

A study on Impact of financial inclusion through postal banking system under digitalization in rural area –with special reference to Kodagu district of Karnataka

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Abstract - People using the postal sector for savings and deposits accounts and a widespread presence in rural and poor area. Most of the rural area people depending post office because they getting more interest and nearby the village. Digital economy is far beyond just moving from traditional postal banking to digital world. It is vital changes in how postal banks learn about interacts with and satisfy customers. An efficacious digital transformation begins with an understanding of digital customer behavior, preferences, choices likes, and dislikes, stated as well as unstated needs, aspiration etc. But now day's people are more attached with postal banking service. Hence digital payment has emerged as an important mechanism to reach all rural area people. New digital trends such as cloud computing, mobile web service, smart grids, and social media are radically changing the postal-banking nature of work .These trends enables more than just technological innovation. They spur innovation in postal banking models postal banking networking and transfer of knowledge to reach the rural and poor area people. However, leveraging the large physical network of the post is not without challenges post generally have little or no expertise in running a bank and business model that a government pursues in providing financial services through the postal network may be critical to its success. This paper analyse the various challenges and opportunities among the rural people through postal banking system under digitalization through the study conducted in the Kodagu district of Katakana.

Key words: Postal banking, financial inclusion, rural area people, challenges and opportunities.

I. INTRODUCTION

The first post office in India was established by the East India Company in the year 1688 in Bombay followed Calcutta, and Madras. It was named as "company mail". The present type of post office came in to being in the year 1854. The Indian post office has huge network of branches with an unique outreach in rural area . It is a customer service facility forming part of a national postal system. Post offices offer mail related services such as acceptance of letter and parcels, provisions of post office boxes ;and sale of postage stamps, packaging and stationary and its provides additional services such as providing and accepting government forms (such as passport application), processing government services and fees (such as road tax), and banking services (such as savings accounts and money orders). The chief administrators of a post office is a post masters. "Posting houses or Post houses" between major cities.

The term "General post office" is sometimes used for the national headquarters of a postal service, even if it does not provide customer service within the building. A postal facility's used exclusively for processing mail is instead known as sorting office or delivery office. The government

has approved Rs 4909 crore for modernization of 1.55 lakh post office including 1,29 lakh post offices in rural area is called Gramin Dak Sewak post office. The modernization process will include setting up centralized data centre and disaster recovery centre, networking of all post offices. The device will also offer core banking solution through a mobile app, which ties it to postal departments future plan of introducing payment bank service .Core banking solution has been rolled out in 18231 post offices. About 23.81 crores postal savings bank account have been digitalized including 80000 in rural areas. All the 25297 departmental post offices in the country have been computerized while data centre was started in Navi Mumbai in April 2013 and disaster recovery centre has been functioning in Mysore since May last year.

Definition:

A facility in charge of sorting, processing, delivering mail to recipients. Post offices are usually regulated and funded by the federal government. Post offices also provide other services including passport applications, P.O.Box distribution, and other delivery services. Each post office is assigned a specific jurisdiction and is responsible for the

delivery and receipt of mail for individuals or business within the jurisdiction.

Digital economy refers to an economy that is on digital computing technologies. The digital economy is called as the internet economy or web economy. The digital economy "is intertwined with the traditional economy making a clear delineation harder".

II. METHODOLOGY

- Primary data collected through questionnaire sample size 100
- Secondary data: Books, journals and websites.

Limitations:

- Due to time constraints it was not possible to include more sample size.
- This study is limited only to some rural areas of Kodagu district.
- Primary information obtained is mainly based on the interviews. Hence there may be bias in the opinion given by the respondents.
- In the present study digital economy refers to postal banking sector through rural areas
- The study is limited to the extent of issues and challenges of digital economy in rural postal banking sector, but not with other cost and other sector.
- Whatever information collected is considered for the analysis and interpretation

Objectives of the study:

- To study the rural postal banking sector in Kodagu.
- To analyse the role of digital economy in rural postal banking.
- To know the challenges among the rural postal banking under digitalization.
- To know the opportunities open to rural people.
- To analyse the impact of digital economy in rural postal banking sector.

What is financial exclusion and inclusion:

In simple term financial exclusion means lack of access to formal financial services. It is very transferent that financial services are used only by a section of the population. There is demand for these services but it has not been provided. The excluded regions are rural, poor regions and also these living in harsh climatic conditions where it is difficult to provide these financial services. The excluded population then has to rely on informal sector for availing finance that is usually at exorbitant rates.

Financial inclusion is the availability of banking services at an affordable cost to disadvantaged and low income groups. In India the basic concept of financial inclusion is having a saving or current account with any bank. In reality it

includes loans, insurance services and much more. In advanced economies, financial inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy. In emerging economies, it is a question of both access to financial products and knowledge about their fairness and transparency.

