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# Phyigital Banking for the Last Mile: Products, Services and Distribution Channels of India Post Payments Bank

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### ABSTRACT

India Post Payments Bank (IPPB) reached 11.67 crore customers and its first sustained profit by combining a restricted payments-bank licence with the postal network's physical reach. This paper documents how: it maps IPPB's product portfolio and multi-tier distribution architecture, and links both to five years of financial performance (FY 2020-21 to FY 2024-25). The study draws on two months of field observation at IPPB's Pune Regional Office (May–July 2026), including doorstep banking visits with postal staff, and on secondary data from IPPB annual reports, regulatory documents and government dashboards. Total income rose from ₹213 crore to ₹2,148 crore (a compound annual growth rate of about 78%), the net loss of ₹320.54 crore became a profit of ₹133.85 crore, and deposits grew 8.4 times to ₹19,345 crore. Direct Benefit Transfer (DBT) beneficiaries rose from 1.06 crore to 5.12 crore between FY 2021-22 and FY 2024-25. We argue that these outcomes rest on an assisted, doorstep and trust-mediated form of phyigital banking, in which some 1.64 lakh access points and over 3 lakh postmen and Gramin Dak Sevaks (GDS) stand in for digital literacy. Persistent constraints are a thin direct workforce, rural connectivity, Aadhaar-enabled payment fraud, account dormancy and urban fintech competition. We close with six recommendations for policy and management.

**Keywords:** payments bank; financial inclusion; phyigital banking; India Post Payments Bank; distribution channels; Aadhaar-enabled payment system; bancassurance

**JEL classification:** G21, G22, G28, O16

### 1. Introduction

India's financial inclusion problem is no longer mainly about opening accounts. The Pradhan Mantri Jan-Dhan Yojana (PMJDY) has opened more than 54 crore accounts, and the combination of Jan-Dhan accounts, Aadhaar and mobile connectivity (the JAM trinity) now carries welfare payments to most households. The remaining gap lies in the last mile: places with no bank branch, no reliable network and customers with little digital experience.

The Reserve Bank of India (RBI) created payments banks in 2014 to address this gap. A payments bank accepts deposits (capped at ₹2 lakh per customer), provides payment and remittance services and distributes third-party products, but it cannot lend or issue credit cards. India Post Payments Bank (IPPB), incorporated in August 2016 and launched nationally on 1 September 2018, is the only payments bank wholly owned by the Government of India. It operates through the Department of Posts (DoP), whose network of post offices, postmen and Gramin Dak Sevaks reaches villages that commercial banks do not.

IPPB therefore poses a useful question for banking research: how does a bank barred from lending build a viable business, and what does it deliver to customers who cannot use a smartphone? Existing studies of IPPB are largely descriptive or focus on customer awareness and satisfaction. Fewer connect what IPPB sells, how it reaches customers and whether the model pays for itself.

This paper makes three contributions. First, it consolidates IPPB's full product portfolio as of FY 2025-26, including the SHG savings account and Aadhaar facial authentication introduced in 2025. Second, it analyses the distribution architecture as a layered system of physical, assisted and digital channels, using field observation from the Pune Regional Office. Third, it ties product and channel choices to five years of reported financial results and draws management and policy implications.

The paper proceeds as follows. Section 2 sets out the theoretical framework. Section 3 states the objectives and method. Sections 4 to 6 describe the institutional context, products and channels. Section 7 analyses financial performance. Section 8 presents findings, and Section 9 covers challenges, recommendations, limitations and conclusions.

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## 2. Theoretical framework and literature review

### 2.1 Financial inclusion as capability

Sen's (1999) capability approach treats access to economic instruments as a condition for substantive freedom, not only a means to income. Financial inclusion follows from this view: a household that can save, transfer money and insure against shocks has more real choices. The Global Findex database (Demirgüç-Kunt et al., 2022) shows that account ownership has risen sharply worldwide, but that gaps in use remain, particularly for women and rural adults. The RBI's Financial Inclusion Index measures progress along three dimensions, access, usage and quality, which this paper uses to organise its findings.

