

**STANDING COMMITTEE ON INFORMATION TECHNOLOGY**

**(2018-19)**

**60**

**SIXTEENTH LOK SABHA**

**MINISTRY OF COMMUNICATIONS (DEPARTMENT OF POSTS)**

**SETTING UP OF POST BANK OF INDIA AS A PAYMENTS BANK – SCOPE, OBJECTIVES AND  
FRAMEWORK**

**SIXTIETH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

*January, 2019/Pausha, 1940 (Saka)*

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*Presented to Lok Sabha on 08.01.2019*

*Laid in Rajya Sabha on 08.01.2019*



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**COMPOSITION OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2018-19)**

**Shri Anurag Singh Thakur - Chairperson**

**Lok Sabha**

2. Shri Lal Krishna Advani
3. Shri Prasun Banerjee
4. Dr. Sunil Baliram Gaikwad
5. Shri Hemant Tukaram Godse
6. Shri Shyama Charan Gupta
7. Dr. Anupam Hazra
8. Smt. Hema Malini
9. Dr. J. Jayavardhan
10. Shri P. Karunakaran
11. Shri Virender Kashyap
12. Shri Harinder Singh Khalsa
13. Dr. K.C. Patel
14. Shri Raosaheb Patil Danve
15. Smt. R. Vanaroja
16. Shri Paresh Rawal
17. Dr. Bharatiben D. Shyal
18. Shri Abhishek Singh
19. Shri D.K. Suresh
20. Shri Ramdas C. Tadas
21. Shri Nagendra Pratap Singh Patel

**Rajya Sabha**

22. Shri Raj Babbar
23. Dr. Subhash Chandra
24. Shri Suresh Gopi
25. Shri K.G. Kenye
26. Shri Santiuse Kujur
27. Shrimati Kahkashan Perween
28. Dr. K.V.P. Ramachandra Rao
29. Dr. Vinay P. Sahasrabuddhe
30. Shri Beni Prasad Verma
31. Shri Binoy Viswam

**Secretariat**

- |    |                   |   |                     |
|----|-------------------|---|---------------------|
| 1. | Shri Y.M. Kandpal | - | Director            |
| 2. | Smt. Geeta Parmar | - | Additional Director |

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Committee constituted w.e.f. 1<sup>st</sup> September, 2018 *vide* Bulletin Part-II Para No. 7324 dated 18<sup>th</sup> September, 2018.

## INTRODUCTION

I, the Chairperson, Standing Committee on Information Technology (2018-19), having been authorized by the Committee to submit the Report on their behalf present this Sixtieth Report on 'Setting up of Post Bank of India as a payments Bank – scope, objectives and framework' relating to the Ministry of Communications (Department of Posts).

2. The Standing Committee (2017-18) selected this subject for detailed examination and report to the Parliament. The examination of the subject could not be completed during the term of the Committee (2017-18). In view of the importance of the subject and considering the need for wider consultation, the Standing Committee on Information Technology (2018-19) re-selected the subject for further examination and report.

3. The Committee took evidence of the representatives of the Ministry of Communications (Department of Posts) and India Post Payments Bank (IPPB) on 28.05.2018 and 15.10.2018.

4. The Committee at their sitting held on 4 January 2019 considered and adopted the Report. The Committee were immensely benefitted by the suggestions/contributions made by the Members of the Committee for which I express my sincere thanks to them.

5. The Committee wish to express their thanks to the representatives of the Ministry of Communications (Department of Posts) and India Post Payment Bank (IPPB) for appearing before the Committee and for furnishing the information that the Committee desired in connection with examination of the subject.

6. The Committee also place on record their appreciation for the invaluable assistance rendered by the official of Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience the Observations/Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

**New Delhi;**  
**04 January, 2019**  
**14 Pausha, 1940 (Saka)**

**ANURAG SINGH THAKUR,**  
**Chairperson,**  
**Standing Committee on**  
**Information Technology**

## REPORT

### Setting up of India Post Payments Bank (IPPB) - Scope, Objective and Framework

#### I. Introductory

In order to promote financial inclusion and increased access of the people to the formal financial system, the Hon'ble Finance Minister of India during the Budget Speech 2015-16 announced the setting up of a Payment Bank by Department of Posts. The Cabinet approved the setting up of India Post Payments Bank in June, 2016 with the direction to rollout all 650 branches and link all 1.55 lakh post offices as access points by 30 September, 2017 with a project outlay of Rs. 800 crore. The Reserve Bank of India (RBI) after due diligence granted license for operationalising IPPB on 20 January, 2017. Accordingly, 2 pilot branches using Punjab National Bank's technology platform at Raipur and Ranchi with 8 access points were launched by the Hon'ble Finance Minister and Minister of State for Communications on 30 January, 2017.

2. As per the revised implementation plan approved by the Cabinet in August, 2018, IPPB has set up 650 branches and 3250 access points on 1 September, 2018 and will link the remaining post offices as access points by 31 December, 2018. The revised project outlay approved by Cabinet is Rs. 1435 crore which comprises of Rs. 1035 crore of equity and Rs. 400 crore as grant.

3. The vision, mission, mandate, objectives and scope of the payments bank have been given as follows:-

- Vision** - Building the most accessible, affordable and trusted bank for the common man.
- Mission** - Catalysing easy access to formal financial services by removing the barriers for the unbanked and reducing the opportunity cost for the underbanked populace.

**Mandate** - Financial Inclusion through the extensive postal network.

**Objectives** - (i) Taking financial inclusion to every corner of the country through the combined network of the Bank and the linked Post Offices.

(ii) Bringing a large number of individuals and small businesses into formal banking channel.

(iii) Provide a secure and reliable payments channel for social security payments under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Social Assistance Programme (NSAP) etc. and all Government to Citizen (G2C) transactions.

(iv) Become the preferred partner for service delivery for Government (Central, State and Local) by connecting citizens, irrespective of their location, financial or educational status to deliver products and services to beneficiaries.

(v) Tie up with various other banks, insurance companies, mutual fund houses and other financial institutions and service providers to help in customer acquisition and distribution of third party products.

(vi) Safe, economical and reliable money transfer to meet the needs of migrant labourers and the unorganized sector.

(vii) To provide a payments platform for integrating services provided by Government and Private sector for the economic upliftment of the poorer and marginalized sections in both urban and rural India.

(viii) Build the most accessible payments bank through various channels including Mobile Point of Sale (MPoS), mobiles, Internet banking transactions at the Post Office Counters as well as at the door step of the customers and encourage the transition to a less cash economy.

**Scope**

**Accessibility:** With a network of 1.55 lakh post offices countrywide, and more than 3 lakh Postmen and GDSs servicing the last mile, IPPB will be India's most accessible Bank. With IPPB's Doorstep Banking Services, customers may not even need to leave their homes.

**Affordability:** IPPB will leverage interoperable public technology infrastructure of RBI, National Payments Corporation of India (NPCI)

and Payments Settlement Systems to offer last mile affordable banking. Aadhar-based customer onboarding of IPPB will reduce the cost of customer acquisition – a benefit that will be transferred to the end customer.

