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PROBLEMS AND CHALLENGES FACED BY INDIA POST ON IMPLEMENTATION OF FINANCIAL INCLUSION

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Abstract: *The term financial inclusion has emerged to inclusive growth of economic development of India through sustainable way. The primary aim is to ensure affordable financial services to unbanked rural and remote places for poor and marginalized groups by providing the services of savings accounts, loans and credits, insurance, payments and remittance services, pension schemes, and transfer and receipt in both physical and online mode. In this context, the government has supported India Post as a vital institution in providing formal financial services to unbanked rural and remote areas. However, to cover unbanked rural and remote areas is most difficult to ensure the adoption of formal financial services in regular usage. Therefore, the present study seeks to examine the problems and challenges faced by India post in implementing financial inclusion initiatives to unbanked rural and remote areas. The descriptive and analytical research design was used. Further, the study purely based on secondary data collected from both published and unpublished sources. The study found that, the India post is providing significant contributions to implementation of financial inclusion through India Post Payments Banks. However, by providing financial services to unbanked and rural areas several challenges were faced by India post such as poor internet connection, low digital literacy among customers and staffs, inadequate infrastructure, less number of staffs are working, technical failures, and security concerns.*

Keywords: Financial Inclusion, Problems and Challenges, India Post, IPPBs

1. Introduction

The term financial inclusion has emerged to inclusive growth of economic development of India through sustainable way. The primary aim is to ensure affordable financial services to unbanked rural and remote places for poor and marginalized groups by providing the services of savings accounts, loans and credits, insurance, payments and remittance services, pension schemes, and transfer and receipt in both physical and online mode. Despite, the significant contribution of banking sector in India, a huge proportion of population in rural and unreached areas are remained not getting formal financial support. Therefore, the government of India has introduced several initiatives to cover these areas into formal financial sector like Direct Benefit Transfer (DPT), Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY), and Pradhan Mantri Suraksha Bima Yojana (PMSBY). In this context, the government has supported India Post as a vital institution in providing formal financial services to unbanked rural and remote areas. However, to cover unbanked rural and remote areas is most difficult to ensure the adoption of formal financial services in regular usage. Therefore, the present study seeks to examine the problems and challenges faced by India post in implementing financial inclusion initiatives to unbanked rural and remote areas.

2. Review of Literature

Sharma and et al (2023), studied the effectiveness of financial inclusion through India Post. The primary objective of the study was to examine the impact of formal financial services to rural areas by India post. The descriptive research method was adopted by the researchers. The study concludes that majority of the customers are satisfied on different financial services provides by India post. However, they expressed that the postal banks do not provide timely services and not using advanced technology to provide services in effective way.

Gubpa S and Varma T (2022), conducted a research study entitled customers perceptions on using India Post Payment Banks services. The main aim of the study was to assess and examine the customers opinion and perception on using IPBP services. The study found that the customers are appreciated the different services offers by IPBP but they faced some problems in IPBP services in the aspects of transaction delay, limited availability, and technical failures.

Niti Aayog (2021), the report emphasized that need and importance of financial inclusion through digital way. The report identified that lack of networking, lack of adequate internet connection, lack of digital infrastructure, lack of digital knowledge among customers, lack of using advanced technology, and lack of agency support to use advanced technology. Hence, the government should strengthen India post to effectively provide digital financial services.

Mala M and Vasanthi G (2016), studied that problems and challenges of India Post in Financial Inclusion. The study aims to know the role of post office in financial inclusion, and challenges faced by India post on financial inclusion. The study found that India post offers various services to include people into formal financial sector. However, the India post should have strong tie-up with nationalized commercial banks to expand its coverage and banking network.

Rangarajan Committee (2008), under his chairmanship the committee on Financial Inclusion was formed to provide affordable formal financial services to reduction of poverty and economic development of the country. The committed highlighted in its report that, there are several barriers are affect to financial inclusion in rural India such as low-level financial literacy, inadequate infrastructure in banking sector, isolation in area based on geographical location, and lack of technical support. Hence the committee recommended that there is a need of alternative service providing channels to reach unbanked areas and population through post offices.

