

Role of India Post for Financial Inclusion to Rural Arunachal Pradesh: With Reference to Tawang Distirct.

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Abstract

With the fast changing economy and technological innovations in machines and equipment's, infrastructural development, the rural lifestyle is also somehow taking hype in terms of better society, quality education to their children's, healthy lifestyle, green environment, better connectivity, sound financial condition. One of the pillars for a successful and well established economy is its inordinate financial system. It is very important to create an environment for the rural people to connect them with all the suitability for providing better financial services. People in rural India are still facing difficulty in accessing to basic financial services. Through the initiative of Postal banks, it has been somehow possible to providing banking services such as savings and deposit account to the rural people from remote areas of the country. India post has the highest operating branches all across the country, especially in the rural areas. Thus, this study is carried to understand the role of India post in reaching to the rural people for including them into the financial system of the country. The study also aims at analyzing the performance of various banking services provided by India post to the rural customers. It is very important to create awareness about financial services to the rural people as their savings can help in building our economy strong trough flow of cash from rural India into the Indian financial system.

Keynotes: Rural, India Post, Arunachal Pradesh, Financial Inclusion, Banking Services

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I. INTRODUCTION

Financial Literacy has been one of the most important issues in our country. India being a developing nation with its economy dependent on Agriculture has to look at the problems of rural people. Finance being one of the main requirements for the farmers is addressed by the Government through their national schemes in many ways. Financial inclusion plays a major role in inclusive growth of the country. It is estimated that globally over 2.5 billion people are excluded from access to financial services of which one third is in India. The objective of financial inclusion exercise is easy availability of financial services which allows maximum investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms (Mala & Vasanthi, 2016). In simple words, Financial Inclusion means including those, especially people who are from remote areas deprived of financial services, into the banking and financial system of our country through offering them basic financial services such as savings account, deposit accounts, loan facilities, etc. The Government of India Nationalized 14 banks in 1969 in order to create a better banking system for the public. Again in 1980, 6 banks were nationalized. With the dose of nationalization, the government of India controlled 91% of banking business of India. Financial system of any country consists of financial markets, financial intermediation and financial instruments or financial products. There are regional rural banks and co-operative banks to support the banking needs of the rural people in India. But it does not reach all the needful places. Government of India had included the Indian postal Services in providing the financial aids to the rural people through their rural branches since it is the only Government Institution who had successfully established its branches all across the country. Indian post was established in 1854, and slowly marking its feet all over the country, especially the rural areas, have been a prominent figure in the development of rural India. It is involved in delivering mails, accepting deposits under small saving schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. the Department of Post also acts as an agent for the Government Of India in discharging other services for citizens such as Mahatma Gandhi National Rural Employment Guarantee scheme (MGNREGS), wage disbursement and old age pension payments. The postal department is serving as a financial Institution for the rural people by providing various financial products such as saving accounts Recurring Deposits, Time Deposits, Rural Postal Life Insurance. This study imparts us to know the

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extent of Accomplishment by Indian post in providing the needful financial services. India Post has the largest network of core banking solution branches in India.

II. REVIEW OF LITERATURE

Dipankar Malakar (2013) exposes certain facts through his paper exclusively on the role of post office in the financial inclusion and the difficulties faced by the Department of Post. Indian post office provides reliable and low cost services. The post office have wide network of branches across the country providing financial and courier services. There are several obstacles and complications which pull the way back for the India post in delivering the service they render. But despite of all challenges faced by it, they never fail to offer the excellent services and safest way of investment agency.

Anand. M.B & Ramesh (2013) had stated the performance of India post and its prospective future growth strategies through their study. India post has the largest postal network in India and with experience of handling the financial services by their traditional technique delivered extra ordinary services to the country. India post has introduced centralized core banking solutions (CBS) to provide better quality service and operational efficiency with alternative delivery channel to bring a contented banking environment. As per the study, the India post through its unique strategies are creating better prospectus in eliminating all the hurdles but there is no progressiveness in the performance of the organization.

