

AN ANALYSIS OF FINANCIAL PERFORMANCE OF INDIA POST OFFICE WITH SPECIAL REFERENCE TO IPPB

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Abstract

Department of Posts is one of the largest communication networks in the world. It comes under the "Ministry of Communication". Post office aims at providing the most accessible and affordable financial services to the unbanked and underbanked people. It is one of the important institutions that ensure maximum financial inclusion. Department of Posts through the introduction of the India post payments bank (IPPB) in 2018 intends to provide extended financial services like opening of savings and current accounts.

The purpose of the article is to provide insights into the financial performance of the post office by performing a comparative analysis of the balance sheet for the three consecutive financial years. The changes in the various components of the balance sheet were analyzed and the interpretation was made.

Keywords

Department of post, India post payments bank (IPPB), savings schemes, financial performance.

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Introduction

Department of Post which comes under the Ministry of Communication is one of the important institutions that provides various mailing and financial activities in every corner of the country. For about more than 150 years post office service has been working as the major pillar for the Indian communication services. It is one of the major mainstays that supports various government programs and helps them in providing it to the remote areas. It touches the lives of the people by providing various financial and non-financial services like mailing services, postal life insurance, small saving schemes, bill collection, sale of forms etc. It supports the government in running the program like Mahatma Gandhi National Rural employment guarantee Scheme (MGNREGS) and providing old age pension and wage disbursement to the people. The post office savings account is one of the oldest and the largest banking system in India. It provides a secure and risk-free investment avenue to the people.

India Post Payments Banks (IPPB) is the representation of the financial services by the “Department of Post” and provide trusted country-wide banking services to the people. Its main aim is to provide the most accessible and affordable financial service to the unbanked & underbanked people. The emergence of the internet has created a revolution in the field of post office. Earlier the people use to send messages through letters and postcards but the emergence of the internet has changed its face by enabling the emails which could be sent in the fractions of seconds. With the increasing passage of time the competition in the market is also increasing. To remain profitable post office needs to conduct its SWOT analysis to dive into its strengths and weaknesses (Ashta, A., & Pillarisetti, S. 2020). The lack of financial resources for the people and the responsibility of the government towards every section of the society led to the penetration of the post offices even to the remotest area of the country. With the growth in the financial services post office was seen as the opportunity to contribute to some important portion of financial development. The rural areas were still lacking the financial access and this social need gave rise to the potential votes for the political parties and as a result there was a political pressure to supply financial services to the rural region. The amount of the cost involved in penetrating in rural areas has always acted as a barrier to the banks expanding themselves in those areas but the post office being the 100% entity of the government has a social obligation attached to it. For many years small services of money transfer and savings account opening is being provided by them but now they have decided to expand this entity.

Table 1: Small Savings Schemes by IPPB (India Post Payments Bank)

Name of the Scheme	Maturity Period	Interest Rate (p.a.)	Investment Limit
Post Office Savings Account (SB)	-	4.0%	Minimum Rs. 500/- for opening account.
National Savings Time Deposit Account (TD)	5 years	6.7%	Minimum Rs. 1000/- No maximum limit.
National Savings Recurring Deposit Account (RD)	5 years	5.8%	Minimum Rs. 100/- per month. No maximum limit.
National Savings Monthly Income Account (MIS)	5 years	6.6%	Minimum Amount Rs. 1000/-
Senior Citizens Savings Scheme Account (SCSS)	5 years	7.4%	Minimum Amount Rs. 1000/-
Public Provident Fund Account (PPF)	15 years	7.1%	Minimum Rs. 500/-
Sukanya Samriddhi Account (SSA)	21 years	7.6%	Minimum Rs. 250/-
National Savings Certificates (VIII th Issue) (NSC)	5 years	6.8%	Minimum of Rs. 1000/- . No Maximum Limit
Kisan Vikas Patra (KVP)	2.5 years	6.9%	Minimum of Rs. 1000/- . No Maximum Limit.