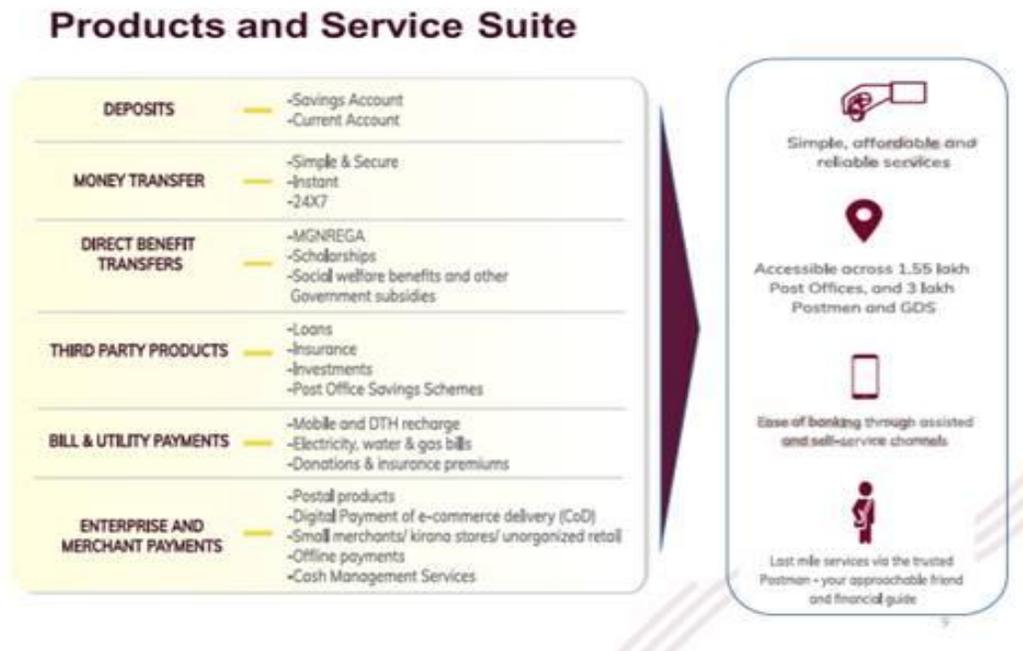
**Ease of Banking:** The last mile delivery agent i.e. postman, GDS is armed with financial knowledge, and equipped with a smartphone and biometric device, enabling him/her to offer financial services and guidance with relative ease. IPPB's QR card eliminates the need for customers to remember their account number and PIN.

**Digital Ecosystem:** IPPB has become a part of the country's digital banking ecosystem. It has deep linkages with payment and settlement infrastructure / systems such as NEFT, RTGS, IMPS, Bharat Bill Payment Payments System (BBPS), Public Fund Management System (PFMS), Aadhar Based Payment System (ABPS) and National Automated Clearing House (NACH). At macro level IPPB's 360 degrees' payments products and services creates transparency, removes corruption and leakages by removing cash from the system, enabling a less cash economy and thus contributes to India's GDP. At individual level customers can transact without cash through digital channels (IPPB mobile app, QR card).

**Financial Literacy:** IPPB promote financial inclusion through financial literacy-educating customers on how insurance secures the unsecured, how wealth grows from wealth and how even a little saving can go a long way towards building a better future.

## II. Product and Services of IPPB

4. As regards the various types of services offered by IPPB, the following chart depicts the Products and Services Suite of the IPPB:



5. To a particular query, it has been stated that there is no limit on number of transactions to be made. Further, there are following two ways of performing a transaction at Merchant Point:

- If the transaction is initiated by merchant, per transaction limit is Rs. 500
- If the transaction is initiated by customer through their own Mobile App, there is no limit imposed.

6. It was informed that at present IPPB have got almost 9,000 merchants enabled on the ground, however, only 10 per cent are active. When asked about the reasons, it has been stated that the reason can be attributed to initial effects. Digital behavior for the unorganized retail at last mile is a slightly new concept, which requires digital literacy, customer education and hand-holding. The digital behavior will increase as we scale up and acquire more customers. Further, with the release

of more interoperable payment methods, the customers and merchants will find more value in doing less-cash transactions.

7. To a specific query, it has been informed that at present, the criteria to be considered as active merchant is to perform two sale transactions in a month.

8. When asked about the incentives based system proposed for the merchants, it has been informed that in the banking industry, merchants are charged MDR (Merchant Discount Rate) for enabling digital transactions. Different payment systems attract certain defined MDR's and interchanges. At present, IPPB is not charging any MDR to its merchants as the transactions are from IPPB account only. Once the interoperable payment instruments are enabled, applicable MDR will be charged. The incentive for the merchants is in the ease of doing business, immediate receipt of funds rather than T+1 settlement, avoiding the hassles of handling cash and security risk from theft/ loss.

9. To a specific query, the witness clarified that there is a centralized call centre where they are just providing the information. If one says that he needs a doorstep banking service, the query is locked in. This goes into a centralized system from where the request is sent to the concerned GDSO. The customer in a particular State gets mapped to an access point. If there are two GDS who are servicing that access point, the customer is automatically mapped in the system to those two GDS. So, when the query is locked, only in one case, the customer needs to give additional information if he wants a cash out. So, if the customer says that he wants Rs. 500 in cash, the GDS knows that he has to carry Rs. 500 with him when he comes to the customer. Other than that, all are digital transactions and GDS does not need to carry anything with him/her to service the transaction. So, these calls will then get routed to the GDS who gets the information on his micro ATM app. He or she will then call the customer to fix the time and they will coordinate between them and once the call is completed which means they have gone and finished the transaction with the customer, it again shows in the system that this service call has been completed.

10. The Committee wanted to know about the number of calls for different types of transactions including cash deposits and withdrawals received so far. IPPB has informed that for the period 1st September 2018 – 31st October 2018, 125 Door Step appointment requests were received wherein the bifurcation is given below:

- a) Cash Deposit – 95
- b) Cash Withdrawal – 26
- c) Account Services (Others) - 4

11. During the course of evidence, it was submitted that IPPB are in consultation with the Department of Posts and have built Service Level Agreements(SLAs). Further, whatever incentives they are building, part of the incentives also means as to how many transactions are being serviced within the SLAs and those SLAs are being tracked. But over here, the only thing to add would be that these GDS from an incentivization perspective, which is what was significant intervention by the Cabinet, last time they also got approvals that they are also giving them direct incentives as is done with the industry at large as a best industry practice for doing IPPB transactions. Asked about the salient features of the SLAs developed by the IPPB, it has been stated that the SLAs are a compilation of information on working hours, transaction limits and operations Turnaround time (TAT) for business. The same are broadly split into three parts:

Part 1: Office and business hours of DoP and IPPB;

Part 2: Cash limits and replenishment turnaround time across DoP ; and

Part 3: Turnaround time for account opening, financial transactions (including cash and non- cash) and non-financial transactions across assisted channels (HO / SO / BO / Doorstep)

Details of IPPB – DoP Service Level Agreements and Turnaround time (TATs) is attached as **Annexure- A**

12. The Committee have been informed that IPPB has tied up with Bajaj Life insurance to offer term insurance and will roll this out to its customers shortly. IPPB has also tied up with PNB to provide loans to postal employees.

13. It has been informed that IPPB is offering 4 percent interest on savings bank deposit to its customers. When asked how IPPB strive to achieve/maintain a competitive edge with a noticeable difference in the interest rates, it has been stated that IPPB firmly believe that last mile service delivery and ease of banking will be critical enablers for financial inclusion of the unbanked and the underbanked. As is being already empirically proved, high interest rates offered by some of the other players have not yielded the desired results. As a result, all the payments banks including Airtel Payments Bank have reduced the interest rate on savings bank account to the range of 4.00%-4.25%.

14. To a specific query, it was informed that DOP today has around thousand ATMs. Even as per approvals, IPPB will take over those ATMs. The challenge with ATMs only remains for them is that if they do not get a large number of footprints. Their customers with the debit card actually end up transacting at other bank ATMs, and, today the interchange regime is such that for their customers going to another bank and doing transactions, they will have to pay Rs.15 to the other bank. So, it is actually a bleeding proposition.

15. The Committee desired to know that under such circumstances, who will be paying the interchange charges; IPPB or Postal Department. In reply, it has been stated that as per the RBI guidelines, the change is envisaged in the management of the ATM. IPPB, being RBI regulated entity will be responsible for complying with the underlying regulations and customer services SLA's as prescribed by RBI. No change with respect to ownership of customer accounts, revenues and assets is considered. The interchange charges will be borne by the Card issuing organization.