3. Statement of the Problem

The government of India has launched the key policy initiatives programme financial inclusion to ensure the balanced economic development throughout the country. Thus, there is a huge need to provide different financial services such as different types of savings schemes, loans and advances, insurance service, receipt and remittance services to rural unbanked areas. Therefore, the government has launched various financial development programmes to reach and cover all the people into formal financial sectors. Based on the committees report the government has decided that the India post is the best option to cover unbanked rural and

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remote areas with its huge network of offices. Moreover, the rabid growth of using modern technology and digital transformation the post office faced several challenges to provide digital financial services competitive with private sector commercial banks. In this background, the present study seeks to identify the problems and challenges faced by India post in implementation of financial inclusion in India.

4. Objectives of the Study

- To analyse the role of India Post in financial services over the years.
- To assess the problems and challenges faced by India Post in financial inclusion.

5. Methodology used

The describe the role of India post in financial inclusion and problems and challenges faced on providing financial services. Thus, the descriptive and analytical research design was used. Further, the study purely based on secondary data collected from both published and unpublished sources.

6. Tools and Techniques used

The collected data were analysed using essential statistical techniques i.e, percentage analysis, Compound Annual Growth Rate, Trend analysis, and comparative analysis.

7. Role of India post in financial inclusion

The aims of financial inclusion is to provide affordable formal financial services to all kinds of people particularly in rural unbanked and remote areas. Since, the introduction of financial inclusion the India Post has played vital role in providing various financial services in part of financial inclusion programme. They are;

i. Extensive Rural Outreach programme to cover unbanked and remote rural areas.
ii. Promotion of savings habits into unbanked and remote rural areas.
iii. Provide basic banking services to all kinds of people to ensure to access formal financial services to all types of people.
iv. Facilitation of different government schemes all kind of people.
v. Introduction of new banking services like Core Banking Solutions to cover all the formal financial institution under one umbrella.
vi. Introduced banking services in India post in the name of India Post Payment Banks (IPPB).
vii. Provide banking services at customers door steps to attract more customers.
viii. Provides financial services through digital mode.
ix. Conducted financial literacy and awareness programme to ensure participation of people into formal financial sector.
x. Provide social security schemes conveniently to users.

Figure 1: India post contribution to Financial Inclusion

S.No	Area coverage	Contribution
1.	Rural Reach	Providing financial services in remote villages
2.	Mobilization of Savings	Promotion of small savings schemes
3.	Access Banking services	Provide basic banking services includes payments and receipts

4.	Government Transfers	Direct transfer of government benefits to customer accounts
5.	Digital Inclusion	Provide digital financial services through mobile
6.	Doorstep Banking	Provide banking service at doorstep to customers
7.	Financial Literacy	Conduct awareness campaign through financial education
8.	Social Security	Provide different social security services like insurance, payments, and pension.

8. Financial inclusion in India post

India Post is one of the most important institutions for inclusion of financial services to remote and unbanked rural area with its vast networks. Its extensive network in rural areas, reputation among people, using consumer-oriented technology, and digital transformation through postal payment banks the India post promotes savings habits among rural households, providing government welfare schemes at gross root level, and inclusive and fostering economic development in India. The details of role of India post on financial inclusion schemes are as follows.

Table 1: Growth of Post Offices in India

Years	Number of Post Offices	Number of Rural Post Offices	Percentage of Rural Post Offices
2016	152249	136567	89.7
2017	153017	137105	89.6
2018	154254	138057	89.5
2019	155531	139067	89.4
2020	156434	139899	89.4
2021	156721	140115	89.4
2022	157210	140480	89.4
2023	158125	141125	89.2
2024	160524*	145113	90.4
2025	164987*	149385	90.5

The growth of post offices in India reveals that 90 percent of post offices in India are located in rural areas. The growth of number of post offices in India is also growing steadily from the year 2016 to 2025.