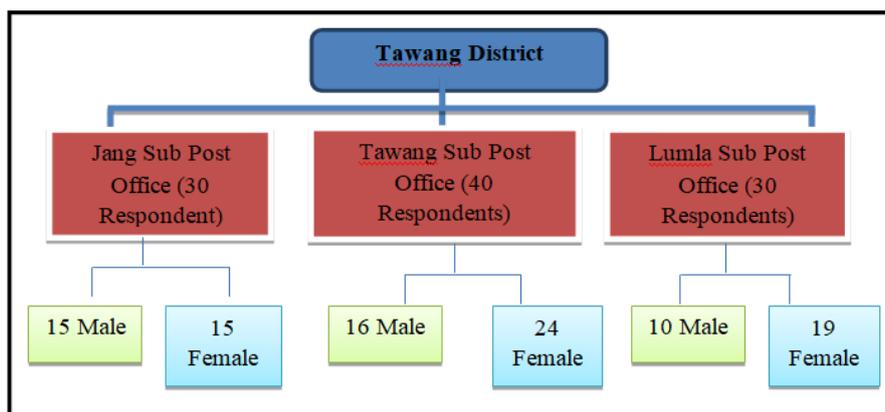
K. Gayathri (2014) had worked on paper to study the attitude of the investors which is focused on the various investment and saving schemes of the postal offices in cumbum town. The study analyses various obstacles and hurdles which the customers encounter while investing in post offices. The study also offers suggestions and recommendations on improving the functioning of the organization to deliver quality services and smooth operation. Technological changes are necessary to make services faster and much more reliable. It is found that the Department of post has adopted marketing strategy which aims to the urban population but fails to reach the rural folks.

III. OBJECTIVE OF THE STUDY

The study is carried out to understand the Role of India Post for financial inclusion in Arunachal Pradesh. India post offers range of banking services in the remote areas as it has the highest number of branches operating in the rural places. The study also focuses to understand the behavior of rural investors while investing or depositing their money in postal banks.

IV. METHODOLOGY

4.1 Sampling Technique



The study on “The role of postal services for financial inclusion in Rural Arunachal: with reference to Tawang District” is based on qualitative and quantitative research method. Therefore therequired data on the income-expenditure pattern of the rural people, their saving behavior, institutional setups, the financial health of the rural people, and attitude of people towards banking and financial institution have been collected using the qualitative and quantitative method. The measurement tools, data collection methods, and data analysis play a very vital role in making a study an empirical one. The study on this title requires making a comprehensive research on the entire Tawang district. Since the study limits the population to only those who have accounts in the post Office for interview and data collection purpose. The details on the methodology adopted for the present study is to describe under the following sub-headings.

4.2 Research Design & Analytical tools

The study contains both quantitative and qualitative data from authentic sources. Data analysis and Interpretation is done by using necessary analytical tools such as pie chart, bar graph, percentile, mean, etc. through entering the data in MS Excel sheet, then transferred it to SPSS 16.0 for further analysis. The study comprises of both numerical and non-numerical data. There are non- numerical data in the study which are explanatory in nature such as saving behavior of the people, functioning of post offices in rural areas, the financial services rendered by post office and its performance in the rural areas. For analysis of non-numerical (qualitative data) proper descriptive measures are used such as organization and categorization of data, evaluation and representation of the data.

V. INDIA POST: OVER VIEW ON POSTAL BANKING

The first post office in India was established by East India Company in the year 1688 in Bombay followed by Calcutta and Madras. It was named as „Company Mail“. The Post Office Department of the East India Company was first established on March 31, 1774 at Calcutta, followed in 1778 at Madras and in 1792 at Bombay (Majumdar, 1995). The present type of post office came in to being in the year 1854 under the post office Act of 1854 (Rajan, 1995). The Indian post office has a huge network of branches with a unique outreach in rural areas. In the year 1861 total number of post offices in India were 889. The number of post offices in India increase from 23,344 in 1947 to 1, 54,866 as on 31-03-2011. Out of total post offices in India 1,39,040 numbers post offices are in rural areas which accounts for 89.78% of India’s total post office and remaining 15,826 numbers of post offices situated in urban areas which is only 10.22% of total numbers of post offices (Annual Report, 2017-18).

