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Post office Insurance:-Overview as a facilitator for financial inclusion

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ABSTRACT: India Post has a wide range of network even in all the rural areas of the country which helps to reach even the villagers so as to cover the life of the villagers. The aspiration of the India Post is to reach its insurance product viz, Postal Life Insurance and Rural Life Insurance to at least one family member of each family. Today mobile phones, email, SMS are popular means for personal communication, but still many are choosing India Post for sending documents and goods in India and abroad. The main aim of this study is to find the marketing impact of various insurance products of postal department among the customers especially in rural villages. The department is required to meet its expenses from the revenues it earns as it operates on commercial lines. To rise to the challenges, the department is in the process of transforming itself as such the department could able to reduce the percentage of deficit. Innovative products, services and use of the network provides modern and varied services to urban and particularly rural customers as they are the thrust areas of growth

INTRODUCTION:

For more than 150 years, the Department of Posts (DoP) has been the backbone of the country's communication and has played a crucial role in the country's social economic development. It touches the lives of Indian citizens in many ways: delivering mails, accepting deposits under Small Savings 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 DoP also acts as an agent for 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. With more than 1,55,000 post offices, the DoP has the most widely distributed postal network in the world.

India Post is a Government operated postal system in India, which is under the jurisdiction of Department of Post, Ministry of Communications of the Government of India. Generally called "the Post Office" in India, it is the most widely distributed postal system in the world. Warren Hastings had taken initiative under East India Company to start the Postal Service in the country in 1766. It was initially established under the name "Company Mail". It was later modified into a service under the Crown in 1854 by Lord Dalhousie. Dalhousie introduced uniform postage rates (universal service) and helped to pass the India Post Office Act 1854 which significantly improved upon 1837 Post Office act which had introduced regular post offices in India. It created the position Director General of Post for the whole country.

It is involved in delivering mail (post), remitting money by money orders, accepting deposits under Small Savings Schemes, providing life insurance coverage under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The DoP also acts as an agent for the Indian government in discharging other services for citizens such as old age pension payments and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wage disbursement with 156721 post offices (as on

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31.12.2021), India Post has the most widely distributed postal network in the world.

The country has been divided into 23 postal circles, each circle headed by a Chief Postmaster General. Each circle is divided into regions, headed by a Postmaster General and comprising field units known as Divisions. These divisions are further divided into subdivisions. In addition to the 23 circles, there is a base circle to provide postal services to the Armed Forces of India headed by a Director General. One of the highest post offices in the world is in Hikkim, Himachal Pradesh operated by India Since independent Post office at an altitude of 14,567 ft (4,440 m).

in 1947, the postal service continues to function on a nationwide basis, providing a variety of services. The structure of the organization has the directorate at its apex; below it are circle offices, regional offices, the superintendent's offices, head post offices, sub-post offices and branch offices. In April 1959, the Indian Postal Department adopted the motto "Service before help"; it revised its logo in September 2008.

The number of post offices was 23,344 when India became independent in 1947 and these were primarily in urban areas. The number increased to 156721 in 2020 and 90% of these are in rural areas.

The post office offers a number of savings plans, including recurring deposit accounts, Sukanya Samriddhi Account (SSA), National Savings Certificates (NSC), Kisan Vikas Patra (KVP), the Public Provident Fund ,savings-bank accounts,[] monthly-income plans, senior-citizens' savings plans and time-deposit accounts.[] On 1 September 2018 the India Post Payments Bank was inaugurated by Prime Minister Narendra Modi.

The term insurance marketing refers to the marketing of insurance service with the motto of customer-orientation and profit-generation. The insurance marketing focuses on the formulation of an ideal mix for the insurance business so that the insurance organizations survive and thrive in a right perspective. They quality of services can be improved by formulating a fair mix of the core and peripheral services.