16. The Committee drew attention of the DoP/IPPB towards difficulties faced by the retired army personnel in rural/remote areas whose pension is disbursed through nationalised//private sector banks and they have to travel long distances to draw their pension, etc. and invited views of the DoP//IPPB on the probability of taking up

the matter with the Ministry of Defence to disburse the pension emoluments through DoP so as to ease their problems in this regard. To this, a representative of IPPB submitted as under

“ We would surely look at that.”

17. On being asked about the existing mechanism to get the feedback on IPPB app, it has been informed that IPPB currently are seeking feedback through Focused groups and market surveys. Various channels are provided to customer to provide feedback including helpline number/email / App store. The details of the feedback received so far by the Department are stated to be as under:

- There is a mix of positive and negative comments.
- Positive Comments are related to
  - Instant account opening has really been picked up well by customers
  - Customers were happy that they could link POSA accounts and transfer money to and from POSA accounts
  - Customer were delighted to pay SSA, PPF and RD digitally through IPPB Mobile App, without the need to go to a post office
  - Digital payment for mail products at Post office counters
- Negative comments are related to
  - Non availability of certain services on bank holidays
  - Pricing for certain services
  - Non - availability of an app for Apple products

### **III. Business proposition Between IPPB and DoP**

18. The Department of Posts has been a pioneer of Financial inclusion in the country by servicing over 34 crore customers with over 17 crore Post Office Saving Bank (POSB) accounts, making it the largest Financial inclusion enabler. IPPB has built a strongly integrated model with DoP under which any POSB account holder will be able to avail additional services provided by IPPB by linking accounts. IPPB will provide DoP customers with a complete bouquet of banking services. In turn, POSB accounts will become sweep out accounts for customers when the balance exceeds

Rs. one lakh. Further, IPPB will enable the post office to accept digital payments at counters, offer small saving schemes online and increase its footprints in the e-commerce world by providing electronic cash on delivery options to its customers at their doorstep.

19. With regard to cost effective synergies between the DoP and IPPB, it has been stated that being a Payments Bank, IPPB's revenue model will be based on Deposits, Payments and Third-Party Products. IPPB will leverage the existing Post Office infrastructure and cash management capabilities to offer digital and paperless banking facilities at the last mile, which will reduce the operational costs and capital expenditure for IPPB. Capability to transact digitally in rural India using QR Codes or Bharat QR is going to be critical for IPPB's model. As services of IPPB will be delivered by DoP officials using DoP infrastructure, IPPB will incentivize DoP staff and give commission to DoP for each transactions handled by the department, resulting into additional revenue for DoP in form of commission from IPPB apart from more business to existing DoP financial services and will be a win-win for both the organizations. Besides, IPPB will enable the digitization of Postal Counters and other financial products for DoP which will result into savings in operational costs to DoP thus striking better synergy between the two institutions.

20. In this regard, the Committee categorically asked whether the DoP would be suitably compensated by IPPB in lieu of utilizing its staff and infrastructure for IPPB services and what methodology has been adopted for arriving at the rate of commission to be paid to DoP by IPPB. In reply it has been stated as under:

- The commission and incentive should aim to drive behavior of the frontline staff in the best interest of DoP and IPPB.
- Incentive payout should be linked to the revenue earned by IPPB. IPPB will pay a commission/incentive only for those transactions that generates revenue for IPPB. The exception to this guideline is account opening for which a nominal commission/incentive will be paid directly to the DoP.
- Incentives earned should be attractive to ensure that the staff/agent is motivated.
- Incentive structure and schemes must be simple to understand.
- Incentive and commission structure will keep evolving over a period and will be determined by the market forces, customer and agent behavior,

driven by empirical data generated from customer and inputs from the field.

21. On being enquired about the exact incentives decided by IPPB for performing the transactions by the postal staff it has been informed that IPPB and DoP have jointly constituted an Incentive Committee for finalizing the incentive computation and payout structure. As part of the recommendations, IPPB would be paying out commission and incentives to DoP and DoP staff (counter staff /postmen/GDS/ Post Master/ ASP/IPOs) for facilitating the transactions. Incentives is proposed to be paid out to DoP and its staff for the following transactions:

- (i) For account opening a fixed amount of commission shall be paid by IPPB to DoP and DoP staff.(Rs. 10 for opening of Savings Account and Rs. 50 for opening of Current Account which will distributed among DoP and DoP staff)
- (ii) For each revenue generating transaction (eg. bill payments, remittances, 3rd party products, door step services etc.) facilitated by the last mile agents (Counter Staff/ Postman/GDS) a certain percentage (presently 30%)of revenue earned by IPPB would be paid out to DoP and DoP staff.
- (iii) To promote Self Service Transactions among customers IPPB proposes to pay a certain percentage (presently 5%)of revenue earned by IPPB on such transactions.

22. To a subsequent query, it has been informed that GDS of the department shall be paid the incentive for providing IPPB services directly into their bank accounts.

23. The Committee while apprehending that there is a probability that in view of the incentives the postal staff might focus more on the work of the IPPB branches thus affecting the performance of postal department enquired how it is strategised to keep a check so that postal work does not suffer. In reply, it has been stated that IPPB has designed the systems and processes keeping in mind the existing roles, responsibilities and duties of the Postal Staff. Every transaction at the Counter/ Doorstep has been simplified through the usage of Aadhar based authentications/OTP-Photo id based authentication process. The allocation of work has also been done keeping in mind the existing duties of counter staff. Similarly,

doorstep services will also be allocated to the Postmen/ GDS while he is on his assigned beat. The end users will discharge IPPB duties while executing their own routine jobs.

24. It has been added that apart from above DoP employees are governed as per Central Civil Services (Conduct) Rules 1964 and liable to follow the time norms and service quality standards as prescribed by Citizen Charter adopted by the Department of Posts. Performance of DoP employees are also being measured in Annual Performance Appraisal Report regularly.

25. The Committee have further been informed that IPPB would be offering the facility to the existing Post Office Savings Account(POSA) customers to link with IPPB Savings account for seamless sweep in and sweep out of funds. Apart from this, IPPB will also enable payments of financial products offered by Department of Posts through IPPB Account in future. These products will include payment towards PLI/RPLI, Sukanya Samridhi Account(SSA), PPF, RD and other savings schemes.

26. In this regard, the Committee desired to know that how would IPPB be benefitted by linking their Branches with Post Office Savings Accounts at present and in future for payment towards PLI/RPLI, SSA, PPF, RD and other savings schemes. In reply, it has been stated that IPPB has launched the digital payment facility through the IPPB account, for paying into Post Office savings schemes viz. PPF, SSA and Recurring Deposit. These savings schemes had no direct linkage with the banking ecosystem and a visit to the post office was necessary for the customer to make their payments into these savings schemes. The biggest upside of the integration of IPPB with DoP has been the intense transactional activity taking place in IPPB accounts that are linked to a POSA. These Post Office accounts have got a fresh lease in their existence, leveraging this interoperability to access their Post Office savings accounts online and transfer funds to IPPB accounts for performing money transfers and bill payments which will generate revenue to IPPB ease of banking to POSA-IPPB linked account customers. 70% of the IPPB accounts that are linked to POSA accounts are actively transacting as against an industry average of 20-25% accounts active in traditional banking.

27. To a query for IPPB target to break even, it has been stated that with an accelerated roll-out, while IPPB will incur higher costs upfront and with additional and accelerated funding, the faster rolling out of the banking services to the branches and access points is now estimated to help the bank become operationally self-sustaining by the 4<sup>th</sup> year of operations.