### 2.2 Differentiated banking and the correspondent model

India's policy response to last-mile exclusion has rested on two ideas. The first is the business correspondent (BC) model, in which an agent delivers banking services on a bank's behalf, discussed in RBI's financial inclusion policy work (Chakrabarty, 2011). The second is the differentiated licence. The Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households (Mor Committee, 2014) recommended payments banks as a way to offer deposit and payment services without credit risk, and RBI issued licensing guidelines the same year (RBI, 2014). IPPB combines both ideas: it holds a payments-bank licence and uses the postal workforce as a captive agent network.

### 2.3 Phygital and multichannel delivery

Gulati and Garino (2000) argued that combining physical and online assets can outperform either alone. Neslin et al. (2006) later identified the main challenges of multichannel management: integrating data across channels, understanding channel choice and allocating resources between them. "Phygital" is the term now used for delivery that fuses physical and digital touchpoints. We distinguish three forms in IPPB's case:

- **Assisted digital:** a postman or GDS operates the digital interface on the customer's behalf.
- **Doorstep digital:** the transaction happens at the customer's home or workplace, not at a branch.
- **Trust-mediated digital:** the intermediary's standing in the community lowers the perceived risk of a first digital transaction.

The third form connects to the diffusion literature (Rogers, 1962), where adoption of an innovation depends heavily on trusted interpersonal channels. This link is our interpretation; the study does not test it statistically.

### 2.4 Bancassurance

Bancassurance is the sale of insurance through banking channels, exploiting existing customer relationships, trust and infrastructure (Benoist, 2002). IPPB acts as a corporate agent for general and life insurers and lets its field staff qualify as Points of Sales Persons (POSP), a large-scale version of the model with fee income and no balance-sheet risk.

### 2.5 Research gap

The literature explains why last-mile models matter, but gives little detail on how one operating payments bank sequences products, channels and revenue. This paper addresses that gap for IPPB.

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## 3. Objectives and methodology

### 3.1 Objectives

The study pursues four objectives:

1. To identify, document and analyse IPPB's product portfolio and service offerings.
2. To map and evaluate IPPB's multi-tier distribution architecture.
3. To analyse IPPB's financial performance (FY 2020-21 to FY 2024-25) and identify its main revenue drivers.
4. To identify operational challenges and gaps in product delivery and distribution.

### 3.2 Research design

The study is a descriptive, mixed-source case study of one institution. Primary evidence is qualitative: the author observed operations for two months (15 May to 15 July 2026) at IPPB's Pune Regional Office, accompanied GDS staff on doorstep visits, observed live Aadhaar-enabled payment transactions

at the branch micro-ATM, attended insurance enrolment sessions and spoke informally with customers and branch staff. No structured survey was administered and no sample was drawn, so primary findings are illustrative rather than statistically representative. Secondary evidence supplies the quantitative core.

**Table 1. Data sources and their use**

| Evidence                     | Source                                                                                           | Use in this paper                               |
|------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Field observation            | IPPB Pune branch; doorstep visits with GDS staff; customer interaction                           | Operating practice, process flows, challenges   |
| Annual reports               | IPPB Annual Reports FY 2021-22 to FY 2024-25; DoP Annual Report 2024-25                          | Financials, customer base, operating statistics |
| Regulatory documents         | RBI payments-bank guidelines; IRDAI corporate agent rules; NPCI AePS guidelines                  | Regulatory framework, product constraints       |
| Government publications      | PIB releases; DBT Mission; PMJDY and PM-KISAN dashboards; UIDAI                                  | Scheme data, DBT statistics                     |
| Insurer and lender materials | Brochures of eight general and five life insurers and loan partners, obtained through the branch | Product features, premiums, coverage            |
| Academic literature          | Works cited in Section 2                                                                         | Theoretical framework                           |

### 3.3 Analysis

Product and channel data were tabulated and compared on features, limits, price and target segment. Financial series were analysed with year-on-year growth and compound annual growth rate (CAGR). Where published figures were unavailable, notably branch-level commission data, no estimates are reported. Product terms were collected in mid-2026 and may change.