The marketing concept in the insurance business is concerned with the expansion of insurance business in the best interest of society vis-à-vis the insurance organisatoins. The insurance companies lag behind most manufacturers in-recognizing the marketing concept in their organizations. Insurance companies tend towards a strong sales orientation, since the services they sell, although certainly necessary ones, rarely sell themselves. Potential policy holders are reluctant to think about the disaster and death. So they postpone planning for these possibilities unless they are contacted and influenced by insurance agents.

Postal Life Insurance is one of the earliest insurance schemes have been launched in India.The most striking feature of a PLI scheme is that it fetches high returns (with bonus) for its policy holders ar extremely low priced premiums.

The insurance industry of India has 58 insurance companies 24 are in the life insurance business, while 34 are non-life insurers. Among the life insurers, Postal Life Insurance owned by Government of India under India Post is the directly owned Government Insurance Sector and Life Insurance Corporation (LIC) is the other public sector company. There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

The insurance industry of India has 57 insurance companies 24 are in the life insurance business, while 34 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. There are six public sector insurers in the non-life insurance segment. In addition to these, there is a sole national re-insurer, namely General Insurance Corporation of India (GIC Re). Other stakeholders in the Indian Insurance market include agents (individual and corporate), brokers, surveyors and third-party administrators servicing health insurance claims.

The Government of India has taken number of initiatives to boost the insurance industry. Some of them are as follows:

- In November 2021, the Indian government signed an agreement with the World Bank for a US$ 40 million project to advance the qualities of health services in Meghalaya, including the state's health insurance programme.
- In September 2021, the Union Cabinet approved an investment of Rs. 6,000 crore (US$ 804.71 million) into entities, offering export insurance cover to facilitate additional exports worth Rs. 5.6 lakh crore (US$ 75.11 billion) over the next five years.
- In August 2021, the Parliament passed the General Insurance Business (Nationalisation) Amendment Bill. The bill aims to allow

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privatisation of state-run general insurance companies.

- Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) has announced the issuance, through Digilocker, of digital insurance policies by insurance firms.
- Under the Union Budget 2021, Finance Minister Nirmala Sitharaman announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US$ 13.62 billion).
- In June 2021, the government extended a Rs. 50 lakh (US$ 66.85 thousand) insurance coverage scheme for healthcare workers across India until the next one year.
- In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies.
- Under Union Budget 2021, fund of Rs. 16,000 crore (US$ 2.20 billion) has been allocated for crop insurance scheme.

The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers.The overall insurance industry was reached US$ 280 billion by the end of 2020. Life insurance industry in the country is expected to increase by 14-15% annually for the next three to five years.

The insurance sector faces various challenges, as identified and detailed in our recent research (Ray et al. 2020). Low insurance penetration and density rates prevail in India. Rural participation of insurers remains deficient, and life insurers, especially private ones, gravitate towards the urban population, to the detriment of the rural population.

Insurers in India lack sufficient capital, and their financial health, particularly that of the public-sector insurers, is in a precarious state. Among the public-sector general insurers, the financial situation of the ailing National Insurance Company is a cause for concern. Even though the Government of India has already infused Rs. 25 billion in the three public-sector insurers – National Insurance, Oriental Insurance, and United India Insurance – through the first batch of 'supplementary demands for grants'[1] for FY20, these insurers require an additional Rs. 100-120 billion in order to meet the stipulated solvency margin

Postal Life Insurance Scheme offers life insurance cover with high returns on premium. The maximum sum assured offered under this scheme is Rs. 50 lakh. This policy is offered by the Government of India, to employees of Central and State Public Sector Enterprises, Central and State Governments, Government Aided Educational Institutions, Universities, Government aided Educational Institutions, Autonomous Bodies, Local Bodies, Cooperative Societies, Joint Ventures having a minimum of 10% Government/ PSU stake, etc. A group insurance scheme is also managed by Postal Life Insurance, which is for "Gramin Dak Sevaks", i.e., Extra Departmental Employees, of the Department of Posts.

