



India Post Payment Bank: Milestone Behind the Resurgence of India Post

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ABSTRACT: India Post, over its life, adapted and changed in response to various factors. However, the most recent changes are posing a serious threat to disrupt the stability of the organization. These changes stem from three primary drivers: technological advancements, heightened competition—particularly from international competitors and societal shifts in consumption habits across urban and rural India as incomes increase and online retail expands. In response to this threat, the organization has utilized its resources to introduce new products aligned with customer preferences, branching into diverse industries and product categories. Initiatives such as logistics services in partnership with Indian railways, retail offerings like bill collection and facilitating college applications, and the establishment of a financial arm named "Payment Bank" signify the organization's transformation from solely providing postal-related services to a multifaceted service provider. However, there's a question regarding the success of these product diversifications and whether they align with the organization's existing capabilities and potential to develop new strengths, notably in the case of the payment bank. So, the present study examines the performance of India Post Payment bank in the last five years.

KEYWORDS: India Post payment Bank (IPPB), Return on Asset (ROA), Technology, Digital Transaction

1. INTRODUCTION

India Post Payments Bank chose a less conventional path as it commenced its mission to financially empower every individual. The institution is dedicated to evolving into a digitalized entity and extending its technologically driven operations to even the remotest areas, ensuring widespread accessibility. India Post Payments Bank is dedicated to evolving into a digitally-driven institution and extending its technology-driven services to remote areas. With widespread digital infrastructure throughout the nation, its goal is to contribute to an advancing India where formal banking is accessible to all individuals. To realize this vision, the bank is striving to connect with the unbanked and under banked populace while

simultaneously meeting the banking needs of metropolitan and urban areas through its diverse range of products and services. With the proliferation of digital technologies, India's financial services landscape is undergoing transformation at a speed and scale that has not been witnessed before.

2. STATEMENT OF THE PROBLEM

The India Post Payments Bank endeavors to engage with individuals who are unbanked or underserved while also catering to the banking requirements of urban and metropolitan areas by offering a wide array of products and services. Nonetheless, there remains an inquiry into the effectiveness of these diversified products and



whether they harmonize with the institution's current abilities and its potential to cultivate new strengths, particularly in the realm of a payment bank. This study focuses on assessing the extent to which IPPB has progressed in realizing its vision and mission of widespread financial empowerment, considering its unconventional approach in this journey.

3. OBJECTIVES

- To analyze current scenario of India Post Payment Bank
- To review progress in performance of IPPB over last five years by using some key indicators
- To make performance analysis of IPPB using Return on Asset Ratio

4. RESEARCH QUESTION

The prime question which has been triggered by this study to comply with the research objective is what extent India Post Payment Bank progressed in its performance

5. METHODOLOGY OF THE STUDY

This research is based on secondary data sources. This study is based on the presentation of available banking data of India Post Payment Bank; these are annual volume of digital financial transactions, Mobile app downloads, No. of banking access points, no. of customers, total deposits, net income net asset etc. have been logically and conceptually discussed and analyzed to meet the research objective. These data have been collected from the annual report of India Post and India Post Payment Bank Limited and from the website of Reserve Bank of India.

6. FINDINGS AND DISCUSSIONS

With a diversified geographical footprint that covers the entire length and breadth of the country, India Post Payments Bank addresses the banking and financial needs of over five crore customers in 37 states/union territories currently.

The table 1 presents key indicators reflecting the performance of India Post Payments Bank (IPPB) over the years 2018-2019 to 2022-2023. IPPB is a government-operated payments bank aimed at extending banking and financial services, especially to rural areas and underserved populations.

No. of Banking Access Points: The number of access points has seen marginal fluctuations, with a slight increase from 136,078 in 2018-2019 to 137,000 in 2022-2023. This suggests a consistent effort in maintaining and potentially expanding their physical presence.

Customer Base: There's a remarkable increase in the customer base from 55.7 lakh (5.57 million) in 2018-2019 to 5.26 crore (52.6 million) in 2021-2022. This demonstrates significant growth, indicating the bank's successful penetration and acceptance among the masses.

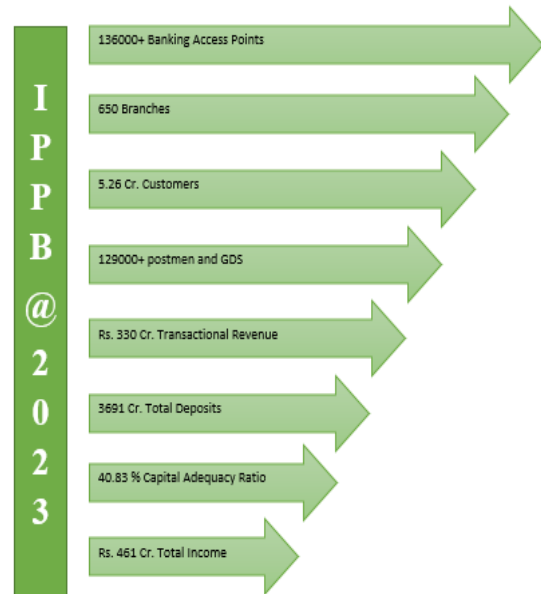


Figure 1: Facts of IPPB

Total Deposits: A substantial rise in total deposits is evident, from 95 crore in 2018-2019 to 5000 crore in 2022-2023. This signals increased trust and usage of IPPB's banking services over time.