## 4. Institutional context

### 4.1 The payments-bank regime

Payments banks are licensed by RBI under the Banking Regulation Act, 1949. They may hold deposits of up to ₹2 lakh per customer, issue debit cards and prepaid instruments, offer remittances and act as business correspondents. They may not lend or issue credit cards, and they must invest at least 75% of demand deposits in government securities and treasury bills of up to one year's maturity, with the balance placed with scheduled commercial banks (RBI, 2014). Because deposits cannot be lent, income must come from float on government securities, fees and commissions. This shapes every strategic choice discussed below.

IPPB answers to several regulators at once: RBI for banking, IRDAI for its corporate agency, NPCI for payment rails (AePS, UPI, IMPS, BBPS), UIDAI for Aadhaar authentication, and the Ministry of Finance for DBT.

### 4.2 IPPB at a glance

IPPB was incorporated on 17 August 2016, received its RBI licence on 20 January 2017 and launched nationally on 1 September 2018. It is 100% owned by the Government of India under the Ministry of Communications and uses DoP's network as its delivery infrastructure. Its stated vision is to be "the most accessible, affordable and trusted bank for the common man." Total committed government investment is about ₹2,755 crore, comprising the 2016 outlay of ₹1,435 crore (revised to ₹2,255 crore in 2018) and a further ₹500 crore technology approval (Ministry of Communications, Lok Sabha reply, 2023). The bank had 11.67 crore customers at the end of FY 2024-25 and reported more than 12 crore by March 2026.

### 4.3 Peers

Five payments banks were active in FY 2025-26, and Paytm Payments Bank ceased operating after RBI action in March 2024. IPPB leads in customers, while telecom-linked rivals lead in agent counts or urban digital use.

**Table 2. Active payments banks, FY 2025-26 (figures as reported in the sources of this study; approximate)**

| Payments bank            | Parent                         | Customers | Access points | Status                        |
|--------------------------|--------------------------------|-----------|---------------|-------------------------------|
| India Post Payments Bank | Department of Posts (100% GoI) | 12 crore+ | 1.64 lakh+    | Profitable (₹134 crore, FY25) |

| Payments bank        | Parent              | Customers   | Access points       | Status             |
|----------------------|---------------------|-------------|---------------------|--------------------|
| Airtel Payments Bank | Bharti Airtel       | 9 crore+    | 5 lakh+ agents      | Profitable         |
| Fino Payments Bank   | Fino Paytech        | 1 crore+    | 1.6 lakh+ merchants | Listed; profitable |
| Jio Payments Bank    | Reliance Industries | Early stage | JioMart and agents  | Early stage        |
| NSDL Payments Bank   | NSDL e-Governance   | Niche       | Limited             | Operational        |

Using Porter's five forces, entry barriers are moderate (a ₹100 crore minimum capital and licensing approval), buyer power is low in rural markets and higher in cities, and the threat of substitutes from UPI apps is high in digital payments but low in doorstep banking. IPPB's advantage is therefore concentrated where substitutes are weakest: rural and semi-urban customers who need cash-out and assisted transactions.

## 5. Product and service portfolio

IPPB sells seven groups of products. Two are its own (accounts and payments), and the rest are distributed on behalf of partners or government (Table 3). This split matters financially: own products generate float income, while partner products generate fees without balance-sheet risk.

