

Standing Committee Report Summary

Setting up of Post Bank of India as a Payments Bank- Scope, Objectives, and Framework

- The Standing Committee on Information Technology (Chairperson: Mr. Anurag Singh Thakur) submitted its report on ‘Setting up of Post Bank of India as a Payments Bank- Scope, Objectives, and Framework’ on January 8, 2019. The Indian Post Payment Bank (IPPB) is a financial service provider, launched with the mandate of improving financial inclusion through the postal network in the country. The IPPB is a public sector company under the Department of Posts. Key observations and recommendations of the Committee include:
 - **Aadhar-based authentication:** The Committee stated that Aadhar-based authentication is vital for financial inclusion. Therefore, the Committee was concerned about the potential impact of the Supreme Court judgement on the IPPB (the Court struck down Aadhar linkage where no subsidies or benefits were involved). The Committee observed that discontinuation of Aadhar-based authentication had a negative impact on the vision and business model of IPPB. It recommended that IPPB should take up the matter with UIDAI/RBI for suggesting alternative modes of authentication.
 - **Recruitment in IPPB:** The Committee noted that IPPB was recruiting staff through direct recruitment, deputation from Public Sector Banks, and professional search firms for specialised resources. However, out of 3,500 banking professionals proposed to be employed, IPPB has only recruited 2,152 employees so far. The Committee recommended that the recruitment process should be expedited, and that it be informed of the steps taken by IPPB in this regard.
 - **Service-level agreements:** In order to ensure that the work of Department of Posts (DoP) does not get affected while performing IPPB-related activities, IPPB have built Service-Level Agreements (SLAs) in consultation with DoP. The SLAs specify details related to working hours, transaction limits, and turnaround time for business operations. The Committee recommended that DoP and IPPB should develop a mechanism to monitor that all elements of SLAs are fully practiced to ensure long-term sustenance of IPPB. Further, the IPPB and DoP should periodically review the SLAs.
 - **Training of users:** The Committee noted that training of end users was one of the major challenges faced by IPPB. In this context, it recommended that training courses should be conducted periodically for end users to upgrade their skills. Further, it recommended that IPPB should explore the possibility of associating their staff with schemes under the Digital India programme such as National Digital Literacy Mission.
 - **Competitiveness:** The Committee noted that IPPB is likely to face stiff competition from private payment banks (such as Airtel, Jio, and Paytm payment banks). It observed that the 4% interest rate offered by IPPB is lower compared to other payment banks. In order to increase their customer base and compete with private players, the Committee recommended that the current interest rate may be reviewed.
 - **Digital literacy:** The Committee observed that IPPB had only 9,000 merchants on the ground, of which 10% were active. Given the low level of merchants enabled on the ground, the Committee recommended that IPPB should focus on digital literacy, consumer education, and hand-holding of merchants in rural and remote areas.

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