Features of Postal Life Insurance Policy:

A policyholder can avail the following benefits:

- **Nomination facility:** The policyholder can nominate his/her beneficiary, and can also make changes to the nomination.
- **Loan facility:** Loan facility is available against this policy. The policyholder can pledge his/her policy as a collateral to the Heads of the Region/ Circle on behalf of the President of India, once the policy has attained 3 years maturity in case of an Endownment Assurance policy and 4 years policy period has been completed in the case of a Whole Life Insurance policy. Assignment facility is also available under this scheme.
- **Policy Revival:** A policyholder can revive a lapsed policy. The policy can be revived when policy has lapsed under the following conditions -
  - Policy has lapsed after 6 successive non-payments of premium with the policy being in effect for less than 3 years.
  - Policy has lapsed after 12 successive non-payments of premium where policy has been in effect for more than 3 years.
- **Duplicate Policy Document:** A duplicate policy document will be issued to the policyholder if he/she has lost the original document. This also applies to the case where the original policy document is mutilated, burned or torn and the insured wants a duplicate of the same.
- **Conversion of Policy:** This policy can be converted from a Whole Life Assurance policy to an Endowment Assurance Policy. An Endowment Assurance Policy can be converted to another Endowment Assurance

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plan as per the regulations and guidelines laid down by the insurer.

Benefits of Investing in PLI:

Some of the other benefits and discounts offered under the Postal Life Insurance scheme are as follows:

- The insured can avail income tax exemption as provided under Sec. 88 of the Income Tax Act.
- The premium payable for the sum assured and coverage is much lower than that payable under any other .
- Additional facilities offered under this policy are Assignment, Loan, Conversion, Surrender and Paid Up Value options.
- The policy can be transferred to any Circle within India, at no additional charges.
- Passbook facility is available to track the payment of premium and in case of loan transactions, etc.
- Premium can be paid on an annual, half-yearly and monthly basis. When the payment is due, the policyholder can make a payment on any working day.
- If you make an advance premium payment for a policy period of 6 months, you can avail a discount on premium worth 1% of the value.
- If you make an advance premium payment for a policy period of 12 months, you can avail a discount on premium worth 2% of the value.
- Nomination facility is available.
- Since this scheme has a centralized accounting facility, claims process is quick and easy.

Postal Life Insurance Eligibility:

Employees of the organizations listed below are eligible to obtain a Postal Life Insurance policy:

- Defense Services
- State Government
- Central Government
- Para Military forces
- Local Bodies
- Reserve Bank of India
- Government-aided Educational Institutions
- Public Sector Undertakings
- Nationalized Banks
- Financial Institutions
- Autonomous Bodies
- Those appointed in the Central/ State Government on a contract basis, where the contract can be extended.
- Employees of all scheduled Commercial Banks
- Extra Departmental Agents in Department of Posts
- Those employed in educational institutes that are accredited by recognized bodies such as All India Council of Technical Education, National Assessment and Accreditation Council, Medical Council of India etc.
- Those employed in Credit Co-operative Societies and other Co-operative Societies registered with Government under the Co-operative Societies Act. These can be and partly or fully funded by State Government, Central Government, RBI, Nationalized Banks, SBI, NABARD, etc.

Advantages of Postal Life Insurance Policies:

PLI schemes have several benefits awarded to their applicants and is one of the most sought out insurance products in the country because of its flexibility:

a.Name of nomination can be changed by the insured at any given time.

b.Duplicate policy bond can be re issued to insured, in case the original Policy Bond is burnt, torn, lost or mutilated.

c.A lapsed postal insurance policy can be revived after 6 unpaid premiums if it remained in force for less than 3 years. It can also be revived after 12 unpaid premiums if it remained in force for more than 3 years.

d.The insured can avail loan by pledging his/her scheme to Heads of the Circle/Region on behalf of President of India, on the condition that the policy is 3 years old in case of Endowment Assurance and 4 years in case of Whole Life Assurance. Assignment facility can also be availed.

e.Policy can be assigned to taking a loan to any financial institution.

f.It is possible to convert a Whole Life Assurance to Endowment Assurance and from Endowment Assurance to other Endowment Assurance, based on certain conditions and rules.