**Table 3. IPPB product portfolio, FY 2025-26**

| Category                     | Products and services                                                                  | Partners or infrastructure                                                                      | Delivery                             |
|------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------|
| Savings and current accounts | Regular, DigiSmart, Premium Aarogya, BSBD, SHG (2025), Minor, Current                  | IPPB core banking, UIDAI eKYC                                                                   | Branch, doorstep, app, USSD          |
| Payments and remittances     | AePS, UPI via DakPay, IMPS, NEFT, RTGS, BBPS, DMT, e-NACH, QR card, virtual debit card | NPCI, RBI                                                                                       | App, postman, counter, USSD          |
| General insurance            | Personal accident, health, motor, home                                                 | 8 insurers (e.g. Reliance General, Star Health, Royal Sundaram, New India, Niva Bupa, Tata AIG) | POSP, app, branch                    |
| Life insurance               | Term, endowment, ULIP; PLI and RPLI (DoP legacy)                                       | 5 insurers (e.g. SBI Life, PNB MetLife, Bajaj Allianz, HDFC Life, Max Life)                     | POSP, app, branch                    |
| Third-party loans            | Home, vehicle, personal, agri/KCC, gold, MSME, affordable housing                      | HDFC Bank, Axis Bank, Muthoot Finance, Aditya Birla Capital, Aadhaar Housing Finance            | Referral; partner processes the loan |
| Government schemes           | PM-KISAN, MGNREGA wages, PMJJBY, PMSBY, APY, PM-JANMAN                                 | PFMS, Ministry of Finance, state governments                                                    | AePS, doorstep, branch               |
| Aadhaar services             | Digital Life Certificate, child enrolment, mobile update, eKYC                         | UIDAI                                                                                           | Postman or GDS, branch               |

### 5.1 Accounts

All IPPB accounts carry zero minimum balance and pay 2.0% interest a year, credited half-yearly. Opening is by Aadhaar eKYC without physical documents. Variants differ by target segment rather than by price (Table 4), and the 2025 SHG account is aimed at women's self-help groups, with a stated potential of 10 crore members.

**Table 4. Savings and current account variants**

| Account                           | Maximum balance | Distinguishing feature                     | Target segment              |
|-----------------------------------|-----------------|--------------------------------------------|-----------------------------|
| Regular Savings                   | ₹2,00,000       | Virtual RuPay debit card; doorstep banking | General public              |
| DigiSmart Savings                 | ₹2,00,000       | Digital-first; enhanced UPI limits         | Semi-urban smartphone users |
| Premium Aarogya                   | ₹2,00,000       | Embedded health insurance benefits         | Health-conscious customers  |
| Basic Savings Bank Deposit (BSBD) | ₹50,000         | Simplified KYC; limited transactions       | Unbanked rural population   |
| SHG Savings (2025)                | ₹2,00,000       | Group savings; micro-credit referral       | Women's self-help groups    |
| Minor                             | ₹2,00,000       | Guardian-operated until age 10             | Children                    |
| Current (merchant)                | ₹2,00,000       | QR payments; BBPS collections              | Small merchants             |

## 5.2 Payments

IPPB's payment services run entirely on national rails, which gives rural customers interoperability with all banks. Aadhaar-enabled payment system (AePS) cash withdrawal is the most important service for the target segment: it needs only an Aadhaar number and a fingerprint, and a postman can deliver the cash at the door.

**Table 5. Payment services, limits and users**

| Service                 | Daily or monthly limit | Cost to customer | Primary users                      |
|-------------------------|------------------------|------------------|------------------------------------|
| AePS cash withdrawal    | ₹10,000 a day          | Free             | Rural DBT beneficiaries            |
| UPI (DakPay)            | ₹1,00,000 a day        | Free (P2P)       | Semi-urban and urban               |
| IMPS                    | ₹2,00,000 a day        | Free to ₹25      | All segments                       |
| NEFT                    | ₹1,00,000 a day        | Free             | All segments                       |
| BBPS bill payment       | Per biller             | Free to ₹5       | Semi-urban and urban               |
| USSD *99#               | ₹5,000 a day           | Telco charge     | Feature-phone users, rural elderly |
| Domestic money transfer | ₹25,000 a month        | Small fee        | Migrant workers, rural families    |

## 5.3 Insurance and loans

Insurance is IPPB's main fee product. Low-premium group personal accident covers are priced at roughly ₹289 to ₹749 a year for sums insured of ₹5 lakh to ₹15 lakh, within reach of households that have never bought insurance. Life partners offer term, endowment and unit-linked plans with minimum annual premiums of about ₹30,000, while DoP's Rural Postal Life Insurance starts at about ₹75 a month. Loans are referred, not made: IPPB captures a referral fee and the partner bears credit risk, which keeps IPPB within its licence. Loan referral is still nascent, at about 150 loans a month on the volumes available to this study, although the customer base is large.

