

Post Payments Bank eyes synergies with financial services biz of India Post

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The primary objective of a payments banks is to further the cause of financial inclusion - Photo: NAGARA GOPAL

Aimed at creating a mechanism where balances in excess of ₹1 lakh stay within the postal system

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The India Post Payments Bank is working on striking synergies with the Post Office Savings Bank of the Department of Posts to ensure that its customers don't look elsewhere for parking deposits exceeding ₹1 lakh.

In view of the regulatory restriction that a payments bank can hold a maximum balance of ₹1 lakh per individual customer, the India Post Payments Bank (IPPB) is planning to create a mechanism whereby balances over this limit get automatically transferred to the Post Office Savings Bank (POSB). In this regard, the IPPB is closely examining a clause in the Reserve Bank of India's payments bank guidelines whereby it can accept a large pool of money to be remitted to a number of accounts provided at the end of the day the balance does not exceed ₹1 lakh.

The IPPB and the POSB apparently want to make sure that as far as possible the customer's money stays within the government-owned postal system. So, a customer opening a savings bank account with IPPB will be given the option to also open a linked POSB account. The IPPB has been set up under the Department of Posts (DoP) as a public limited company wholly owned by the government of India. The DoP received 'in-principle' RBI approval to set up payments bank in August 2015.

The POSB currently offers investment options, including savings bank account, recurring deposit account, time deposit, monthly income scheme, senior citizens savings scheme, and public provident fund, to small investors. These services are offered as an agency service for the Finance Ministry.

As per RBI guidelines, payments banks can accept demand deposits — current deposits and savings bank deposits from individuals, small businesses and other entities. They can neither accept fixed deposits and NRI deposits nor can they give loans.

The primary objective of a payment banks is to further the cause of financial inclusion by providing small savings accounts and payments/remittance services to migrant labour workforce, low-income households, small businesses, other unorganised sector entities and other users.

Among the reasons cited by banking industry experts for mainstream banks to pick up stakes in entities having 'in-principle' RBI approval to start payments banks are to provide their banking expertise, the opportunity to tap deposits exceeding ₹1 lakh, and cross-selling loans.

For example, Reliance Industries and State Bank of India have signed an agreement to set up a payments bank with equity contribution of 70 per cent and 30 per cent, respectively. Kotak Mahindra Bank has acquired 19.90 per cent stake in Airtel Payments Bank.

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