There 7 **different life insurance policies under PLI**:

1. Whole Life Insurance (Suraksha): The whole life insurance scheme from Postal Life Insurance has the following features and requirements**:**

- **Scheme:** Assured amount + accrued bonus is paid to nominee, assignee or legal heir, after the insured expires.
- **Age Eligibility:** Minimum:19 years Maximum: 55 years
- **Policy Conversion:** Policy can be converted to an Endowment Assurance policy after completion of a year and before the insured turns 57 years of age.
- **Minimum Sum assured:** Rs. 20,000
- **Maximum Sum Assured:** Rs. 50 lakh

- **Loan Facility:** Available after 4 years of completion
- **Policy Surrender:** Policy can be surrendered after 3 years of completion. Policyholder will not be eligible for bonus if assigned or loaned before 5 years of completion, else proportionate bonus on the reduced amount assured can be accrued if the policy is assigned for loan or surrendered.
- **Medical Examination:** Mandatory
- **Premiums Payable:** The premiums are calculated based on factors such as age of maturity and age of entry and hence, variable for the applicant.

2. Endowment Assurance (Santosh): The endowment assurance scheme from Postal Life Insurance has the following features and requirements:

- **Scheme:** Assured amount + accrued bonus is paid to proponent when he or she attains the pre-decided age of maturity. The sum amount insured and bonus is payable to the assigned, nominee or legal heir in case of unprecedented death.
- **Age Eligibility:** Minimum**:** 19 years Maximum**:** 50 years
- **Policy Conversion:** Policy can be converted to any other Endowment Assurance policy under the rules and regulations of PLI.
- **Minimum Sum assured:** Rs. 20,000
- **Maximum Sum Assured:** Rs. 50 lakh
- **Loan Facility:** Available after 4 years of completion
- **Policy Surrender:** Policy can be surrendered after 3 years of completion. Policy will not be eligible for bonus if assigned or loaned before 5 years of completion else proportionate bonus on the reduced amount assured can be accrued if the policy is assigned for loan or surrendered.
- Medical Examination mandatory
- **Premiums Payable:** The premiums are calculated based on factors such as age of maturity and age of entry and hence, variable for the applicant.

3. Convertible Whole Life Insurance (Suvidha): The convertible whole life insurance scheme from Postal Life Insurance has the following features and requirements:

- **Scheme:** Assured amount + accrued bonus is paid to proponent when he or she attains the pre-decided age of maturity. The sum amount insured and bonus is payable to the assigned, nominee or legal heir in case of unprecedented death.
- **Age Eligibility:** Minimum**:**19 years Maximum: 55 years
- **Policy Conversion:** Policy can be converted to Endowment Assurance after 5 years but must not exceed 55 years. If option for conversion not used, the policy will automatically turn into a Whole Life Insurance by default.
- Minimum Sum assured: Rs. 20,000
- **Maximum Sum Assured:** Rs. 50 lakhs
- **Loan Facility:** Available after 3 years of completion
- **Policy Surrender:** Policy can be surrendered after 3 years of completion. Policy will not be eligible for bonus if assigned or loaned before 5 years of completion else proportionate bonus on the reduced amount assured can be accrued if the policy is assigned for loan or surrendered.
- Medical Examination mandatory
- **Premiums Payable:** The premium amount is calculated on factors that include age of maturity and age of entry and hence, variable for the applicant.