## 5.4 Government schemes

Delivery of government benefits is the core public function (Table 6). IPPB reports serving 5.12 crore DBT beneficiaries in FY 2024-25, about 60% of them women, with cumulative DBT disbursements through IPPB above ₹7 lakh crore.

**Table 6. Government scheme delivery**

| Scheme   | Benefit                            | Mode                | IPPB role                                   |
|----------|------------------------------------|---------------------|---------------------------------------------|
| PM-KISAN | ₹6,000 a year in three instalments | Direct credit; AePS | Last-mile disbursement to 11 crore+ farmers |

| Scheme               | Benefit                                 | Mode                 | IPPB role                               |
|----------------------|-----------------------------------------|----------------------|-----------------------------------------|
| MGNREGA wages        | State-notified daily wage               | Direct credit        | AePS cash-out for wage earners          |
| PMJJBY               | ₹2 lakh life cover, ₹436 a year         | Auto-debit           | Premium collection; claim facilitation  |
| PMSBY                | ₹2 lakh accident cover, ₹20 a year      | Auto-debit           | Premium collection; claim facilitation  |
| Atal Pension Yojana  | ₹1,000 to ₹5,000 a month at retirement  | Auto-debit           | Enrolment; contribution management      |
| Jeevan Pramaan (DLC) | Annual life certificate for pensioners  | Biometric by postman | Doorstep service; 24 lakh+ certificates |
| PM-JANMAN            | Multi-scheme benefits for tribal groups | Direct credit; AePS  | Designated channel for 75 tribal groups |

## 6. Distribution architecture

IPPB distributes through three layers: fixed physical points, a mobile assisted workforce and digital channels. The first two are what distinguish it from other payments banks.

### 6.1 Physical and assisted channels

IPPB reports 1,64,237 access points, made up of 650 branches co-located with head post offices, about 25,000 sub-post offices and about 1.39 lakh branch post offices in villages. Over this fixed grid runs a mobile layer of roughly 90,000 postmen and 2.8 lakh GDS, who carry hand-held devices and biometric readers to the customer's door (Table 7).

**Table 7. Physical and assisted channels**

| Channel             | Scale                       | Services                                         | Customer segment              |
|---------------------|-----------------------------|--------------------------------------------------|-------------------------------|
| IPPB branches       | 650, at head post offices   | Full banking, insurance, loans, complex needs    | All segments                  |
| Sub-post offices    | About 25,000                | Counter banking, AePS, DBT, insurance            | Town and taluka level         |
| Branch post offices | About 1.39 lakh in villages | AePS, DBT, basic banking, referrals              | Rural, tribal, remote         |
| Postmen             | About 90,000                | Account opening, AePS, insurance, Jeevan Pramaan | Urban and semi-urban doorstep |
| Gramin Dak Sevaks   | About 2.8 lakh              | All IPPB services at the doorstep                | Rural, agricultural, tribal   |

A doorstep transaction crosses four institutions. The field observation at Pune followed this chain for AePS cash withdrawal and account opening.

### One doorstep withdrawal passes through UIDAI, NPCI and IPPB before the postman pays out

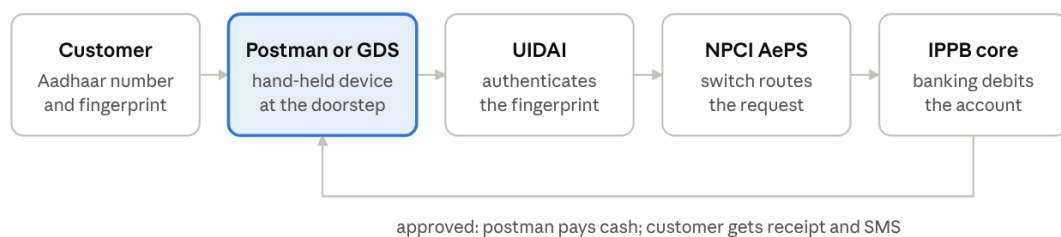


Figure 2 · AePS cash withdrawal process, from field observation at IPPB Pune

The postman is the only human link in the chain; every other step is automated, which is why connectivity and biometric quality decide whether a doorstep transaction succeeds.