The postman possesses the personal touch with the people as they are been delivering mails and other items for many years. They can act as a good financial advisers and help in providing suggestions as well as the feedback to both the department and the people. IPPB plays a crucial in the financial inclusion by providing financial services to the last mile. There are about 1 crore customers that are associated with IPPB. It has received the largest branch approval by getting an access to 1.55 lakh points. It aims at providing door-to-door banking services. The services are present in 13 different languages which makes the accessibility easier. The government owns 100% shares in Indiapost payments bank which ensures the security of the funds to the people. IPPB is working to the next level to provide various banking services both in the rural as well as the urban areas. Government with its efforts and integration with the post office department can establish the largest banking network in India. It provides interoperable banking services and is the largest platform in the world. With the introduction of IPPB the average distance to banking service which was 5-6 km earlier has been reduced to just 2.5 km.

In this paper we examine the financial performance of one of the significant entities of post office that is post office payment banks (IPPB) to understand year-on-year financial growth and the problem suffered by it.

OR

- To analyze the financial performance of the post office with reference to India Post Payments Bank (IPPB) using balance sheet.

Review of Literature:

The insurance of proper financial inclusion and the literacy is a major milestone for achieving the economic development in a country.

Table 2

S. No.	Author with year	Key Findings
1.	DL, D. S., & RAMESH, D. (2013)	Conducted a study with the objective to analyzing the performance of the Indian post office over the years and it was found that the performance of the Indian post is not so impressive. It needs to make certain changes in order to sustain itself in the market. It needs to provide money orders, bank accounts and other financial services at a lower cost to cater to the large population.
2.	Meena Kumari, K. (2017)	Their study mapped that IPPB can prove to be a major source of providing financial services in the country. Payment banks can help in transforming the face of the post office in India. Postman acts as an intermission between the post office and the public and so they need to be trained adequately.
3.	SULTANA, A. (2020)	Their study found that the main aim of the IPPB is to provide banking services to the unbanked and underbanked people. The Department of post is widely engaged in supporting MGNREGS by providing a wages disbursement facility.
4.	Dr. M. Shanthana Lakshmi, G. Raghunath, Aiswarya. R (2020)	Analyzed that the main aim of the post office is to provide the core banking services to the individuals and to build savings habits among them. The study recommended the need to spread awareness and education among the people.
5.	Damle, M., Thenuan, P., &Raval, J. (2016)	Analyzed that the financial inclusion index presented by CRISIL increased from 35.4 in 2009 to 40.1 in the year 2011. Payment banks can play a crucial role in providing the financial services to the low-income grouped people.
6.	Rafee, O. M. (2015)	Found that the post office needs to make reforms in the terms of human resources, technology and licensing to improve its performance. It suggests that India Post can start banking from the step where the banks stop.

7.	REDDY, S. (2018)	Analyzed that payment banks can pose a great competition to the commercial banks. Due to the large network and dense reach post offices can provide financial services to the unbanked people. The adoption of technology by the post office can help in reaching even the small village in the country.
8.	Singh, A. B. (2012)	Analyzed in their study that the use of the digital platform like mobile transactions plays a key role in business development. India Post needs to be collaborated with the banks in order to introduce digital money market using mobile phones. The introduction of the mobile money order will provide impetus to the transaction among the business and will help in the future development.

Methodology

The article is based on the annual reports presented by the India Post Office. Wherever it was needed the articles from Wikipedia, newspapers, the internet as well as IPPB website were used. The study is purely based on the secondary data basically the annual reports produced by IPPB in the year 2017-18, 2018-19 & 2019-20. The various components of the balance sheet are compared & analyzed for the three consecutive financial years.

Measuring Financial Performance using Balance Sheet

Table 3: Comparative analysis of the balance sheet for 2017-2018

Particulars	Amount as on 2017	Amount as on 2018	Absolute change	% Change
LIABILITIES:				
Capital	2,750,000,000	4,000,000,000	1,25,00,00,000	45.45
Reserve & Surplus	259,731,912	3,999,978,207	3,74,02,46,295	1440.04
Deposits	2,370,079	12,042,943	96,72,864	408.12
Borrowings	-	-	-	-
Other Liabilities and Provisions	115,849,145	106,466,830	-93,82,315	-8.098
Total	3,127,951,136	8,118,487,980	4,99,05,36,844	159.54
ASSETS:				
Cash and Balances with Reserve Bank of India	247,757	3,340,292	30,92,535	1248.21
Balances with Banks & Money at call & short notice	1,479,253,208	897,876,208	-58,13,77,000	-39.30