4. Anticipated Endowment Assurance (Sumangal): The anticipated endowment assurance scheme from Postal Life Insurance is best suited for people who expect periodical returns, and has the following features and requirements:

- **Scheme:**Money back policy
- **15 Years Term Policy:** 20% of benefits are paid post 6 years 20% of the assured sum, 9 years 20% of the assured sum, 12 years 20% of the assured sum and 15 years 40% of the assured sum + assured bonus.
- **20 Years Term Policy:** Benefits are paid post 8 years 20% of the assured sum, 12 years 20% of the assured sum, 16 years 20% of the assured sum and 20 years 40% of the assured sum + assured bonus
- **Maximum Sum Assured:** Rs. 50 lakh
- Such payments, in the event of unexpected death of the insured, will not be taken into consideration and the full sum assured + accrued bonus is payable to the assignee or legal heir.
- Medical Examination mandatory
- **Premiums Payable:** The calculation premium is based on factors that include age of maturity and age of entry and hence, variable for the applicant.

5. Joint Life Endowment Assurance (Yugal Suraksha): The joint life assurance from Postal Life Insurance requires any one of the spouses to be eligible for PLI policies. The scheme has the following features and requirements:

- **Scheme:** Both spouses are covered to the extent of sum assured + accrued bonus with only one premium.
- **Age Eligibility**: Minimum: 19 years Maximum**:** 55 years
- **Policy Conversion:** Policy can be converted to any other Endowment Assurance policy under the rules and regulations of PLI.
- **Minimum Sum assured:** Rs. 20,000
- **Maximum Sum Assured:** Rs. 50 lakh
- **Loan Facility:** Available after 3 years of completion

- **Policy Surrender:** Policy can be surrendered after 3 years of completion. Policy will not be eligible for bonus if assigned or loaned before 5 years of completion else proportionate bonus on the reduced amount assured can be accrued if the policy is assigned for loan or surrendered.
- Medical Examination mandatory
- **Premiums Payable:** The premium amount is calculated on factors that include age of maturity and age of entry and hence, variable for the applicant.

6. **Scheme for Physically Handicapped Person:**Any of the above mentioned life insurance policies can be availed by physically handicapped applicants, under this scheme. However, premium prices are dependable on the nature and extent of handicap which will be determined through the mandatory medical examination.
7. **Children Policy (Bal Jeevan Bima):**There is a separate policy for the children of policyholders which can be taken. **Maximum 2 children** in a family are eligible for this scheme:

- **Main Policyholder Age Eligibility:** Maximum**:** 45 years
- **Children Age Eligibility**: Minimum**:** 5 years Maximum**:** 20 years
- **Maximum Sum Assured:** Rs. 3 lakh or equivalent to the sum assured of the main policy holder whichever is less
- **Loan Facility:**Not available
- No premium is payable, in case death of main policy holder and full sum assured + accrued bonus paid after the completion of the policy term.
- Main policyholder is responsible for payments for the Children Policy.
- No mandatory medical examination required for child.
- **Policy bonus** calculated at the rate applicable to Endowment Policy. The POIF Rules applicable at the time, shall be applicable to Children Policy.

Rural Postal Life Insurance Plans: This plan was formed so that the insurance sector in India could improve especially the insurance in rural areas as it formed a meagre part of a general household in India. Around 22% of the total population of the country after this plan was implemented has improved.

- Claim up to Rs. 1,50,000 deduction under section 80C*
- Insurers provide online renewal of policy
- Choose between annual and monthly premium payment options

Benefits of Rural Postal Life Insurance in India: Several benefits are associated with rural postal insurance schemes. A host of different schemes are available under the rural insurance umbrella. Some of the most outstanding advantages of these schemes are listed as under.

- Policyholders of rural postal insurance schemes can avail credit by pledging their schemes as collateral for security. The policy has to be pledged with the Heads of the Circle and is eligible for loan only if 3 years or more are completed in case of endowment schemes and 4 in case of whole life assurance.
- Rural postal insurance policies can be pledged with any financial institution for obtaining credit.
- Policies under rural postal insurance can be revived in case it lapses due to non-payment of insurance premium.
- Insurance policies can be converted from one scheme to another under rural postal insurance. So if a customer is not satisfied with features and benefits of one scheme, he/she can get it converted to another as per rules set by postal insurance department.
- Nomination facility is available and nomination can be duly changed as per policyholder's requirement. This can be done by placing a request with the postal insurance department.