## 6.2 Digital channels

Digital channels serve customers who can use a phone. The DakPay app (Android and iOS) carries UPI, bill payment, AePS, insurance, DBT status, a chatbot and, since August 2025, Aadhaar facial authentication. USSD \*99#, SMS and a toll-free IVR line extend a basic service to feature-phone users (Table 8). The report observes that USSD use is declining as smartphones spread.

**Table 8. Digital channels**

| Channel             | Platform            | Main features                                                           | Limitation                        |
|---------------------|---------------------|-------------------------------------------------------------------------|-----------------------------------|
| DakPay app          | Android, iOS        | UPI, bills, AePS, insurance, DBT status, chatbot, facial authentication | Needs smartphone and internet     |
| Internet banking    | Web                 | NEFT, IMPS, statements, bill payment, service requests                  | Needs internet and a device       |
| USSD *99#           | Any mobile phone    | Balance, transfers, bills                                               | Slow; small limits; telco charges |
| SMS banking         | Any mobile phone    | Balance, last three transactions, alerts                                | Read-only                         |
| IVR (1800 100 2265) | Toll-free telephone | Balance, product information, grievances                                | Support only                      |

## 7. Financial performance

Total income rose about tenfold between FY 2020-21 and FY 2024-25, a compound annual growth rate of roughly 78%, and IPPB moved from a net loss of ₹320.54 crore to a net profit of ₹133.85 crore (Figure 1). It first reported a profit in FY 2022-23.

### Income grew tenfold in four years and the bank moved from loss to profit

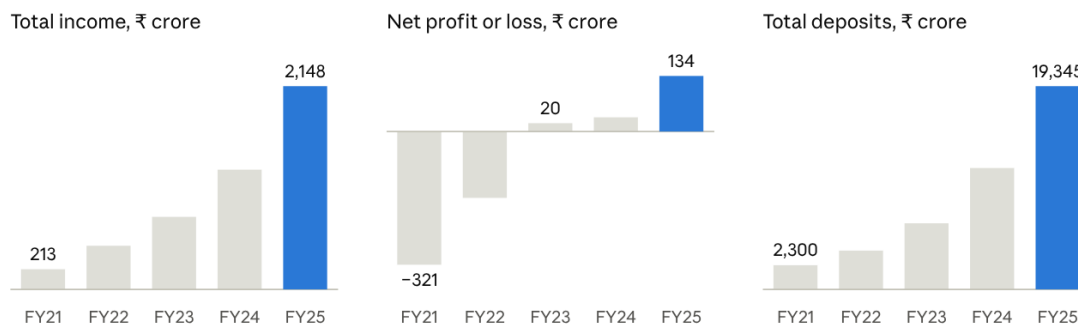


Figure 1 · IPPB annual reports FY 2020-21 to FY 2024-25 (FY21 = FY 2020-21)

### 7.1 Sources of growth

Four sources explain the income growth. First, AePS and DBT volumes expanded as DBT beneficiaries rose from 1.06 crore to 5.12 crore. Second, insurance commission grew as the POSP distribution model matured. Third, fee income came from BBPS, remittances and loan referrals. Fourth, interest on government securities increased as deposits grew 8.4 times. Annual deposit growth ranged from about 60% to 84%, and the deposits are largely low-cost savings balances from rural and semi-urban households.

The turnaround came from revenue scaling, not cost cutting. Between FY 2021-22 and FY 2024-25 expenditure rose 3.2 times, from ₹620.82 crore to ₹2,014.26 crore, while income rose 4.7 times, from ₹461.20 crore to ₹2,148.12 crore. That is operating leverage: a largely fixed network earning more per customer as usage deepens.