28. In view of the submission that IPPB is leveraging the post office network for offering its services, the Committee wanted to know the existing mechanism for resting the issues between IPPB and Postal Department. In reply, it has been informed that IPPB and DOP has set up Committees at Circle, Regional and Divisional levels in order to establish functional concordance, effective communication and coordination between stakeholders. The interaction between the officers at these levels is aimed towards:

- Developing buy-in among stakeholders towards IPPB business objectives
- Driving sales & marketing (with a sense of joint ownership): Target setting/ monitoring, new product launches, marketing campaigns
- Driving operations (with a sense of joint ownership): customer servicing/grievance handling, compliance, training, devices etc.
- Complement IPPB's managerial skills and experience with DoP's operational executional capabilities

#### **IV. Budget Outlay**

29. It has been informed that the funds of Rs. 300 crore during 2016-17 and Rs. 500 crore during 2017-18 allocated to IPPB were not fully utilized. The funds allocated have been partially utilized for the initial setup expenses by IPPB (e.g. branch readiness, procurement across multiple areas like device, training vendor etc.). The reasons for non-utilisation of funds was stated to be delays in the selection of the Systems integrator (SI) which affected the timelines of bank's expected Go-Live. However, the bank's SI has now been on-boarded and the bank is in full state of readiness to Go-Live.

30. It has been submitted subsequently that IPPB received an additional funding of Rs 300 crore on 29.09.2018 thus totalling to Rs 1100 Cr as on date. An amount of approximately Rs. 400 crore has been utilized as on date and remaining Rs. 700 crore is unutilized.

31. With regard to proposal to expend the available funds during the current year, it has been stated that Hon'ble Prime Minister has formally launched 650 branches along with 3250 access points of IPPB on 01.09.2018. The bank will be expanding its network of access points to all post offices nationwide with 1,55,000 access points. Expenses during the year is estimated at Rs. 775 crore that would comprise the following:

- (a) Employee expenses
- (b) Procurement of smartphones & biometric devices for the last mile agents
- (c) Payments to technology partner.

32. It has subsequently been informed that the incremental funds of Rs. 635 crore would be utilized to fund the additional expenses on account of technology requirements, which warranted setting up of IPPB's own Core Banking System, Data Center (DC) and Data Recovery (DR), procurement of Licenses and the upfront hiring of the employees to support accelerated rollout. However, it has been simultaneously been stated that IPPB has implemented its own Core banking system and set up its own Data Center and Disaster Recovery systems.

## **V. Supreme Court Aadhar card verdict**

33. The Committee were informed that one of the unique features that IPPB enjoys is launching a New Age Digital/Paperless Bank which leverages the best of available technology across payments settlement systems and Aadhar authentication and enables best in class services, at affordable prices that are simple to use through assisted channels and self-service capabilities. Further, the extensive use of Aadhar enabled services and existing payments public infrastructure makes the entire model sustainable and affordable by directly impacting the cost of customer acquisition.

34. However, the Supreme Court in its recent judgement have struck down several irrelevant provisions related to Aadhar card linkage where no benefits, subsidies are involved, especially in the private sector which includes section 57 of the Aadhar Act that permitted private entities to use the biometric authentication system for identification purposes. In this background the Committee desired to know that how SC judgement would effect IPPB business model. In reply, it has been stated that discontinuation of the Aadhar based authentication is having debilitating impact on the business model and the vision of IPPB. It will dilute the commitment to furthering financial inclusion by providing a full bouquet of relevant financial services including small savings accounts, payments & remittances services to migrant labour, low income households, small businesses & the unorganized sector entities. The pace of account acquisition has slowed down by 70% post the SC judgement. The key challenges are stated to be as under:

- (i) The last mile rural population does not have the required documents prescribed by RBI to become part of the formal financial ecosystem. With 85% penetration of Aadhar, it is a primary enabler for paperless onboarding of customers and enabling digital banking transactions through Aadhar verification. With Aadhar based KYC authentication being held invalid, it will severely limit last mile financial inclusion.
- (ii) Our target customer is the most vulnerable section of the society and therefore need to be provided a safe and secure environment to perform financial transactions. Aadhar based e-KYC process enables IPPB to assert better controls while onboarding customers in distant and remote areas, by establishing clear identity of the Aadhar number holder. This facilitates the postman to provide banking services in a secure manner in addition to regular postal services.
- (iii) Today, the postman has limited knowledge of banking regulations governing customer identity. Institutionalizing a paper based KYC process will make it almost impossible to enable financial inclusion leveraging the last mile service delivery postal network of Postmen and GDS.

35. When the Committee asked about the alternatives, if adopted by IPPB, for an equally useful option for authentication as Aadhar Cards, it has been stated that IPPB has instituted an alternative OTP/Photo id based authentication process for non DBT customers. Alternate offline authentication modes have been recommended by UIDAI and under review with the regulator- like QR Code/XML and digitally signed E-

Aadhar to establish identity. However generation of such an XML file will not be largely available to financially excluded target customer segments especially in rural areas through the channels suggested by UIDAI viz. kiosks, self-service UIDAI portal and enrolment centers. It is being pursued with UIDAI to share a detailed process for customers to generate/share an XML file in a self- service mode through feature phone/smart phone.

36. With regard to the Supreme Court’s judgment to bar agencies from using Aadhar, it has been stated that IPPB have reviewed it closely and there are a lot of legal opinions coming in. They are in close touch with the regulator and awaiting guidance from the RBI. No further guidelines have been issued by RBI till date.

**VI. Present status of IPPB project**

37. The Committee have been informed that the audit report of the IPPB which was completed by the professional agency was submitted to RBI, which approved expansion of IPPB branches on 11<sup>th</sup> July 2018. The Closed User Group (CUG) testing by End Users of two Branches of Delhi Circle (Kashmiri Gate and Viaspuri) has been successfully started from 12<sup>th</sup> July 2018. The End Users CUG testing at 57 access points of 31 branches has started from 18<sup>th</sup> July 2018. CUG testing in other IPPB branches and access points was started in phased manner.

38. When asked about the progress in the matter, it has been informed that all the 1.55 lakh access points will be rolled out by December 31, 2018 in waves and the branches will be launched Pan-India in a phased manner. The details are as given as under:

<b>Roll out Waves</b>	<b>IPPB Branches</b>	<b>Access Points</b>	<b>Proposed time line for roll out</b>
Wave 0	650	3250 ( 2%)	August 2018
Wave 1	-	15400 (10%)	September 2018
Wave 2	--	46500 (30%)	October 2018
Wave 3	-	46500 (30%)	November 2018
Wave 4	-	remaining Access Points -43350 approx (28%)	December 2018

It may be seen from above that 650 IPPB branches have been rolled out by August, 2018 with 3250 (2%) access points in Wave 0. The remaining 151,750, out of 1,55,000 access points will be rolled out by December 31, 2018 in subsequent waves and the branches will be launched Pan-India in a phased manner.

39. When asked about the status of 15400 access points targetted to be launched by September, 2018, it has been informed that the target could not be achieved due to the following reasons:

- Uncertainty about the process and absence of regulatory directions after the Supreme Court ruling on Aadhar dated 26th September 2018.
- Delay in procurement of devices (Smart Phones and Biometric devices to be carried by last mile agents)

40. It has further been informed that against the target of 15400, a total 3355 access points have been rollout out by September, 2018.

41. In view of IPPB being quite optimistic for rolling out the remaining 151,750 access points by 31 December, 2018, the Committee desired to know extra measures taken to meet the target within the fixed timelines. In reply, it has been stated that a focused approach towards access point rollout will enable IPPB to achieve the desired target. The following 3-pronged approach drives IPPB to the achieve this target within the timeline:

- Ensuring data availability and accuracy of an access point for system upload
- Identification and training of end-users (PA, Postmen, GDS) associated with the access point and
- Readyng the infrastructure in the access point (network, access to IPPB applications, mobile phones and biometric devices) along with detailed tracking of the same on a bi-weekly basis for any course correction.

