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India Post Payments Bank fights to survive

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NEW DELHI: After its grand launch last year, the India Post Payments Bank (IPPB) is struggling to survive with mounting salary bills and very little business.

The postal department feels that IPPB's operations have become unviable and has stopped fresh hiring. The department is now awaiting the RBI's nod to transform it into a small finance bank where it can accept deposits of over Rs 1 lakh and advance loans, sources said.

"We expect that by early next year, we will get the approval from the RBI," said an official, who did not wish to be named. It is also looking at

recapitalisation from the government and will firm up the amount closer to the Budget estimates.

FEW TAKERS

**Payments bank model has
been a non-starter
with five entities**



opting out, after the RBI granted licence to 11



“ The transactions (at India Post Payments Bank) were not as anticipated and large bill payments such as education fees and others could not materialise, making the model unviable. The transactions are limited

transactions are limited
and small — SOURCE

Sources said the model for the payments bank was flawed from the beginning as “too much money” was poured into technology, which is estimated at up to Rs 1,000 crore for setting up the core banking system (CSB) and other related technology. “We perhaps did not need that kind of technology,” said a source. Manpower cost also started mounting and is estimated at Rs 250 crore.

Payments banks were the brain child of former RBI governor Raghuram Rajan, who came up with the idea of differentiated banks. These banks do not offer loans and several other facilities offered by full-fledged banks and are not allowed to accept deposits of over Rs 1 lakh. But they can help in taking banking services to the remote areas of the country.

PM Narendra Modi launched IPPB with the aim “to change the banking system in the country”. IPPB was launched with 650 branches, in addition to 3,250 access points co-located at post offices.

According to RBI guidelines, the objectives of setting up of small finance banks are to further financial inclusion by provision of savings vehicles and supply of credit to small business units, small & marginal farmers, micro & small industries, and other unorganised sector entities, through high-technology, low-cost operations.