What is the Need for Financial Inclusion?

Financial inclusion enhances the financial system of the country comprehensively. It strengthens the availability of economic resources.

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Most importantly, it toughens the concept of savings among poor people living in both urban and rural areas. This way, it contributes towards the progress of the economy in a consistent manner.

Many poor people tend to get cheated and sometimes even exploited by rich landlords as well as unlicensed moneylenders due to the vulnerable condition of the poor people. With the help of financial inclusion, this serious and hazardous situation can be changed.

Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. There are many households with people who are farmers or artisans who do not have proper facilities to save the money that they earn after putting in so much effort.

Financial Inclusion Programmes Organised by the Reserve Bank of India (RBI)

The Reserve Bank of India works on exclusive programmes and plans in order to have financial inclusion in the nation effectively. It applies a bank-led strategy in order to attain financial inclusion smoothly. The central bank of India also has firm regulations in place that need to be followed by every bank. The RBI also is offering qualified assistance to every bank in the nation in order to attain its financial inclusion objectives.

Let us take a look at some of the programmes introduced by the RBI in order to achieve its goals:

- The RBI instructed every bank to have Basic Saving Bank Deposits (BDSD) accounts for the economically weaker sections of the society. These are no-frill accounts where account holders do not have to maintain any minimum balance or minimum deposit. These account holders can withdraw cash at any ATM or at the bank branch. They should also be given the opportunity to make use of electronic payment channels for receiving and transferring money to others.
- The RBI also asked banks to have simple Know Your Client (KYC) regulations for the less fortunate people of the society. There are many people in rural areas who are unable to open bank accounts due to strict KYC norms. Hence, the RBI wants banks to have simplified KYC requirements particularly if a low-income individual is interested in opening a bank account with an amount not above Rs.50,000. It also wants minimal KYC norms if the overall credit in the accounts does not go above Rs.1 lakh for 1 year. Recently, banks have been asked to accept Aadhaar Card as identity proof as well as address proof since most people belonging to low-income groups have made Aadhaar card in their names.
- Keeping in mind about the lack of bank branches in rural areas, the RBI has asked all banking institutions to open more and more branches in villages across the nation in order to provide good banking services to the villagers. There are many remote villages where there are no banks and also no good transportation services. It is very difficult for residents of these areas to commute to a far-off bank branch for availing banking services. Hence, with the compulsory rule of the RBI, banks are distributing the ratio of banks in villages and cities to have a balance.

Operations of Financial Inclusion

Under financial inclusion, the main aspect is access to financial sources. This can be broadly divided into credit, wealth creation, and contingency planning.

- According to the concept of financial inclusion, under the credit aspect, a low-income individual needs proper access to emergency loans, consumer loans, housing loans, and business livelihood loans at affordable rates.
- Under the wealth creation aspect, a poor individual should be able to make excellent savings and have access to reliable investment options that generate good returns. Every low-income household should also have basic financial literacy and understand the concept of risk in finance clearly.
- Under the contingency planning segment of the financial inclusion system, a poor person should have access to funds that can be utilised exclusively in the future. It is not enough if these people have only means to improve their income and enhance their lifestyle. They should also have the right resources to be prepared for the future, especially when they get old. Many of the poor people may not be aware of retirement plans. They should be provided with affordable retirement plans that will give them good returns in the later stages of their lives.

They should also be given insurable contingencies to keep themselves safe and secure. Many less fortunate people do not even think of taking a life insurance policy or a vehicle insurance policy due to the high costs involved. Insurers should offer insurance options at subsidised premiums to the economically weaker sections. These insurance policies will give them coverage and prevent them from paying exorbitant compensation costs when something unforeseen or unfortunate happens to them or their family.They should also be given buffer savings in order to be prepared and ready for unforeseen or emergency expenses. This way, they would not have to go to their relatives or friends or moneylenders for monetary support. They can be financially ready always.