42. Pointing towards the need to popularize the IPPB access points in view of their large number being rolled out in a very short period of time, the Committee wanted to know the extra precautionary steps being taken to enable public to use them. In reply, it has been informed that access point activity is being enhanced through the following means:

- Account opening camps focused on customer clusters like employee groups from Government/Private organizations, schools/ colleges, army battalions etc.
- Creating customer awareness through financial literacy camps, branding on Post office Mail vans
- Customer communication through SMS, brochures and pamphlets on the various campaigns initiated by the bank to encourage digital transactions

## **VII. Human Resource Development**

43. One of the key challenges for the IPPB projects is stated to be to get right skill set for branch operations. It has been informed that IPPB has established a Recruitment Policy, wherein they are attracting talent through direct recruitment, deputation from Public Sector Banks(PSB)/DoP and specialized resources through professional search firms. IPPB will employ maximum of 3500 skilled banking professionals. However, IPPB has been able to recruit 2152 employees so far. Out of the same, 1323 have been recruited through direct recruitment and 829 through deputation from PSB/DoP.

44. On being enquired whether IPPB has been able to get the desired talent for running their Branches, it has been stated that IPPB has established 650 branches. These branches will act as controlling offices for the supervision and governance of the last mile service delivery access points. All customer services will be provided through postal employees (postal assistants, postmen and GDS) at the post offices and doorstep of the customers- which will comprise of almost 3,00,000 people post full launch. IPPB has done extensive recruitment and on boarded approximately 1952 people for running these branches which covers over 75% of the resources required to run the branches.

45. It has been added that with regard to trained manpower, one of the major challenges is training of DoP end users. IPPB has invested heavily in preparing and customizing the training content for the end users and training is executed through "Train the Trainer approach". The Master Trainers at DoP are trained by Corporate Training Agencies like National Institute of Banking and Finance(NIBF) and National Institute of Information Technology(NIIT), who in turn train the end users on

systems, devices and processes. IPPB has invested heavily in preparing and customizing the training content for the end users and training is executed through Train the Trainer approach. The training applications and content has been made available in regional languages and the training is imparted through audio-visual aids. Also, keeping in view the background and aptitude of average DoP Staff/GDS, the training content has been tailor made with more emphasis on technology adoption and practical training. 75% of the training time is scheduled to be spent on the actual application they will be using to provide service to the customer. All the trainees are being provided with hard copies of system and procedure guidelines in any of 13 languages as per their preference to enable a smoother transition to this additional responsibility they have undertaken.

46. It has further been informed that around 15529 End Users have been trained and certified so far. The remaining end users will be trained during the subsequent waves as per the detailed training plan at all the Postal Training centres (PTC's) and Work Place Computer Training Centres (WCTC) and their work places across the nation.

47. When asked if it was planned to impart training to all the 2.5 lakh postal employees, it was replied in affirmative. As stated, the training will be imparted to 2.5 lakh postal employees through the "Train the trainer" methodology. Almost 4000 Master Trainers have been trained who in turn will train the 2.5 lakh end users. As of date, 1.5 lakh end users have already been trained and they are in the process of completion of training very soon. Further, the trainings are scheduled back-to-back and would continue till all the identified postal staff have been trained. Training is being organized at Work Place Computer Training Centres (WCTC) for Postal Assistants and at work places for Postmen and GDS across the nation. The training nominations are aligned to access point readiness. The same is being tracked through online tools and bi-weekly reporting of access points rollout to ensure that access points ready to rollout have at least one trained end-user mapped to them.

48. To a specific query as to how it is planned to train the postal employees who may not be having aptitude/inclination/interest to learn about banking systems, devices and processes as they had been doing a totally different jobs until now. In

reply, it has been stated that post masters are fairly trained on Postal Banking System which includes handling of cash and daily account thereof. However, for ease of other category of service delivery agents like Postmen and GDS engaged in delivery work, IPPB has adopted a paperless on-boarding process at the last mile, leveraging Aadhar. This in turn has provided the ability to enable the postal employees to on-board the customers through a simple yet secure on-boarding process requiring minimal effort and learning curve. Even the current account opening and transactional process are simple and intuitive.

49. It has further been informed that in order to motivate and train 2.5 lakh postal employees and GDSs to carry postal as well as banking jobs, DoP staff will be paid incentive directly by IPPB for performing every transitions apart from providing appropriate training to them. IPPB have benchmarked the incentive system with the best industry practices to ensure that the postal employees are adequately compensated for enabling IPPB services at the last mile.

### **VIII. Grievance Redressal Mechanism**

50. As regards the grievances redressal system , if any, to address the grievances of the customers, it has been informed that a detail grievance redressal policy as per extant RBI guidelines has been implemented. As per the policy a structured system is in place at various levels across the Corporate Office/Circle Offices/Bank branch/Customer Service Point (Access Point), which ensures that the customer has adequate redressal channels for logging in their grievances.

51. To a query with regard to the number of complaints/grievances received and pending, it has been informed that 7,492 grievances have been received during the period 1 September 2018 to 31 October 2018 and Further, resolution of 260 grievances is pending as on 31 October 2018 and the main reasons for the pendency are given as under:

- (i) 63 grievances are within the defined (i) turnaround time and the redressal is in progress

(ii) Remaining grievances were logged largely for delay or deficiency in services. Appropriate customer engagement is in process to address them

52. When asked about the general nature of the complaints, it has been stated as under:

- (i) Charges deducted erroneously due to geo tagging and other technological issues.
- (ii) Account Conversion from digital Accounts to regular savings account (accessibility challenges since the same can only be done at an access point and all Post Office access points have not been rolled out yet).
- (iii) SMS alert not received
- (iv) Mobile App login errors

## **OBSERVATIONS/RECOMMENDATIONS**

**The Committee note that Indian Post Payments Bank (IPPB), a financial service provider has been launched with a mandate of financial inclusion through the extensive postal network in the country. IPPB is a public sector company under the Department of Posts (DoP) with a 100 percent equity of the Government of India, governed by the Reserve Bank of India (RBI). The main objective of the IPPB is to offer remittance services, mobile payments/transfers/purchases and other banking services like ATM/debit cards, net banking, third-party fund transfer and transfer of government benefits, etc. thus removing the barriers for the unbanked and reducing the opening cost for the underbanked population. Postpersons in rural and urban areas will be providing doorstep banking services to senior citizens, homemakers, small businesses, rural influencers like teachers, paramedics and local representatives, urban migrants, kirana stores, farmers, DBT beneficiaries and students, etc. All 1,55,000 post offices in the country are proposed to be linked to IPPB system by December, 2018. Leveraging the largest network of postal offices with around 1,40,000 post offices in the rural India, the Committee are hopeful that the IPPB would usher in a new era of rapid financial inclusion across rural India.**

***The Committee consider launching of IPPB to be a welcome step to connect the rural masses and remotest areas of India to banking services. However, in view of the noticeable challenges and problems in the operation of IPPB branches, the Committee desire that IPPB should work in***

*unison with the DoP so that its vast network and the trust which postal department enjoys among the rural population is gainfully utilised and at the same time the Committee hope that the basic operations/services of DoP would not be affected with the launch of IPPB. The Committee are also of the considered opinion that since the Government has taken a conscious decision for financial Inclusion using the extensive postal network through the most accessible, affordable and trusted bank, for the common man, it has to be ensured that the IPPB project is implemented seamlessly.*

2. The Committee note that IPPB project has been conceptualised with a unique feature of launching a New Age Digital/Paperless Bank leveraging the best of available technology across payments settlement systems and Aadhar authentication and enables best in class services, at affordable prices that are simple to use through assisted channels and self-service capabilities. Besides, the extensive use of Aadhar enabled services and existing payments public infrastructure makes the entire model sustainable and affordable by directly impacting the cost of customer acquisition. However, the Committee are concerned over the impact of recent judgement of Supreme Court which has struck down several irrelevant provisions related to Aadhar card linkage where no benefits, subsidies are involved, especially in the private sector which includes section 57 of the Aadhar Act that permitted private entities to use the biometric authentication system for identification purposes. According to the IPPB own submission, the pace of account acquisition has slowed down by 70% post the SC judgement. Discontinuation of the Aadhar

**based authentication is having debilitating impact on their vision and business model and will dilute the commitment to furthering financial inclusion by providing a full bouquet of relevant financial services including small savings accounts, payments & remittances services to migrant labour, low income households, small businesses & the unorganized sector entities.**