Different savings product of Indian post office:

- Saving account scheme: Post office savings accounts are also best suited for those individuals living in rural and semi rural areas, which have limited exposure to banking. It can be opened at any post office with a minimum balance of Rs20. Single account holders can deposit a maximum of Rs one lakh while joint account holders can deposit a maximum of Rs two lakhs. Anyone can open a post office savings account like adults, minors with a minimum age of ten years, a guardian on behalf of a minor, a person of unsound mind; two or three adults can open a joint account. Many benefits are available from post office such as ATM facility, cheque facility, portability, nomination facility, joint holdings facility, tax exemption up to Rs 10000 interest, electronic facility, long period for inactivity, interest rate of post office 4% available etc
- Recurring deposit scheme: It is 5 years scheme. An RD is usually opened for a fixed period of time and deposit must be made at predetermined intervals which may be monthly, quarterly, depending on terms and conditions of the deposit scheme. Customer can open an RD account with a minimum of Rs 10 per month or any amount in multiples of Rs 5 and for 5 year recurring deposit account interest rate of 7.3% p.a
- Time deposit account: The minimum amount that can be deposited is Rs 200, there is no limit on the maximum amount. The depositor can open a time deposit with the post office for a minimum of one year and also get tax benefits u/s 80c of the income tax act of India, 1961.
- Monthly income scheme: It is an investment scheme of Indian postal service. It promises the investor guaranteed returns at 8.5% p.a in the form of fixed monthly income. The minimum deposit in case of single depositor is Rs 1000 and in case joint depositor it is Rs 1500. Maturity period is five years
- National savings certificate: This is a tax exempted certificate sold by post office with a minimum investment of Rs 100 and having no maximum limit. Certificates are available in the denomination of Rs 100, 500, 1000, 5000, and 10000. Rate of interest allowed is 8.9%.
- Public provident fund scheme: This is a tax advantage 15 years scheme with a minimum deposit of Rs 500 in a financial year and a maximum of Rs 70000 per year. Withdrawal is allowed after expiry of five years from the date of initial deposit. Interest allowed at 8.8% p.a

- **Postal life insurance:** On February 1, 1884, postal life insurance, the oldest insurer in the country was introduced under the queen impress of India with the express approval of the secretary of state to her Majesty. The scheme at the time was intended as welfare scheme to benefit postal service employees. It was later extended to employees of telegraph department in 1884. In its early initiation days the maximum insurance amount limit was Rs 4000, currently at Rs50 lakhs.
- **Rural postal life insurance:** To extend the life insurance services to the rural public the post office extended the service to rural area in 1995. The prime objective of the scheme is to provide insurance cover to the rural public in general and benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population.

Challenges of postal banking under demonitisation:

Government's demonitisation drive is also supposed to benefit cashless economy. Still

There are several constraints as well as prospects in the journey towards cashless economy.

- **Cyber Security:** The prime minister is motivating people to move to a cashless society. If does not have cyber security in that place while a card is cloned, it takes several months to recover someone's hard earned money from the banks and pin details might have been leaked due to which customer were advice to change the pin's of their ATM-CUM-DEBIT card. Stringent steps issuing new cards were also taken just month a later. How can people assured that swiping cards at small shops
- **Network connectivity:** Since the day demonitisation was announced, people are trying to use more of card transaction to save that dreaded trip to the bank and to save the last penny of the hard cash in hand. However a sudden surge in card transaction has led to connectivity issues. Several people have faced trouble while standing in line to pay for a transaction at a shop when the card machines have stopped working due to an overload on the networking connectivity issues must be resolved before dreaming about cashless society.
- **Internet cost:** The internet cost in India is still substantially high. There is no Wi-Fi at public places and if people do not get their monthly data packs recharged. There is no way they can be collected to make online payments. Internet connectivity is needed even for the **e-wallets**. In orders to convince people to do cashless transactions, the cost of the internet should be lowered and free Wi-Fi should also be provided at public places
- **Charges on cards online transactions:** Heard of convenience charges? Of course. You would have if

any do online transactions. These are additional charges that are levied by the vendors when they offer an online payment facility. But when the government forcing us to go cashless should not this compulsory fee on online transaction is taken off.

- **Non –tech-savvy:** While the new generation is glued to their phones and gadgets, computer literacy among the people in the over 50 age **gInfrastructure/ phone battery:** India still lacks when it comes to supporting a mobile security. It is extremely difficult to find a public charging point if the phone battery discharges. Even metro stations or railway stations in the tier one cities do not provide that infrastructure.
- **Not enough bank accounts:** Most people still do not have bank accounts. Most often there is just one account per family which also limits the numbers of cards people can have individually. A family of even four people cannot be dependent on just one earned for all house hold expenditure.
- **Internet blockage:** Where the internet is the first thing that is blocked. In such circumstances, neither is it possible to use cards for transactions nor it is possible to use e- wallets
- **Are post offices ready:** A cashless society needs a proper infrastructure? The post office needs to be fully equipped to handle the surge in e-transactions. Infrastructure is also needed in terms of opening more accounts in the post office.
- **Encourage people to spend:** spending by cards often encourages people to spend more. Giving cash by hand helps people keep a check on their expenses but paying buy cards give people a free hand. Not just through credit but even the debit cards give that impression that you can make that payment immediately.