Value of Digital Financial Transactions: While the data is missing for certain periods, there's a significant surge in digital financial transactions, rising from 5700 crore in 2018-2019 to 154,367 crore in 2022-2023. This demonstrates a major shift towards digital banking and a successful adoption of digital transactions among customers.

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Table 1: Key Indicators of Digital Banking

Key Indicators	2018-2019	2019-2020	2020-2021	2021-22	2022-23
No. Banking access Points	136078	136078	136197	136053	137000
Customers	55.7 Lakh	2.36 Cr.	4.31 Cr.	5.26 Cr.	N/A
Total deposits	95 Cr.	855 Cr.	2300 Cr.	3691 Cr.	5000Cr.
Value of digital financial transaction	5700 Cr.	N/A	58709 Cr.	154367 Cr.	N/A
No. of mobile app downloads	N/A	32.6 Lakh	1.15 Cr.	1.34 Cr.	N/A

No. of Mobile App Downloads: The number of downloads of the mobile app indicates an increasing trend, from 32.6 lakh (3.26 million) in 2019-2020 to 1.34 crore (13.4 million) in 2021-2022. This signifies the growing acceptance and usage of digital platforms for banking services.

Overall, the performance of IPPB, as indicated by these key metrics, showcases significant growth and success in expanding its reach, customer base, digital transactions, and technological adoption. The increasing trend across various parameters underscores IPPB's effective strategies in catering to the financial needs of a larger population, especially in previously underserved areas, and its successful transition towards a more digital-centric banking model. The table 2 provides data regarding the Net Income, Net Assets, and Return on Assets (ROA) of the India Post Payments Bank (IPPB) for the fiscal years from 2017-18 to 2021-22.

Net Income: The Net Income of IPPB has shown fluctuations over the years. It increased from 398,053,249 in 2017-18 to a peak of 2,131,315,740 in 2020-21 before dropping significantly to 4,612,041 in 2021-22. The substantial increase in 2020-21 indicates a notable growth in earnings, possibly due to specific one-time gains or exceptional circumstances.

Net Assets: There is a consistent growth trend in Net Assets, rising from 8,118,487,980 in 2017-18 to 30,617,395,963 in 2020-21, followed by a decrease to 45,011,081 in 2021-22. This significant increase until 2020-21 indicates the accumulation of assets and capital by IPPB, contributing to its financial strength and capacity

Return on Assets (ROA): ROA measures a company's efficiency in generating profits relative to its total assets. In this case, IPPB's ROA has varied significantly. It started at 0.04903 in 2017-18, saw a peak of 0.10246 in 2021-22, but had periods of decrease and increase in

between. IPPB's ROA indicates its ability to generate earnings from its total assets. A higher ROA suggests better efficiency in utilizing assets to generate profits. The peak ROA in 2021-22 at 0.10246 indicates improved efficiency compared to previous years.

The fluctuations in ROA over the years suggest that the bank's profitability in relation to its assets has been inconsistent. Variations in profitability may stem from changes in operational efficiency, investment decisions, or economic conditions impacting the bank's performance. While IPPB experienced fluctuations in Net Income and Net Assets over the years, the focus on ROA suggests a notable improvement in the bank's efficiency in generating profits from its assets in 2021-22. However, it's essential to investigate the reasons behind the fluctuating financial performance to understand the underlying factors contributing to these variations.

7. CONCLUSION

The India Post Payments Bank (IPPB) has undergone a transformative journey, evolving from traditional postal services to a multifaceted service provider addressing diverse financial needs. It has adapted to technological advancements and societal shifts while facing increased competition in the financial landscape. Amid these changes, IPPB has focused on expanding its reach, customer base, and digital transactions through strategic initiatives

Key indicators from 2018-2019 to 2022-2023 showcase significant growth for IPPB. There's a consistent effort in expanding banking access points, a remarkable increase in the customer base, substantial growth in total deposits, a surge in digital financial transactions, and a growing trend in mobile app downloads. These metrics underscore IPPB's effective strategies in catering to the financial needs of a larger population, especially in underserved areas, and transitioning to a more digital-centric banking model

Key Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Net income	398,053,249	482,802,322	547,623,537	2,131,315,740	4612041
Net asset	8,118,487,980	8,869,992,290	16,452,668,540	30,617,395,963	45011081
ROA	0.04903	0.05443	0.03328	0.06961	0.10246

Table 2: Net Income

Analyzing IPPB's financial performance through Net Income, Net Assets, and Return on Assets (ROA) reveals fluctuations but also notable accomplishments. Return on Assets (ROA) varied significantly, demonstrating improved efficiency in generating profits from assets, particularly marked by a peak ROA in 2021-22.

While IPPB has shown positive trends in customer outreach and digital adoption, its financial performance metrics exhibited some inconsistencies. The variations in Net Income, Net Assets, and ROA may indicate challenges in maintaining consistent profitability, possibly affected by changes in operational strategies, economic conditions, or investment decisions.

In conclusion, IPPB has made substantial strides in expanding its footprint, customer base, and digital operations, as evident from the upward trajectory in key performance indicators. However, the bank faces challenges in ensuring consistent financial performance and must further investigate the reasons behind these fluctuations to sustain its growth and strengthen its position as a leading financial services provider catering to diverse customer segments across India.

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