Table 2: Growth of India Post Payments Banks Customers

Years	Number of customers in Millions	Annual Growth Rate in %
2019	13.0	--
2020	25.0	92.3
2021	40.0	60.0
2022	60.0	50.0
2023	82.0	36.7
2024	94.0*	14.7

2025	98.0*	4.3

The growth of customers in India Post Payments Banks is increased 13 million to 98 million for the last seven years. Further the annual growth rate of number of customers in India Post Payments Banks decreased during the study period. It may be due to that number of IPPB users increased normally.

Table 3: Growth of Digital Transactions Through IPPB

Years	Number of Transactions in Millions	Annual Growth Rate in %
2019	55	--
2020	110	100.0
2021	210	90.9
2022	360	71.4
2023	525	45.8
2024	714*	36.0
2025	905*	26.8

The growth of digital transactions through IPPB shows that increasing trends for the past seven years i.e., in the year 2019 only 55 million transactions are made through IPPB and it increased to 905 million transactions are made in the year 2025. However, the annual growth rate of number of transactions made through IPPBs has declined during the study period.

9. Major Challenges faced by India Post

Since 2018 the India Post Payment Bank provides various financial services to rural unbanked and remote areas. However, India Post facing several challenges and problems while providing financial services to competitive business-like technological challenges, operational challenges, lack of customer supports, low level digital literacy, shortage of staffs, security issues, and heavy competition with private sector commercial banks. The details of challenges faced by India post are as follows.

i. **Poor Internet Connection:** The poor internet connectivity is the biggest challenges faced by the India post for past few years due to increased number of customers and services, and lack of advanced technology using.
ii. **Low Digital Literacy:** It is the second important challenges faced by India Post. Both the postal staffs and customers do not have adequate digital literacy to provide and use digital financial effectively.
iii. **Inadequate Infrastructure:** The India post does not have adequate infrastructure facilities to provide modern and technological services to different customers.
iv. **Staff Shortage:** For the past 10 years almost all the sectors in government there is huge vacant in all designations. As a result, the India post also faced severe challenges in providing all the services with limited staffs.
v. **Technical Failures:** Lack of using new techniques is another important challenge faced by India post. Due to lack of adequate investment and lack of technical knowledge of existing staffs the India post could not use new techniques.

vi. **Security Concerns**: Security concern is another important challenge faced by India post for providing digital financial services. It may be due to that completely depends on external internet sources like google and others may create security issues.

10. Conclusion and recommendation

Financial inclusion is the key instruments for reaching inclusive economic growth in India and reduce the socio-economic disparities among people. India post provides various financial services through its huge networks. Despite the India Post Payments Banks has facing several challenges due to different reasons. Therefore, this study has been under taken the problems and challenges faced by India post on implementation of financial inclusion. The study found that, the India post is providing significant contributions to implementation of financial inclusion through India Post Payments Banks. However, by providing financial services to unbanked and rural areas several challenges were faced by India post such as poor internet connection, low digital literacy among customers and staffs, inadequate infrastructure, less number of staffs are working, technical failures, and security concerns. Based on the study findings the following recommendations are given to improve the India post services in effective implementation of financial inclusion initiatives;

i. The India Post should strengthen the digital infrastructure to all the post offices for efficiently provides different financial services at gross root level.
ii. The postal department should provide adequate regular training to its employees to adopt new technology and increase their digital knowledge to meet the current modern scenario.
iii. The postal department and government of India may conduct awareness campaign to rural areas about digital literacy among customers to include all the people into digital financial services.
iv. The postal department should improve its cybersecurity measures to ensures its believes among the customers.
v. The postal department should upgrade the rural post offices to compete both public and private sector commercial banks.

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