***Considering the fact that Aadhar based KYC authentication is vital for last mile financial inclusion, the Committee are of the considered opinion that it is imperative on the part of DoP/IPPB to take up the matter with RBI/UIDAI and at other appropriate fora for suggesting alternative mode of authentication keeping in view the objective of launching IPPB for last mile financial inclusion.***

**3. According to the IPPB, as Aadhar based KYC authentication is held invalid after the Supreme Court ruling on Aadhar dated 26th September 2018, it will severely limit last mile financial inclusion, as the last mile rural population does not have the required documents prescribed by RBI to become part of the formal financial ecosystem. Besides, the postman has limited knowledge of banking regulations governing customer identity and institutionalizing a paper based KYC process and thus it is almost impossible to enable financial inclusion leveraging the last mile service delivery postal network of Postmen and GDS.**

***Keeping in view the above-mentioned constraints, the Committee feel an urgent need to train the postal staff for paper based account opening and, therefore, impress upon the DoP/IPPB to accord top priority to train postmen***

*and GDS for paper based KYC process and make immediate serious efforts to revise the ongoing training curriculum accordingly. Needless to mention, the matter require utmost urgency to ensure that the objectives behind the launch of IPPB project, is achieved.*

4. The Committee have been informed that IPPB has instituted an alternative OTP/Photo id based authentication process for non DBT customers. UIDAI has recommended offline authentication modes - like QR Code/XML and digitally signed E-Aadhar to establish identity which is under review with the regulator. As generation of such an XML file will not be largely available to financially excluded target customer segments especially in rural areas through the channels suggested by UIDAI viz. kiosks, self-service UIDAI portal and enrolment centers, the matter is being pursued with UIDAI to share a detailed process for customers to generate/share an XML file in a self- service mode through feature phone/smart phone.

*The Committee impress upon the IPPB to pursue the matter with a sense of urgency keeping into view their proposal to link all 1,55,000 post offices by IPPB system by December, 2018 and ensuring financial inclusion in the country.*

5. The Committee have been informed that all the 1,55,000 IPPB access points at all the post offices will be rolled Pan-India in a phased manner by December 31, 2018, in Waves. Therefore, approx. 238 post offices will be linked with one IPPB branch at the district level. In Wave 0, 650 IPPB Branches located at district headquarters post offices have been opened on 1

September, 2018 with 3250 access points. Likewise, 15400 access points are expected to be launched in Wave 1 by September, 2018, 46500 access points each by October, 2018 and November, 2018, respectively and the rest 43350 access points by December, 2018. The Committee, however, regret to note that against the target of 15400 to be launched in Wave 1 by September, 2018, only 3355 access points could be rolled out. The reason for the shortfall is stated to be uncertainty about the process and absence of regulatory directions after the Supreme Court ruling on Aadhar dated 26th September 2018 and also delay in procurement of devices viz. smart phones and biometric devices to be carried by last mile agents.

*The Committee express their displeasure at the delays in procurement of required devices. At the same time, taking note of the targets fixed by IPPB for roll out of the remaining access points, the Committee trust that IPPB would take recourse to all requisite and effective measures to ensure that rolling out of the remaining access points are completed within the fixed timeline. It is imperative that after the Supreme Court recent ruling on Aadhar, DoP/IPPB approach RBI/UIDAI for regulatory directions with utmost urgency.*

6. To get the right skill set for branch operations is one of the key challenges for IPPB. In this context, the Committee note that IPPB has been recruiting the required staff as per their recruitment policy i.e. through direct recruitment, deputation from Public Sector Banks/DoP and specialized resources through professional search firms. However, the Committee are

concerned to note that out of 3500 skilled banking professionals proposed to be employed, IPPB has so far recruited only 2152 employees. The shortfall is, however, being addressed by filling the remaining positions with suitable talents in line with roll out plan and business need.

*Keeping in mind the importance of requisite staff with adequate banking experience for handling IPPB activities, in tune with the projected 1.55 lakh IPPB access points to be launched by December, 2018, the Committee find it imperative that recruitment process is expedited. The Committee, therefore, desire IPPB to take steps accordingly. They would further like to be informed of the present status in this regard.*

7. Training of DoP end users is stated to be one of the major challenges before IPPB, who have invested heavily in preparing and customising the training content. According to IPPB, the training is being executed through 'Train the Trainer approach'. About 4000 Master Trainers at DoP trained by Corporate Training Agencies like National Institute of Banking and Finance(NIBF) and National Institute of Information Technology(NIIT) would in turn train all the 2.5 lakh end users. As 1.5 lakh end users have already been trained, the process of training will be completed very soon.

*While considering imparting training to 2.5 lakh end users to be a herculean task, the Committee impress upon the DoP/IPPB to ensure proper quality of training and its integration with applications in a coordinated manner. Besides, training courses should be conducted periodically for DoP end users in order to update/upgrade their skills and change their*

*orientation towards banking culture so that they can adequately use digital technology and deliver quality service as skilled staff is of paramount importance in order to achieve the desired results for better performance of IPPB. In this regard, the Committee also impress upon DoP/IPPB to explore the possibility of associating their staff with the centrally sponsored schemes under Digital India Programme such as NDLM/PMDISHA to educate them and to their clients in order to digitally empower them.*

**8. IPPB has submitted that it will leverage the existing post office infrastructure and cash management capabilities to offer digital and paperless banking facilities at the last mile. IPPB will take the services of DoP officials and in turn incentivise them through commission for each transactions handled, resulting into additional revenue for DoP apart from acquiring more business to existing DoP financial services. Similarly, IPPB will enable the digitisation of postal counters and other financial products for DoP resulting into savings in DoP operational cost. Further, IPPB and DoP have jointly constituted an Incentive Committee for finalizing the incentive computation and payout structure to DoP and DoP staff for facilitating the transactions. The incentives proposed are viz. Rs. 10 for opening of Savings Account and Rs. 50 for opening of Current Account, 30 percent of revenue earned by IPPB for each revenue generating transaction like bill payments, remittances, 3rd party products, door step services and 5 percent of revenue earned by IPPB to promote Self Service Transactions among customers, which will distributed among DoP and DoP staff.**

***The Committee would like to be apprised of the final recommendations of the aforesaid Committee constituted with regard to finalising the incentives and payout structure to DoP and DoP staff for facilitating the transactions. The Committee are, however, of the strong opinion that percentage of incentives to DoP staff should be attractive and clearly known to them, so as to motivate them for better services. The Committee, therefore, recommend that necessary steps in this regard be taken urgently to avoid chances of any resentment by the postal staff in future.***

**9. In order to ensure that while DoP staff perform IPPB activities, the work of DoP does not suffer, IPPB have built Service Level Agreements (SLAs), in consultation with DoP, which are compilation on working hours, transaction limits and operations Turnaround time (TAT) for business. SLAs are broadly split into (i) office and business hours of DoP and IPPB, (ii) cash limits and replenishment turnaround time across DoP, and (iii) turnaround time for account opening, financial transactions (including cash and non-cash) and non-financial transactions across assisted channels (HO/SO/BO/Doorstep).**

***Taking into consideration the vast DoP Network and huge workforce involved, the Committee, recommend DoP/IPPB to develop a foolproof mechanism to monitor that all the elements of SLAs are fully practiced to ensure sustenance of IPPB in the long run. Further, DoP/IPPB should also periodically review the SLAs keeping in view the experience gained in their implementation.***

**10. The Committee are constrained to note that out of total allocation of Rs. 800 crore during 2016-17 and 2017-18, IPPB was able to utilise only Rs. 400 crore on branch readiness, procurement across multiple areas like device, training vendor etc. The Committee do not appreciate the under-utilisation of funds due to delays in the selection of the Systems integrator (SI). IPPB itself has admitted that the delays had affected the timelines of Bank's expected Go-Live. According to IPPB, the unutilised funds of Rs. 700 crore, with an additional funding of Rs 300 crore on 29.09.2018 would be utilised for expanding the network for the remaining 1,51,750 access points.**