Investments	1,555,441,976	6,437,877,634	4,88,24,35,658	313.89
Loans & Advances	-	-	-	-
Fixed Assets	47,860,355	67,439,438	1,95,79,083	40.91
Other Assets	45,147,840	711,954,408	66,68,06,568	1476.94
Total	3,127,951,136	8,118,487,980	4,99,05,36,844	159.54
Contingent Liabilities	0	25,00,000	0	0
Bills for Collection	-	-	-	-

Source: IPPB Annual Report 2017-18

Analysis & Interpretation

1. The analysis has shown that there has been growth in the share capital from 2017 to 2018 by Rs. 1,25,00,00,000 i.e.45.45%.
2. There was an increase in reserve & surplus of the post office by Rs. 3,74,02,46,295 i.e. 1440.04% (approx.) from the previous year.
3. There was a growth in the deposit made from 2017 to the year 2018 by Rs. 96,72,864 i.e. 408.12 % (approx.).
4. The other liabilities and provisions show the negative account by Rs.93,82,315 which amounts to -8.098 % (approx.)
5. Cash and Balances with the Reserve Bank of India have noted an upsurge by Rs. 30,92,535 i.e.,1248.21% (approx.)
6. Balances with Banks & Money at call & short notice with the post office have been decreased to Rs. 58,13,77,000 i.e., -39.30 % (approx.)
7. The upgrade in the investment have be seen from Rs. 1,555,441,976 in 2017 to Rs. 6,437,877,634 in 2018 which is Rs. 4,88,24,35,658 i.e., 313.89% (approx.)
8. The rise in the fixed assets was recorded by Rs. 1,95,79,083 i.e., 40.91% (approx.) from the year 2017 to year 2018.
9. There was an increase in other assets from Rs. 45,147,840 in the year 2017 to Rs. 711,954,408 in the year 2018 which is about Rs. 66,68,06,568 i.e., 1476.94%.

Table 4: Comparative analysis of the balance sheet for 2018-2019

Particulars	Amount as on 2018	Amount as on 2019	Absolute change	% Change
LIABILITIES:				
Capital	4,000,000,000	7,00,00,00,000	300,00,00,000	75
Share Application Money	-	-	-	
Reserve & Surplus	3,999,978,207	-1,25,70,15,363	5,25,69,93,570	-131.42
Deposits	12,042,943	94,75,91,666	93,55,48,723	7768.43

Borrowings	-	-	-	
Other Liabilities and Provisions	106,466,830	2,17,94,15,987	2,07,29,49,157	1947.03
TOTAL	8,118,487,980	8,86,99,92,290	75,15,04,310	9.26
ASSETS:				
Cash and Balances with Reserve Bank of India	3,340,292	10,90,28,399	10,56,88,107	3164.03
Balances with Banks & Money at call & short notice	897,876,208	1,46,77,74,224	56,98,98,016	63.47
Investments	6,437,877,634	3,11,27,88,269	- 3,32,50,89,365	-51.64
Loans & Advances	-	-	-	
Fixed Assets	67,439,438	2,94,86,96,101	2,88,12,56,663	4272.36
Other Assets	711,954,408	1,23,17,05,297	51,97,50,889	73
TOTAL	8,118,487,980	8,86,99,92,290	75,15,04,310	9.26
Contingent Liabilities	25,00,000	25,00,000	0	0
Bills for Collection	-	-	-	-

Source: IPPB Annual Report 2018-19

Analysis & Interpretation

1. The upsurge in the equity share capital can be seen of Rs. 300,00,00,000 which has resulted in change of 75% (approx..) from 2018 to 2019.
2. The reduction of about Rs. 5,25,69,93,570 was marked from year 2018 to year 2019 which amounted to -131.42% reduction approx.
3. The deposits were raised from Rs. 12,042,943 to Rs. 94,75,91,666 resulting in change of Rs. 93,55,48,723 i.e., 7768.43% (approx.)
4. There was an increase in Other Liabilities and Provisions of about Rs. 2,07,29,49,157 i.e., 1947.03% from 2018 to 2019.
5. The growth in the Cash and Balances with the Reserve Bank of India was marked for Rs. 10,56,88,107 i.e., 3164.03% approx. from the year 2018 to the year 2019.
6. There was rise in Balances with Banks & Money at call & short notice for Rs. 56,98,98,016 which is 63.47% from the previous year.
7. The negative growth of Rs. 3,32,50,89,365 i.e. -51.64% was marked from the year 2018 to the year 2019.
8. There was an increase in fixed assets from Rs. 67,439,438 in 2018 to Rs. 2,94,86,96,101 in 2019 which amounts to a total increase of Rs. 2,88,12,56,663 i.e., 4272.36% which is a huge growth.

