

# India Goes Postal in Bid to Give Bank Accounts to the Masses

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- ▶ India currently has more post offices than bank branches
- ▶ Deutsche Bank, Barclays want partnerships to reach rural areas

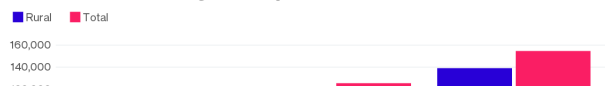
The world's largest post office network is planning to ramp up its financial services across India, triggering a race among commercial banks to set up partnerships to reach remote areas that have been unprofitable.

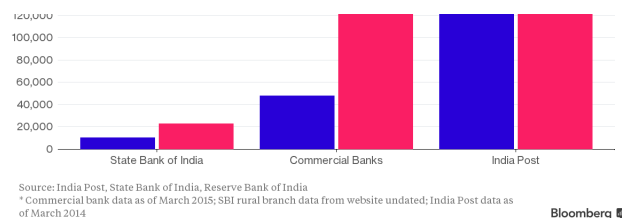
India Post will start operations as a payments bank around December after receiving central bank approval last year, said M.S. Ramanujan, head of banking services at the country's third-largest employer. About 90 percent of post offices are scattered across the country's 600,000 villages, giving it a reach that no commercial bank can match.

"India Post certainly will be a game changer in financial inclusion," Abizer Diwanji, Mumbai-based leader for financial services at EY India, said by phone. "They are in the best position to multiply existing banking services."

## Rural Reach

India Post's 155,000 branches give it an unparalleled reach





Bringing the roughly 200 million Indians who lack a bank account into the financial system can help Prime Minister Narendra Modi lure much-needed savings and plug costly leakages in the government's cash transfer programs. Central bank Governor Raghuram Rajan is betting that competition from India Post and others will push commercial banks to become more efficient and lower the cost of services.

Around the world, three of every four postal operators offer financial services to about 1 billion people, according to a November 2014 [presentation](#) from the Universal Postal Union. While India is decades behind nations such as Japan and Australia in allowing its post offices to perform banking services, the government has long used them for its small savings programs.

## Barclays, Deutsche

Only [38 percent](#) of bank branches are in rural areas due to the high cost of operations. As a payments bank, India Post would be able to offer almost any financial services except for extending loans.

The entity's unparalleled reach has prompted more than a dozen firms -- including State Bank of India, Barclays Plc and Deutsche Bank AG -- to [vie](#) for partnerships. The postal department has yet to say when it will decide on potential tie-ups, or how they would work.

"In terms of number of accounts they could be pretty large in a short span of time," said [K.V. Karthik](#), a partner at Deloitte Touche Tohmatsu India LLP, referring to India Post. It would however take time to gain critical mass in terms of amount of deposits, he said, without offering an estimate on the number of accounts.

## Last Mile

India Post's infrastructure would help it work with the government's direct cash transfer programs and cover the last mile left over from Modi's financial inclusion plan, Ramanujan said. The postal bank would also be free to set deposit rates that could be higher than the

government-controlled rates on small savings offerings, he said.

“The government is looking to encash India Post’s staggering outreach and the huge trust factor that has been built over two centuries,” Ramanujan said in an interview at his New Delhi office last month. India Post will need more than 8 billion rupees (\$120 million) from Modi’s administration to invest in technology and human resources, he said.

Modi has opened about 200 million bank accounts under his financial inclusion program since August 2014, but a third of these have no cash. Ramanujan says more than 200 million people, or about 15 percent of India’s population, remain out of the network.

A panel formed by Modi in 2014 said India Post could have subsidiaries for services including banking, insurance products and delivery of government services. This would create 500,000 jobs in three to five years, it said.

## One-Stop Shop

Expanding financial services would open a new chapter for India Post, an organization that traces its roots to the 1700s. The arrival of e-mail led to an erosion of revenues, leading to a deficit of 55 billion rupees in the year through March 2014.

The postal network can be leveraged to work with e-commerce companies, Ramanujan said. He pictures a system where a postman would collect cash from the recipient of the package -- a method used in as many as 80 percent of online purchases in India -- and use the payments bank to transfer the amount to the sellers.