*The Committee earnestly desire IPPB to take all possible steps to ensure that there will be no further avoidable delays and Rs. 700 crore available would be optimally utilised to take up IPPB activities in full swing.*

**11. The Committee have been informed that IPPB has implemented its own Core banking system and set up its own Data Centre (DC) and Disaster Recovery(DR) systems. On the other hand, it has been informed that incremental funds of Rs. 635 crore would be utilized to fund the additional expenses on account of technology requirements, which warranted setting up of IPPB' own Core Banking System, Data Center (DC) and Data Recovery (DR), procurement of Licenses and the upfront hiring of the employees to support accelerated rollout.**

*In this context, the Committee desire IPPB to constitute an expert committee to look into all aspects of technical and other requirements of core banking solutions for IPPB and suggest ways and means for prudent*

*utilization of these funds. The Committee would like to be apprised of in this regard.*

**12. IPPB is the sixth Payment Bank, which has become operational after Aditya Birla, Airtel, Fino, Jio and Paytm Payment Banks. IPPB is likely to face stiff competition from these private banks which are more nimble in adopting business realities and are customer friendly. In this regard, the Committee are concerned to note that 4 percent rate of interest offered by IPPB on savings bank deposits is on a lower side as compared to other Payment Banks. The Committee also feel although IPPB strive to achieve a competitive edge as they find last mile service delivery and ease of banking to be a critical enablers for financial inclusion of the unbanked and the under banked, yet, taking into account various upcoming challenges, one of them being making available good connectivity and network to bring the masses on digital platform, the Committee feel that it will an uphill task for IPPB to provide efficient and cost effective services in the rural and remote areas of the country. These are areas of grave concern to the Committee.**

*The Committee would like to be assured that expeditious steps are taken for making use of last mile service delivery and ease of banking which are supposed to provide edge to DoP/IPPB over other Payment Banks. The Committee trust that IPPB would take suitable steps in this regard and apprise the Committee of the same. They also desire that the 4 per cent rate of interest offered by IPPB on saving bank deposits may be reviewed in order to increase their customer base and compete with other private players.*

**13. The Committee note that IPPB seek feedback through their focused groups and market survey besides their helpline number/email/App store, provided to the customers. As informed to the Committee, there is a mix of positive and negative comments.**

*As feedback from the customers is an important tool to improve upon performance of any company, the Committee impress upon the DoP/IPPB to develop a robust mechanism for receiving feedback from the customers and taking appropriate and urgent remedial action upon them to improve its services. They also recommended that the IPPB app should be suitably upgraded to meet today's requirement by making it swift, easier and customer friendly for both young and old generations.*

**14. The Committee are greatly concerned to note that so far, the IPPB has only about 9,000 merchants enabled on the ground and 10 per cent of them are active. The reason for the same is attributed to initial effects. Keeping in view abysmally low number of merchants enabled on the ground and far less being active, it is imperative that merchants are made digitally literate as digital behaviour for the unorganized retail at last mile is a slightly new concept.**

*The Committee, therefore, urge the DoP/IPPB to pay focussed attention on digital literacy, customer education and hand-holding of the merchants in rural and remote areas, on an urgent basis. The Committee would like to be informed of the present status in this regard.*

**15. The Committee are concerned to note that IPPB have received only 125 door step appointment requests from 1st September 2018 to 31st October 2018, out of which 95 are for cash deposit, 26 for cash withdrawal and 4 for account services (Others). Very few door step appointment requests of this magnitude is a matter of grave concern which merits urgent attention. Evidently, IPPB system has not gone well with the rural masses.**

*The Committee are of the strong opinion that concerted efforts by both DoP and IPPB are warranted to take suitable steps so that this situation does not continue and there are more door step appointment requests, in the coming time. The Committee specifically desire the IPPB to undertake a study to gauge the reluctance of people in rural and remote areas to opt for IPPB services and take appropriate measures accordingly. In this regard, the Committee also feel that the publicity of this IPPB project through Gram Panchayats in the country could be an option for making villagers and other beneficiaries of various centrally sponsored schemes aware of the same and tap the potential market. This could be accomplished by way of GDSs taking a visit to Gram Panchayats once in a month to the 'general house' of Gram Panchayat. The Committee would like to be informed of initiatives taken in this regard.*

**16. The Committee feel convinced to note that a detailed grievance redressal policy as per extant RBI guidelines has been implemented in IPPB and a structured system is in place at various levels across the Corporate Office/Circle Offices/Bank Branch/Customer Service Point (Access Point).**

However, they are concerned to find that number of complaints received in two months time is quite high as 7,492 grievances had been received from 1 September 2018 to 31 October 2018. As informed, out of pending 260 grievances, 63 grievances are within the defined turnaround time and the redressal is in progress and the remaining grievances were logged largely for delay or deficiency in services and appropriate customer engagement are in process to address them.

*The Committee are of the utmost opinion that IPPB should take their grievance redressal mechanism very seriously to get feedback from banking channel as well as from general public as this is one of the important factors for customers to prefer services of one service provider over the other. They would further like to be apprised of the turnaround time fixed to dispose a complaint.*

17. The Committee find that IPPB is working with a motto that no customer is too small, no transaction too insignificant and no deposit is too little which is contrary to the commercial banks which find it unviable to serve such customers in rural and remote areas. As submitted by IPPB, with an accelerated roll-out and with additional and accelerated funding, the faster rolling out of the banking services to the branches and access points, the bank will be operationally self-sustaining by its 4<sup>th</sup> year of operations. However, the Committee feels that if the IPPB has want to be operationally self-sustaining by its 4<sup>th</sup> year of operation, it has to roll out is services very

**fast and has to increase its customers base and number of transactions tremendously .**

*In view of the above, the Committee hope that IPPB would strive hard to attain financial self-sufficiency within the time frame indicated by them.*

**18. The Committee are aware IPPB provides DoP the unique opportunity to link their unprecedented physical reach with cutting edge payment and settlement infrastructure to enable the next wave of digital financial inclusion. However, taking note of the fact that IPPB cannot lend or issue credit cards and the only source of its income would be the transaction fee and not interest spread, the Committee are afraid that IPPB would be able to sustain its existence unless it provides its services efficiently and at cost lower than other players in this field.**

*The Committee, therefore stress upon IPPB to work more on their digital platforms such as mobile phones, debit cards, point of sale services, besides using the physical network of IPPB branches.*

**19. The Committee hope that as assured to them, the DoP/IPPB would explore the possibility of disbursement of pension of retired army personnel in villages through IPPB who normally get their pension through nationalised/other banks and have to travel long distances to collect their pension etc.. They, therefore, desire the matter may be taken up with the Ministry of Defence at an appropriate level.**

***The Committee also feel that the another step in the direction could be exploring the market of cooperative sector in the country which is devoid of their own banking system. As aware, the cooperative sector is very vast in the country and has the immense potential of big customer base. The Committee would therefore like Dop/IPPB to explore possibility of door-step banking in this sector also which would completely change the dynamics at the last mile and give a value addition to the IPPB.***

New Delhi;  
4 January, 2019  
14 Pausha, 1940 (Saka)

ANURAG SINGH THAKUR,  
Chairperson,  
Standing Committee on  
Information Technology

## **APPENDIX I**

### **STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2017-18)**

#### **MINUTES OF THE EIGHTEENTH SITTING OF THE COMMITTEE**

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The Committee sat on Monday, the 28<sup>th</sup> May, 2018 from 1100 hours to 1310 hours in Committee Room '53', First Floor, Parliament House, New Delhi.