9. The intensification in other assets was also seen from the year 2018 to the year 2019 of about Rs. 51,97,50,889 i.e., 73%.

Table 5: Comparative analysis of the balance sheet for 2019-2020

Particulars	Amount as on 2019	Amount as on 2020	Absolute change	% Change
LIABILITIES:				
Capital	7,00,00,00,000	10,35,00,00,000	33,50,00,00,000	478.57
Share Application Money	-	-	-	-
Reserve & Surplus	1,25,70,15,363	-4,60,98,82,204	-5,86,68,97,567	-466.73
Deposits	94,75,91,666	8,55,03,12,137	7,60,27,20,471	802.3
Borrowings	-	-	-	-
Other Liabilities and Provisions	2,17,94,15,987	2,16,22,38,607	-1,71,77,380	-0.78
TOTAL	8,86,99,92,290	16,45,26,68,540	7,58,26,76,250	85.48
ASSETS:				
Cash and Balances with Reserve Bank of India	10,90,28,399	32,69,56,650	21,79,28,251	199.88
Balances with Banks & Money at call & short notice	1,46,77,74,224	4,54,62,91,831	3,07,85,17,607	209.74
Investments	3,11,27,88,269	6,94,24,93,469	3,82,97,05,200	123.03
Loans & Advances	-	-	-	-
Fixed Assets	2,94,86,96,101	2,00,45,16,878	-94,41,79,223	-32.02
Other Assets	1,23,17,05,297	2,63,24,09,712	1,40,07,04,415	113.72
TOTAL	8,86,99,92,290	16,45,26,68,540	7,58,26,76,250	85.48
Contingent Liabilities	25,00,000	25,00,000	0	0
Bills for Collection	-	-	-	-

Source: IPPB Annual Report 2019-20

Analysis and Interpretation

1. The increase in share capital was marked at about Rs. 33,50,00,00,000 i.e. 478.57% from the year 2019 to the year 2020.
2. There was a negative change in the balance of Reserve & Surplus of about Rs. 5,86,68,97,567 i.e., -466.73% (approx.)
3. The deposits were increased from Rs. 94,75,91,666 in 2019 to Rs. 8,55,03,12,137 in 2020 that is about Rs. 7,60,27,20,471 i.e., 802.3% (approx.)
4. The Other Liabilities and Provisions account shows a negative balance of Rs. 1,71,77,380 i.e., 0.78%.
5. There was a rise in cash and Balances with the Reserve Bank of India of about Rs. 21,79,28,251 i.e., 199.88 % (approx..) from the year 2019 to the year 2020.

6. The upsurge in Balances with Banks & Money at call & short notice of Rs. 3,07,85,17,607 i.e. 209.74% was marked from the year 2019 to the year 2020.
7. There was growth in investment from Rs. 3,11,27,88,269 in 2019 to Rs. 6,94,24,93,469 in 2020 which is about Rs. 3,82,97,05,200 i.e. 123.03% (approx.)
8. Fixed assets marked a negative account by Rs. 94,41,79,223 in the year 2020 i.e., about -32.02% (approx.)
9. There was an intensification in Other Assets of about Rs. 1,40,07,04,415 i.e. 113.72% from the year 2019 to the year 2020.

Discussion

Indian post office network is the largest post office network in the world. The wide network of post offices in our country has enabled people to avail various financial services at their doorstep. Proper use of money and a good investment guidance can help people in uplifting their standard of living. Postman can work as a financial adviser for the unbanked or underbanked people and can make them the part of financial inclusion. The savings invested in post office are 100% backed by the government which provides the security of funds and helps in building the trust in the minds of the people. There are numerous studies available on the services in the post office but there are very limited studies that talk about the financial performance of such a wider network. This has resulted in a gap. The paper has shown the change in the various component over the period of time.

Conclusion

Due to the main role of such an esteemed institute, it becomes important to look into its performance. The above balance sheets and the comparison of its various components help in getting the insight into its performance. There are certain heads like capital, deposits, cash and balance with RBI, fixed assets and many more that have shown an increase over the period of time. The study was done to highlight the performance of IPPB so that it can help the Department of Post to achieve its vision and mission in the long run.

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