## 7.2 Capital position

IPPB's capital adequacy ratio (CRAR) was 49.24% in FY 2024-25, against an RBI minimum of 15% for payments banks. Net worth grew from about ₹189 crore to ₹1,384.12 crore. A high ratio is expected for a bank with no loan book, and it leaves room for growth, including the option of moving to a small finance bank licence.

## 7.3 Business metrics

Usage grew faster than the customer base (Table 9). Digital transaction volume rose 15 times between FY 2021-22 and FY 2024-25 and its value nearly 8 times, while customers roughly doubled. AePS value, by contrast, grew only 1.6 times, and by under 9% in FY 2024-25, while digital volume more than doubled in the same year. AePS remains the core rural product, but the growth is shifting to other digital payments.

**Table 9. Key business metrics**

| Metric                              | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 |
|-------------------------------------|------------|------------|------------|------------|
| Customers (crore)                   | 5.26       | 6.63       | 8.82       | 11.67      |
| DBT beneficiaries (crore)           | 1.06       | about 1.40 | 3.04       | 5.12       |
| Digital transaction volume (crore)  | 83.84      | 162        | 608        | 1,289      |
| Digital transaction value (₹ crore) | 1,54,367   | 3,20,579   | 6,51,759   | 12,24,092  |
| AePS transaction value (₹ crore)    | 20,939     | 27,443     | 31,158     | 33,856     |
| Mobile app downloads (crore)        | 1.34       | about 2.00 | 3.01       | 4.32       |

Source: IPPB annual reports FY 2021-22 to FY 2024-25.

## 8. Findings and discussion

The analysis supports six findings, each tied to a study objective (Table 10).

**Table 10. Findings by objective**

| No. | Finding                                                                                                                                                                                               | Objective | Evidence                                        |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------|
| F1  | IPPB's portfolio is broad for a payments bank: seven savings and current variants, eight general and five life insurers, seven loan categories, seven government schemes and several Aadhaar services | 1         | Product catalogue; insurer and lender materials |
| F2  | The distribution network, 1.64 lakh access points and over 3 lakh postmen and GDS, is the main competitive advantage and is hard for private players to replicate at similar cost                     | 2         | Annual report; field observation                |
| F3  | AePS and DBT delivery drive usage in rural areas, with 5.12 crore DBT beneficiaries and ₹33,856 crore of AePS value in FY 2024-25                                                                     | 2, 3      | Annual report; AePS observation                 |
| F4  | Low-premium accident insurance is the fastest-growing fee product at branch level                                                                                                                     | 1, 3      | Branch observation; insurer product analysis    |
| F5  | The model is commercially viable: profit since FY 2022-23, reaching ₹133.85 crore in FY 2024-25, with income growth outpacing cost growth                                                             | 3         | Annual reports                                  |
| F6  | Growth is shifting from AePS toward other digital payments, and loan referral is still small relative to the customer base                                                                            | 1, 3      | Annual reports; partner announcements           |

### 8.1 What the phygital model does

The findings match the three forms of phygital delivery in Section 2.3. *Assisted digital* explains AePS: the customer needs no device, and the postman supplies it. *Doorstep digital* explains DBT cash-out and Jeevan Pramaan, where the service reaches people who cannot easily travel. *Trust-mediated*

*digital* explains why insurance can be sold to first-time buyers: field staff already known to a household can explain a ₹320 to ₹749 policy in ways an app cannot. These links come from field observation and are suggestive rather than tested.

### 8.2 Access, usage and quality

On the RBI's three dimensions, access is IPPB's clearest strength, because the network places a banking point within reach of most villages. Usage is mixed. DBT and AePS bring customers in, but many accounts are opened to receive benefits and are then used only to withdraw them, which is the dormancy problem in Section 9. Quality depends on regulation (IRDAI-approved insurance, RBI-supervised payments) and on delivery conditions such as connectivity and authentication success, where the field evidence is less favourable.