The Core Banking Solution (CBS)

Project is bringing in facilities of ATM banking, Internet Banking and Mobile Banking to Post Offices Savings Bank (POSB) customers 24×7 along with the facilities of National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS). IPPB got incorporated as a Public Limited Company with 100% GOI equity under Department of Posts on 17th August, 2016. Two branches were launched on 30th 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 31st March, 2018 (Annual Report, 2017-18). With the introduction of IPPB, Post Office savings Bank (POSB) accounts will be linked to IPPB which will enable them for RTGS & NEFT and other online modes of payments. Similarly, POSB complement IPPB accounts by becoming a sweep-out destination for accounts which have balances above 1 lakh at end of the day. IPPB also compliment e-commerce business of DoP by facilitating e-commerce payments. The DOP-IPPB system integration links lakhs of POSB accounts which are currently working in a closed loop system to banking world providing complete interoperability.

VI. PROFILE OF THE RESPONDENTS

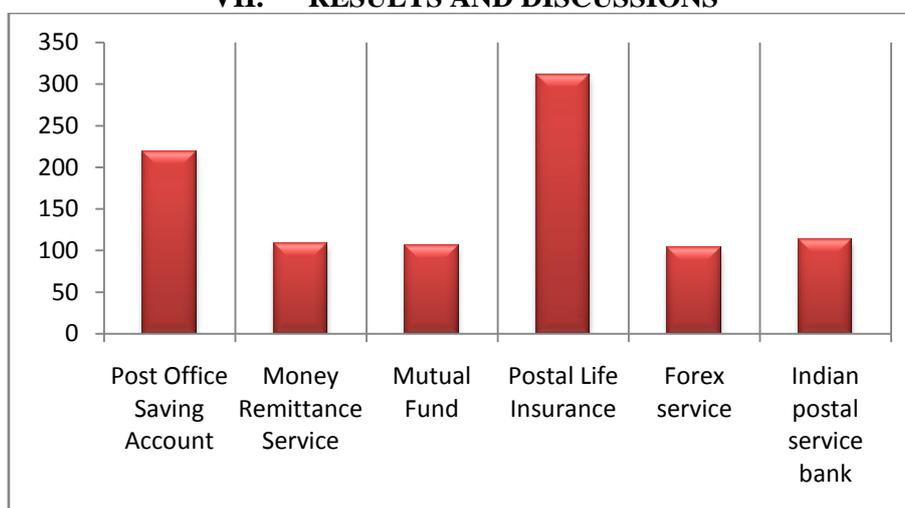
| Sl no. | Feature of Respondent | Numbers | Percentage from 100 sample | |
|--------|---------------------------|------------------|----------------------------|-----|
| 1 | Age | Below 18 years | 2 | 2% |
| | | 18-30 years | 9 | 9% |
| | | 30-45 years | 51 | 51% |
| | | Above 45 years | 38 | 38% |
| 2 | Sex | Male | 41 | 41% |
| | | Female | 58 | 58% |
| 3 | Educational Qualification | Illiterate | 21 | 21% |
| | | Below SSC | 7 | 7% |
| | | SSC | 6 | 6% |
| | | HSC | 24 | 24% |
| | | Graduate | 31 | 31% |
| | | Post Graduate | 11 | 11% |
| 4 | Occupation | Farmer | 8 | 8% |
| | | Job | 35 | 35% |
| | | Own Business | 28 | 28% |
| | | Land Labor | 22 | 22% |
| | | Others | 7 | 7% |
| 5 | Monthly Income | Below Rs. 5000/- | 3 | 3% |
| | | Rs.5000/- to Rs. | 28 | 28% |

| | | | |
|--|----------------------------|----|-----|
| | 15000/- | | |
| | Rs. 15000/- to Rs. 25000/- | 37 | 37% |
| | Above Rs. 25000/- | 32 | 32% |