#### **PRESENT**

**Shri Anurag Singh Thakur- Chairperson**

#### **MEMBERS**

##### ***Lok Sabha***

2. Shri L.K.Advani
3. Dr. Sunil Baliram Gaikwad
4. Shri Prasun Banerjee
5. Shri Harish Dwivedi
6. Shri Hemant Tukaram Godse
7. Dr. Anupam Hazra
8. Shri Nagendra Pratap Singh Patel

##### ***Rajya Sabha***

9. Shri Suresh Gopi
10. Shri Vinay P. Sahasrabudde

#### **SECRETARIAT**

1. Shri Y.M. Kandpal - Director
2. Smt. Geeta Parmar - Deputy Secretary

**Witnesses**

**Ministry of Communications ( Department of Posts)**

	<b>Name</b>	<b>Designation</b>
1.	Shri Ananta Narayan Nanda	Secretary (Posts)
2.	Ms. Meera Handa	DG (Posts)
3.	Sh. Udai Krishna	Member (Banking)
4.	Shri Ashok Pal Singh	Sr DDG (PBI)
5.	Shri Dilip Padhye	Sr. DDG (PAF)
6.	Ms. Neelam Sanghi	JS&FA
7.	Sh. Suresh Sethi	MD & CEO IPPB ( Sr. DDG level)

2. At the outset, the Chairperson welcomed the Secretary, Department of Posts, MD & CEO of India Post Payments Bank (IPPB) and other officials accompanying them to the sitting of the Committee convened to hear their views on the subject "Setting up of India Post Payment Bank- Scope, objective and framework". The MD&CEO of IPPB made a brief power point presentation on the subject which inter-alia, covered issues viz. the service elements of IPPB including accessibility, affordability, ease of banking , digital ecosystem and financial literacy, major milestones till 2017 and 2018, steps towards national and state level , launch plan, etc.

3. Thereafter, the representatives of the DoP/IPPB highlighted on the business model, direct incentive for last mile agents, target audience of the bank, direct benefit transfer, launch of Merchant App, recruitment of personnel, interoperability of the Post Bank, etc.

4. The Members then sought clarifications on various issues on the subject like selection of the board of members, revenue model of IPPB, technology sharing which were responded to by the representatives of the DoP/IPPB.

5. The Chairperson then thanked the representatives of the DoP/IPPB for appearing before the Committee and furnishing valuable information in connection with examination of the subject.

6. The Committee also proposed to undertake a study visit to Hyderabad and Pune in June, 2018 in connection with the examination of some of the subjects selected during 2017-18.

A Verbatim Proceedings of the sitting have been kept on record.

**The witnesses then withdrew.**

**The Committee, then, adjourned.**

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## **APPENDIX II**

### **MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2018-19) HELD ON 15 OCTOBER, 2018**

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The Committee sat on Monday, the 15<sup>th</sup> October, 2018 from 1100 hours to 1300 hours in Committee Room No. '3', Extension to Parliament House Annexe, New Delhi.

#### **PRESENT**

**Shri Anurag Singh Thakur - Chairperson**

#### **MEMBERS**

##### ***Lok Sabha***

2. Shri L. K. Advani
3. Shri Sunil Baliram Gaikwad
4. Dr. Anupam Hazra,
5. Shri Virender Kashyap,
6. Shri Raosaheb Danve Patil
7. Dr. K.C. Patel,

##### ***Rajya Sabha***

8. Shri Santiuse Kujur
9. Dr. K.V.P. Ramachandra Rao

#### **SECRETARIAT**

- |    |                            |   |                  |
|----|----------------------------|---|------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary  |
| 2. | Shri Y.M. Kandpal          | - | Director         |
| 3. | Smt. Geeta Parmar          | - | Deputy Secretary |
| 4. | Shri Shangreiso Zimik      | - | Under Secretary  |

**Representatives of the Department of Posts(DoP)/India Post Payments Bank(IPPB)**

	<b>Name</b>	<b>Designation</b>
1.	Shri Ananta Narayan Nanda	Secretary (Posts)
2.	Ms. Meera Handa	DG [Posts]
3.	Ms. Achala Bhatnagar	Member
4.	Ms. Usha Chandrasekhar	Member
5.	Shri Udai Krishna	Member
6.	Shri T.Q. Mohammad	DDG
7.	Shri Suresh Sethi	MD & CEO IPPB
8.	Ms. Savita Gupta	CFO, IPPB
9.	Ms. Seema Singh	CHRO, IPPB
10.	Shri Gursharan Rai Bansal	CSMO, IPPB
11.	Shri Pawan Goyal	GM, IPPB

2. At the outset, the Chairperson welcomed the Secretary, Department of Posts (DoP), MD & CEO, India Post Payments Bank (IPPB) and other officials of the DoP & IPPB accompanying them to the sitting of the Committee convened to hold discussion on the subject 'Setting up of India Post Payments Bank- Scope, Objective and Framework'. Thereafter, the Secretary of the Department of Posts briefed on some of the major milestones achieved by the Department of Posts in last one year, launch of IPPB on 1 September, 2018, Post Office Passport Seva Kendra initiative, increase in wages and other facilities to Gramin Dak Sevaks etc. He also thanked the Committee for their guidance.

3. Then, the CEO IPPB made a presentation highlighting the product strategy and the segmentation strategy, Merchant app, micro ATM app, technology platform, service channels, products and services like deposits, money transfer, direct benefit transfers, third party products, bill and utility payments, enterprise and merchant payments, details of accounts and remittances, etc.

4. The Members of the Committee, then, sought clarifications on advantages of QR code and assisted UPI, mode of transaction used for rural customers, training centres etc. transaction limits, utilization of available funds, grievance redressal,

profitability of IPPB, security of customers' data which were responded to by the representatives of the Department.

5. The Committee further enquired about the plan of the IPPB for training of personnel, action taken for inactive accounts, use of QR card, etc. The Chairperson desired the Department of Posts to furnish information on the points raised by the Members which remained unanswered.

6. The Chairperson, then, thanked the representatives of the Department for deposing before the Committee.

The witnesses then withdrew.

Verbatim Proceedings of the sitting have been kept on record.

**The Committee, then, adjourned.**

## **APPENDIX III**

### **MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2018-19) HELD ON 04<sup>TH</sup> JANUARY, 2019**

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The Committee sat on Friday, the 04<sup>th</sup> January, 2019 from 1645 hours to 1700 hours in Committee Room No. '2', Extension to Parliament House Annexe, New Delhi.

#### **PRESENT**

**Shri Anurag Singh Thakur – Chairperson**

#### **MEMBERS**

##### ***Lok Sabha***

2. Shri Prasun Banerjee
3. Dr. Sunil Baliram Gaikwad
4. Smt. Hema Malini
5. Shri Virender Kashyap
6. Dr. (Smt.) Bhartiben Dhirubhai Shyal
7. Dr. K. C. Patel
8. Shri Ramdas C. Tadas
9. Shri Nagendra Pratap Singh Patel
10. Shri P. Karunakaran

##### ***Rajya Sabha***

11. Shri Suresh Gopi
12. Shri Santiuse Kujur
13. Shri Binoy Viswam

#### **SECRETARIAT**

- |    |                   |   |                     |
|----|-------------------|---|---------------------|
| 1. | Shri Y.M. Kandpal | - | Director            |
| 2. | Dr. Sagarika Dash | - | Additional Director |

- |    |                       |   |                     |
|----|-----------------------|---|---------------------|
| 3. | Smt. Geeta Parmar     | - | Additional Director |
| 4. | Shri Shangreiso Zimik | - | Deputy Secretary    |

2. At the outset, the Chairperson welcomed the Members to the Sitting of the Committee convened to consider and adopt the following two Draft Reports:-

- I. \*\*\*\*\*
- II. Draft Report on the subject 'Setting up of Post Bank of India as a Payments Bank- scope, objectives and framework' relating to the Department of Posts, Ministry of Communications.

3. The Committee, thereafter, took up for consideration the above said Reports and after due deliberation adopted the same with minor modifications.

4. The Committee, then, authorised the Chairperson to finalise and present the Draft Reports to the House during the current session of Parliament.

**The Committee, then, adjourned.**

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\*\*\*Matters not related to the report.