Opportunities of postal banking under demonitisation:

- It will be very convenient for everyone if cashless transactions are widely accepted. No Hassels to carry cash and less risky.
- You can view history of your expense easily and manage your budget smartly.
- All cashless transactions become above ground and visible or traceable. So they are taxable and also encourage people to transact legally and pay taxes.
- Tax collection will increase significantly and that revenue can be used for the benefit of society such as building infrastructure, helping poor and less privileged people, education, health care etc.
- As tax collection increases; tax rates can be reduced and tax rules simplified
- Any monetary helps to poor and needy people can be through post office transfers. No instance of middle men siphoning off the aid and exploiting the poor. This is coupled with infrastructure so that those people can use the

money in their post office accounts for cashless transactions.

- It will be difficult to have counterfeit currency and support criminal activities and terrorism.
- Much better data of Indian's GDP including informal and service sector to understand what sector to understand what sector are growing and where support is needed.
- Less need to print paper currency and replace it so reducing those costs.
- Wealth stored with post office as savings accounts. FDs or investments are used for productive use instead of wealth lying unused as

stacks of currency bills hidden under mattresses and in cupboards.

III. DATA ANALYSIS AND INTERPRETATION

The study was carried out in madikeri, somavarpet and virajpet of coorg district in Karnataka .The study involved interviewing various people. In the study area 100 people randomly selected and were interviewed with a questionnaire based on this interpretation drawn.

Table 1: Demographical factor

Age			qualification			Marital status			Family members		
25-30	20	20%	Illiterate	30	30%	married	70	70%	nuclear	90	90%
30-50	50	50%	Up to 10 th std	20	20%	unmarried	20	20%	Joint family	10	10%
50-70	20	20%	Puc	20	20%	widow	10	10%			
Above 70	10	10%	Above puc	30	30%						

Table 1 reveals that majority of the respondents are between 30 to 50 years of age .table also reveals that 30% of the respondents are illiterates. Those who have studied up to 10th STD are 20% and puc 20% and above puc 30%. Table also states that 70% of the respondents are married and 20% are unmarried and 10% are widow. 90% are lives in nuclear family and only 10% lives in joint family.

Table 2: Savings bank account

SI.NO	Factors	Respondents	Percentage
1	Yes	60	60%
2	No	40	40%

Interpretation: The above table shows that 60% of respondents have savings bank account and 40% of respondents do not have savings bank account.

Table 3: Satisfaction Digital banking facility

SI.NO	Factors	Respondents	Percentage
1	Yes	20	20%
2	No	80	80%

Interpretation: The above table shows that 20% of respondents say that proper digital facilities are available and 80% of respondents say that proper digital facilities are not available.

Table 4.ATM facilities

SI.NO	Factors	Respondents	Percentage
1	available	10	10%
2	Not available	90	90%

Interpretation: The above table shows that 10% of respondents having ATM facilities and 90% of respondents do not have ATM facilities in the rural area.

Table 6. Digital banking problem

SI.NO	Factors	Respondents	Percentage
1	Yes	80	80%
2	No	20	20%

Interpretation: The above table shows that 80% of respondents have digital banking problem and 20% of respondents do not have any problem to use digital banking

Table 7. Digital banking benefits

Sl.NO	Factors	Respondents	Percentage
1	Yes	100	100%
2	No	-	-

Interpretation: The above tables shows that 100% of the respondents say have more benefits from digital banking.

Table 8. Using ATM cards

Sl.NO	Factors	Respondents	Percentage
1	ATM holder	20	20%
2	Not ATM holder	80	80%

Some of the people have satisfaction with digital banking but post office should provide more information about digital banking to the rural people.

- Some of the area 24*7 ATM facilities are not available. It is difficult to do the transactions so they depend cheque only.
- Most of the people are using cheque only because they have so many problems to use mobile banking, and internet banking like network problem, difficult to buy the smart phone, they don't know about smart phone how to use, they should be depend on their children.
- Rural area people don't know about unified payment interface, so post office should give awareness of the UPI then they will moving towards digitalization.
- Main thing in the rural area network connection problem. If government provides free wifi connection, people are easily moving towards digitalization and improve their knowledge and skill.
- 100% of the people have digital banking benefits like time savings, easy transfer the cash with in bank and other bank, mini statement available to see the transaction, reduce the expenditure to go out and easily recharge top up in the mobile banking.
- 100% of the people ready to get the information from the post office about digitization. And all people are encouraging for digital banking in rural area.
- The government should give a digital economy awareness program in the rural area through the post office it also one of the benefits to the people and digitalization can implement easily in the rural area.

IV. CONCLUSION

"The short term pain is long term gain". When we are encouraging digitalization in order to easily moving towards digital economy. Therefore it is one of the opportunities to make smart village, smart region and smart city of the rural area.

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