Source: Field Survey

The study found that 37% of the people who have Account in the post Offices have monthly salary of between Rs. 15000/- to Rs. 25,000/- of which 37.83 % are male and 62.16% are female. It means their average annual income is Rs. 2, 40,000/-. About 32% of the people who have account with the post offices have monthly salary of above Rs. 25000/- out of which 43.75%are male and 56.25% are female. There are only 3% of people who earned below Rs. 5000/- monthly having an account in Post office and all are female. Income is one of the key factors that determine the saving behavior of people. The study reveals that the people with low income are not able to save money. 28%of the respondents earn an average income of Rs. 120,000/- out of which 46.43% are male and 53.57% are female. People with average annual income of Rs. 3,00,000/- in rural area are expected to invest their money in saving and other financial products offered by India Post. It can be observed from the above table that the female ratio is more than the male ratio in the study. 59% of the respondents are female whereas only 41% of the respondents are male. Out of 59% female, 18.64% are illiterate, 6.78% are have studied below SSC whereas 8.47% completed their studies till SSC.22.03% have completed their education till HSC and 32.20%went till their college degree. Only 11.86% of females have completed their post-graduation degree. It states that the female in rural Tawang have Accounts in the Post Office. 41% of the respondents are male, out of which 22.45% of them are illiterate with light to 9.76% of the male with post-graduation degree. There is special treatment for females such as Sukanya samridhi account which is exclusively offered for girl child. The scheme is imperative as it provides the highest rate of interest *i.e.* 8.6% per annum. As per the census 2011, Tawang has a sex ratio of 701 females for every 1000 males.

VII. RESULTS AND DISCUSSIONS



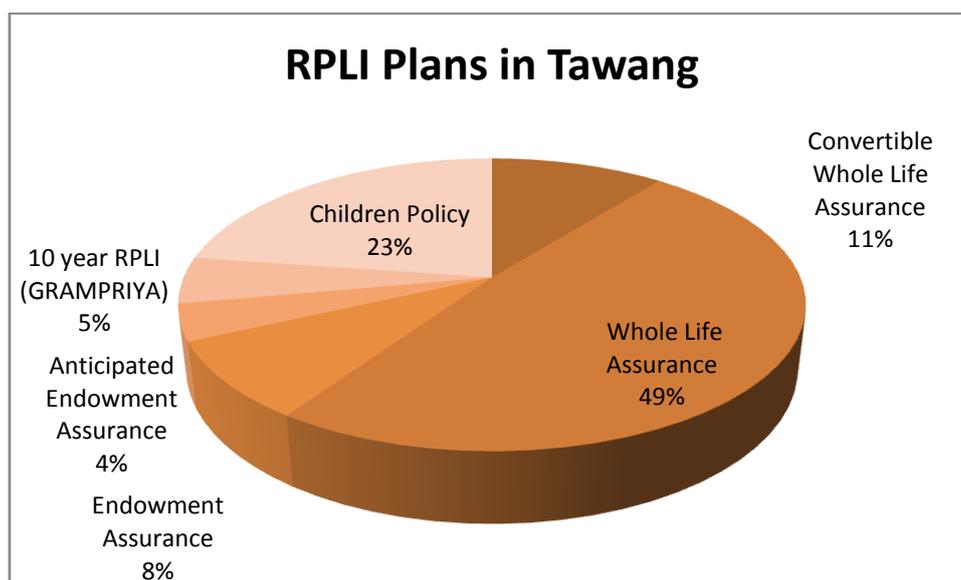
Source: Field Survey

According to the study people residing in the rural areas of Tawang have diminutive knowledge on the saving and insurance product offered to them by the Indian post. The study reveals that Post Office Saving schemes (POSB) and Postal Life Insurance are known to certain section of the rural society in Tawang District. Both Postal Saving Schemes and Postal Life Insurance marks to be a Major entity for the India post in serving the saving and banking needs of the rural people. Other products such as Money Remittance services, Mutual Funds, Forex Services, and Indian Postal Service Bank are unknown to many of the rural folks. One of the reasons why the Organisation has failed to create awareness among the rural public is their poor marketing. The concept of rural marketing is not adopted by the Indian post when they focused to primarily target the rural regions for providing the saving and banking services. The rural people lack Information about the saving and insurance products offered by the Indian Post.