The Reserve Bank of India is promoting the establishment of Financial Literacy Centres (FLCs). It has made many modifications and revisions regarding the functioning of Financial Literacy Centres (FLCs). The rural branches of various scheduled commercial banks and financial literacy centres are now required to improve financial awareness on a larger scale and enhance their financial literacy activities by organising catchy and simple financial literacy camps. These camps can be held outdoors under a tree or in some other open space by having financial awareness camps on a monthly basis or more frequently. Financial literacy camps work towards imparting financial literacy and offering convenient financial access to low-income people of the society.

With the objective of distributing the branches of scheduled commercial banks (SCBs), the RBI has instructed banks to establish their branches in Tier 2 to Tier 6 centres that have less than 1 lakh people. These branches can be opened with a general permission from the RBI. In Sikkim and North-Eastern states, scheduled commercial banks can set up branches without even getting any approval from the RBI. They are free to open any branch in these states. The RBI is also working to liberalise the functioning of commercial banks apart from regional rural banks (RRBs) so they can open branches in Tier 1 centres with a general permission.

The central bank of the nation also asked banks to discuss and create Financial Inclusion Plans (FIPs). These plans will include details about staff employed, branches opened, facilities offered in each of these branches, steps being taken to convert the unbanked sections of the society to individuals with basic access to banking services, etc. The plan will also include information about no-frills accounts opened with each public or private bank. The RBI has been checking each bank's FIP with full dedication and providing them with constructive feedback.

The RBI has also asked banks to set up intermediate brick and mortar structures between the base branch of a bank and the other branch locations. This should be done for the purpose of organising and administering cash, redressing customers' grievances, collecting and maintaining mandatory documents systematically, monitoring of branch activities, etc. This particular intermediate branch can be an inexpensive building with simple infrastructure, passbook printers, banking terminal, cash retention machines or safes for storing large amounts of cash.

The RBI also has invested huge amounts in technology for banking services so that innovative techniques can be incorporated to making banking processes simple, quick, and cost-effective. The scheduled commercial banks have been asked to utilise information and communications technology (ICT) to offer affordable digital banking services. Banks have also started to offer door-step delivery of bank accounts, loans, and other financial services with the help of technology. Moreover, with the introduction of technology in banking, it is okay if customers are illiterates. They can make use of technological devices and operate through biometrics. This also makes sure that customers have safe and secure transactions without any scope for scams or frauds. This will also make the unbanked sections of the society rely on the banking system.

The Reserve Bank of India enabled scheduled commercial banks to get business correspondents (BCs) as well as business facilitators (BF). These BCs and BFs will play the role of intermediaries for the purpose of offering banking services to customers across the nation. The business correspondent strategy promotes delivery of banking products at the doorstep of the customers. They also offer cash transactions and hence, this makes it easier for people who live in rural areas where there are not too many banking branches and not proper modes of transport for them to commute to nearby towns or cities.These business correspondents can be individuals as well as organisations or entities that serve as intermediaries between banks and customers. There are many people and entities that are ready to take up the role of a business correspondent. Both non-profit organisations and for-profit companies are allowed to serve as business correspondents. This is a great milestone in the field of banking.

In the rural setting, business correspondents typically take assistance from the Village Panchayat (the local governing body of a particular village) and develop a strong system consisting of Common Service Centres (CSCs). A Common Service Centre is an electronic hub that functions in rural areas. This centre will have a computer and it will be connected to the internet. This system will offer electronic business services as well as e-governance to people living in rural

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areas. It also serves as an opportunity to rural people for being innovative and smart. People can come up with unique ideas and technological solutions for the purpose of creating and improving business operations, marketing activities, and increasing sales on a regular basis.

Financial Inclusion in India

In the Indian subcontinent, the concept of financial inclusion was first familiarised in the year 2005 by the Reserve Bank of India by releasing the Annual Policy Statement. Soon, the concept started to spread in every part of the nation. It was chiefly introduced to touch every corner of the country without ignoring any remote area. The concept addressed the absence of a formal financial system and banking system for catering to the monetary requirements of the poor people.