India’s postal workers have also been roped in for various non-financial government programs, from supply of quinine for malaria control to selling contraceptives to poor families.

“The government envisages that the village post office becomes one-stop shop for everything a villager needs,” said Ramanujan.

Despite its wide reach, India Post is mostly appealing to small deposit holders, according to Madan Sabnavis, chief economist at Credit Analysis & Research Ltd. in Mumbai.

“They have an advantage of wide reach but need to become more commercial in nature,” he said. “There will have to be a total change in the

mindset.”

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# Kiwi Forecasters Flummoxed as Migrants Flock to End of the Earth

Immigration surge contributes to central bank's policy reversal

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**Benchmark**

January 6, 2016 — 10:30 PM IST

<http://www.bloomberg.com/news/articles/2016-01-06/india-goes-postal-in-quest-to-open-bank-accounts-for-the-masses>



Photographer: EyesWideOpen/Getty Images

New Zealand is proving surprisingly popular despite being near the end of the earth. So much so that policy makers keep having to rewrite their economic forecasts.

A record influx of migrants in the past two years has seen more people seeking work, reducing pressure for wage rises and helping to keep inflation well below the central bank's target. This encouraged the Reserve Bank of New Zealand [to reverse policy](#) in 2015, cutting interest rates four times in six months and saying further easing is possible in 2016.

“Everybody has continued to be surprised at how strong immigration has remained,” said Craig Ebert, senior economist at Bank of New Zealand in Wellington. “Every month you think surely this is the month when it starts to cool off, and it just doesn’t. Where it goes will be really important for the economic story in the next year or two.”

Despite being at the bottom of the world and a more than 12-hour flight from Shanghai or San Francisco, New Zealand remains attractive to migrants for its political stability, [lifestyle](#) and relatively strong economy. More New Zealanders are also staying home rather than emigrating to neighboring Australia, where the end of a mining boom has meant fewer high-paying jobs for foreigners there.

New Zealand's population grew 2 percent in the year through September to 4.6 million, the fastest pace in more than 20 years.

By contrast, Australia's population growth slowed to 1.4 percent in the year through June as the economy weakened, making it less attractive

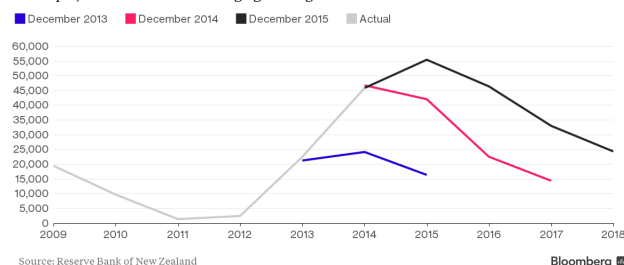
to migrants. About 21,300 New Zealand citizens departed for Australia in the year through November, down from 48,600 three years earlier, according to government figures.

Foreign student arrivals to New Zealand have surged 82 percent in the past two years as institutions attract young Indians and Chinese, while the number arriving on work visas has increased 25 percent since 2013 amid increased demand in the construction and software development industries. The U.K. was the biggest source of workers followed by France, Australia and Germany in the most recent 12-month period.

The RBNZ last month estimated net arrivals of working-age migrants surged to a record 55,400 in 2015 -- 32 percent higher than its projection just 12 months earlier and three-and-a-half times its 2013 forecast.

#### N.Z. Central Bank Underestimates Immigration Surge

RBNZ projections of annual working-age immigration



Treasury and bank economists have also been wrong-footed by the strength of the inflow, which has coincided with falling oil prices and slower economic growth to drive inflation as low as 0.3 percent. The Reserve Bank aims for 2 percent.

Governor Graeme Wheeler, who has now unwound all of his 2014 rate tightening, said Dec. 10 the RBNZ had been surprised by the scale of immigration. While the boost in population has stoked consumption and housing demand, it has been the supply side impact on the labor market that has affected the economy more quickly, giving it the capacity to absorb growth without pushing up prices, he said.

Wheeler expects 120,000 more immigrants in the three years through December 2018.

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