Post office saving bank offers range of saving schemes such as saving account, time deposit, recurring deposit, monthly income scheme, provident fund, national saving certificate, senior citizen saving scheme and sukanya samridhi account. Only 10% of the respondents are very aware about the saving schemes, whereas only 24% are aware. It is astonishing to see that 59% of them do not have awareness of post office saving bank.

Money remittance service by the post office is a unique service offered to rural people for remitting money to anyone anywhere. Only 7% of people are aware of the service money remittance service by post office, whereas 5% of them are fairly aware about the service. Around 87% of respondents never heard of the remittance services provided by post offices.

Sukanya samridhi account is a distinct scheme offered only for girl child in a family to promote girl child and their education. 30% of the respondents have sukanya samridhi account. Out of 56% respondents who have saving account, 57.97% are female and 42.03% are male. 53.62% of them are between the age group of 30-45 years and 37.68% are above 45 years. 5.79% of them are farmers, 39.13% are into jobs, 24.63 their own business and 26.08% are land labors. Education is also considered to be a significant factor for understanding the behavior of people. 13.04% of the respondents with saving account are post graduate, 24% have graduated and 20.29% are illiterate. The saving schemes such as recurring deposit, time deposit, provident fund, senior citizen saving scheme, national saving scheme and monthly income scheme accounts for 14% of the respondents.



Source: Field survey

Rural postal life insurance has been a popular insurance scheme in the rural areas and particularly in Tawang district. Since the postal life insurance is specifically for the state and central Government employees. For the general public, rural postal life insurance was introduced. There is range of insurance policies such as whole life policy, convertible whole life policy, gram priya, endowment policy, etc. 2% of the respondents are fairly aware of provident fund offered by post offices. RPLI is a popular service rendered by post office as 15% of respondents are very aware and 38% are aware of the insurance policies offered by rural postal life insurance. As per the study the rural people have considerably adopted the insurance on their daily life. With the span of time, people from rural areas have also understood the value of covering their life through insurance. Whole Life Assurance is seen to be pretty popular in the rural areas of Tawang with 49% of the respondents who have insurance policies with the India post holds the same policy. It is understood that the parents in the rural areas are very much concerned about their children, since 23% of the respondents have bought Children policy. Convertible whole life assurance policy also appears to be accepted by the rural people. Around 11% of the people who have insurance with the India post have convertible whole life assurance policy.

VIII. CONCLUSION

India post is known for its largest branch office network with 1,55,000 post offices operating all across the country. The post office network has successfully reached in the remote corners of India, but despite of its reach the organization is unable to deliver the services at its preminent. The Government of India supplied 1.3 lakh Solar Powered Biometric handheld devices in rural post offices for financial and other transaction. Despite of the efforts made by the Government of India, the postal branches are failed to be technically advanced. The study revealed that due to poor internet connectivity, the post offices were unable to make financial transaction. Rural marketing is also an important issue for the Post offices operating in rural areas like Tawang district. People are unaware of the financial products offered by them. Lack of information also led to slow growth of postal banking in rural India. Lastly, this study has revealed the role of India post in providing financial services

in the rural areas like Tawang district. The post office also contributes in financial inclusion by offering range of financial products to the rural folks where the bank branches are unable to reach. Post office in India plays a vital role in rural development. Due to its vast network in the rural areas, Government can channelize rural developmental schemes to rural people through the organisation. Fast changing technology also demands adaptation, modification in the operations of the Post Offices. Government of India attempts to digitalize all the post offices under its Digital India campaign. This supports the rural development in enhancing their functioning in rural areas for developmental activities.

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