### 8.3 Why the economics work

A payments bank cannot earn a lending spread, so the economics rest on three flows: float income on government securities, fee income on payments, and commissions on partner products. IPPB's marginal cost of reaching a customer is low because the postal network already exists and is paid for by DoP, which turns the 150-year-old postal brand into a distribution asset. The weakness of this model is its dependence on volume. Revenue per customer is small, so a large base of inactive accounts adds cost without adding much income.

## 9. Challenges, recommendations and conclusion

### 9.1 Challenges

Field observation and secondary sources point to six constraints (Table 11).

**Table 11. Operational and strategic challenges**

| Challenge             | Root cause                                                                                               | Effect                                                                                          | Mitigation under way                                                            |
|-----------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Thin direct workforce | Hiring limits in public-sector bodies; about 1,250 direct employees                                      | One direct employee for roughly 93,000 customers; limited capacity for insurance and loan sales | 348 GDS-to-executive posts advertised in FY26; RBI approval sought              |
| Rural connectivity    | Incomplete BharatNet rollout; 4G gaps in tribal and remote areas                                         | AePS and app transactions fail during outages                                                   | Offline buffering in the postman app; satellite links for critical post offices |
| AePS fraud            | Biometric spoofing, for example with silicone fingerprints; fraudulent withdrawals from dormant accounts | Customer losses, distrust, compliance risk                                                      | Liveness detection; Aadhaar facial authentication                               |
| Digital literacy      | Low smartphone proficiency among rural, elderly and tribal customers                                     | Heavy reliance on assisted banking; low app adoption                                            | Literacy camps by postmen; USSD for feature phones                              |
| Dormancy              | Zero-balance accounts used only to receive DBT                                                           | Low revenue per customer; high cost to serve                                                    | Outreach and cross-selling at the time of DBT cash-out                          |
| Fintech competition   | PhonePe, Google Pay and others lead urban UPI with better design and merchant reach                      | Limited DakPay share in cities                                                                  | DakPay v2.0, chatbot, facial authentication                                     |

### 9.2 Recommendations

1. **Pursue regulated credit partnerships.** Seek RBI approval to extend micro-credit referrals through NBFC and fintech partners, which would add fee income without credit risk and serve customers with little formal credit access.
2. **Advocate a higher deposit limit.** The ₹2 lakh cap excludes salaried and small-business balances; a revision (the study suggests ₹5 lakh) would deepen account use and float income.
3. **Certify more field staff as insurance agents.** Extending IRDAI POSP certification to all postmen and GDS would use the trusted workforce on a product with low rural penetration.

4. **Hire more direct staff.** Profitability creates room to add at least 2,000 employees, concentrating on product, risk and customer-service roles.
5. **Build one app for postal and bank products.** Integrating DoP savings and insurance schemes (PLI, NSC, PPF, SSY) with IPPB services would offer something a private bank cannot copy.
6. **Invest early in fraud prevention.** Liveness-checking devices and wider use of facial authentication protect trust in AePS, the core rural product.

### 9.3 Limitations and future research

Primary evidence comes from one regional office over two months, so seasonal patterns and other states are not covered, and the field observations are not a statistical sample. Branch-level commission data are not public, so product-level profitability could not be analysed. Peer data for Airtel and Fino are only partly disclosed, which limits benchmarking. The latest audited figures are for FY 2024-25. Later work could survey customers on trust and usage, compare postal-circle performance across states, measure dormancy rates and test whether postman-assisted accounts stay active longer than self-service ones. The option of converting to a small finance bank, mentioned in management discussion, also deserves a separate study.

### 9.4 Conclusion

IPPB shows that a payments bank restricted from lending can reach scale and profit if it uses an existing trusted network as its distribution layer. Its income grew about tenfold in four years, it has been profitable since FY 2022-23, and it serves 11.67 crore customers, including 5.12 crore DBT beneficiaries. The model works because the postman supplies digital capability, doorstep access and trust that the customer lacks. It is constrained by a small direct workforce, rural connectivity, fraud risk and inactive accounts, and its next phase of growth depends on moving customers from receiving benefits to using financial products.

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