 2015, would ensure that service delivery becomes more effective and new services can be introduced conveniently and in a reduced time frame. In fact, during the visit to the rural post offices in Andhra Pradesh where MGNREGA payments were being disbursed, while talking to the beneficiaries especially the womenfolk, one common lament was that they had to travel some distance, spend money on travel and even loose a day's wage to collect their payments. They wanted the government functionary to come to their village and disburse their payments. Post offices have the requisite infrastructure to effect doorstep delivery of financial services. Post office personnel are already delivering the mail products and remittances at the doorsteps of their recipients. The postman who is a known functionary of the village, generally even belonging to the same village, is a Government representative and also has experience of delivering financial products at the doorstep of villagers, could

easily take on this work and could in fact carry the hand held machine to effect the payments at the respective villages of the beneficiaries.

7.7 In the case of our country, the post offices have not been made use of in the current Jan Dhan scheme of financial inclusion. Why were the post offices not made use of, is not for us to speculate. However, the fact remains that whether India Post be given a banking license i.e made into a full fledged bank or given a license to be a payments bank, where it gets to provide savings and lending facilities, it has a network which is there in place and to top it, enjoys immense trust of the people. Even the Prime Minister on 07.01.2015 while accepting the Report of the Task force on leveraging the network of the post offices, said that *'The Department of Posts has huge assets across India, and ways should be explored to suitably use these assets for the benefit of the people. He said post offices in rural areas can be used to deliver services and important government information to individual households.'*

7.8 To let go of this immense, trustworthy network already available would be criminal especially in view of the fact that the post office is already in the business of taking the various Government social security schemes to the last mile. In fact, it has already demonstrated in Andhra Pradesh that it is even capable of disbursing Aadhar linked payments after proper biometric identification of the beneficiaries. With its branches getting CBS and its rural branches getting the handheld devices for their operations, the post offices are perfectly placed to take on the task to the last mile. They can be an important player in mopping up rural savings and bringing the people out of the grip of various kinds of chit funds and deposit mobilization companies.

7.9 The budget for 2015-16 has since been presented on 28th Feb, 2015 where the Finance Minister has given a go ahead to the Postal Department to set up a Payments Bank. He also announced that -

" The Government will utilize the vast postal network with nearly 154,000 points of presence spread across the villages of the country to reach out to the intended beneficiaries."(The Economic Times, 1st March, 2015)

7.10 Besides, the Finance Minister has also proposed to initiate at least half a dozen social security schemes that will lead to a universal social security system for all, especially the poor and the underprivileged. which would help the Government move from Jan Dhan (financial inclusion) to Jan Suraksha (social inclusion). With more of such schemes being announced, the role of the post offices becomes all the more important as the important point then is to transfer all these benefits in a leakage proof manner to the beneficiaries !