In the year 2005, the Khan Committee Report was released which mainly discussed rural credit and microfinance. It spoke about how many people in the nation are missing out on the benefits of a professional and licensed banking system.

The Khan Committee report laid an emphasis on providing access to essential financial services by helping them to open a bank account that does not come with any frills or complicated elements. All banks were asked to minimise regulations regarding account creation processes for the economically weaker sections of the society. Several banks were asked to work together towards 100% financial inclusion by taking part in campaigns started by the RBI.

The Indian government also initiated the 'Pradhan Mantri Jan Dhan Yojna' with the sole purpose of motivating and encouraging poor individuals to open bank accounts. This programme targeted at least 75 million individuals to open bank accounts by the year 2015

Why India Post?

90% of India Post branches are in rural areas .India Post is the largest postal operator in the world, with about 155'000 branches, 90% of which are located in rural areas. In 2013-2014, India Post:

- handled 349 million accounts, for a cumulated outstanding balance of more than USD 93 billion. (Comparatively the State Bank of India, the largest bank in the country, has total deposits of USD 130 billion);
- Paid out USD 1.7 billion in MNREGA wages onto 64 million accounts on behalf of the Government of India.

India Post has also provided life insurance to civil servants since 1884 and now also provides a Rural Postal Life Insurance scheme, with both schemes now covering more than 20 million people. These statistics illustrate India Post's potential to reach rural populations as well as its technological and operational capability to handle volumes of transactions and money with a high degree of fidelity and safety – criteria used to screen applicants for the licenses.

In a sense, one could argue that India Post has already been operating as a payment bank, offering basic accounts, remittance/payment services, and even insurance, for more than a century. India Post is therefore already a key actor in the Indian financial inclusion landscape.

So what are the challenges?

Despite these achievements, India Post faces some technological and financial challenges. To screen the applicants, RBI deemed it important for banks to have "innovative technological solutions and a viable financial plan." Unfortunately, India Post has not been profitable for several years in a row, and in 2013-2014 lost USD 825 million USD. However, India Post developed an ambitious plan in November 2012 to equip all its post offices with computer hardware, solar charging devices and network connectivity. To embrace these new technologies, almost 740 million USD was invested, however, much remains to be done. Ensuring that this IT modernization project is successfully completed and reduce costs will be a major challenge. Another one will be to train the staff in the 130'000 rural post offices to ensure they can adequately use this equipment and offer high quality financial services.

The business model that will be chosen could also determine the success of this initiative. India Post will now have to set up a new subsidiary and recruit new staff with banking experience to operate its payment bank. However, it appears that not all financial services will be handled by this new entity, which means that there could be a situation where the Post will need to maintain two systems in parallel, one for the "old" accounts remaining with India Post and one for the "new" accounts which will sit in the postal bank. It is not clear either whether these new financial services will be available through India Post's entire network or only in a few selected post offices to begin with.

The plan is to launch the new payment bank in 2016-2017. It will be interesting to analyze the decisions that will be made in the coming months by the Department of Posts and the Ministry of Communications in terms of setting up the new entity. These decisions will determine whether the Indian Post Bank can significantly increase its already strong impact on digital payments and financial inclusion across India. We wish them every success!

FINDINGS

- Though vast network of Post Offices across India and having a strength of Field Staff, still PLI and RPLI is yet to reach the needy.
- As a result many eligible categories are yet to join PLI and RPLI schemes.
- Many Villages in rural areas are untapped.
- Services of Agents recruited are not being utilized fully to tap business
- Surrender of Policies both PLI/RPLI are in high stage.
- Lapsed policies are in high numbers
- Payment of premiums are some times denied due to server error etc during a particular month especially end of the month and the insurant are to pay late fine during the next month. This makes unhappy to the insurants and effects its marketing also.
- On line payment error happens frequently by not showing the payments made and payments deducted by the banks are not reflecting in their account which panics the insurants as being cheated.

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