

Financial Inclusion: Accessing Financial Services from Post Offices by the Rural People in Idukki District of Kerala

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Abstract

Financial inclusion is a process of increasing accessibility of financial services to the poor and vulnerable groups. Apart from banks, post offices also provide many financial services to the public. Since the majority of post offices are located in rural areas, they can be the centres of financial services which provide myriads of financial solutions. This study examines whether rural people avail financial services through post offices and uses primary data to examine the usage of financial services by rural people. The findings of the study revealed that only half of the population avails financial services through post offices, and small savings and money transfers are the popular financial services among the public. The study also revealed that low-cost services are the major reason for availing services through the post office. However, the lack of awareness about the financial services that post offices offer is the major reason why many fail to make use of its benefits.

1. Introduction

Financial inclusion is the accessibility of the entire section of society to financial services. Traditionally, banks are the main source of financial services such as accepting deposits and lending money. Now a days Banks provide many financial services in addition to deposits and loans, such as, insurance, mutual funds, and depository services. Post offices in India also provide a lot of financial services to the public now a days. Post offices now a days offer various financial services such as postal savings bank, postal life insurance, ATM services, mutual fund investment, money transfer, postal payment bank etc.

According to the World Bank, 49 percent of the adult population has no access to formal financial services (Nils & Bsrat, 2016). In India, 65 percent of the population lives in rural areas, and a large portion of this is excluded from easy access to financial resources because commercial banks operate in urban, commercial, and profitable areas. In India, accessibility to financial services is a major challenge to financial inclusion (Rahul & Ravinder, 2020). However, the widespread presence of post offices in rural and remote areas helps people to access financial services at their doorstep. Financially excluded individuals, such as the poor, less educated, and those out of the labour force, are more likely to hold an account in a post office (Anson et al., 2013).

The postal network presents a ready-made channel to reach vulnerable, underserved and marginalized populations. Posts have the potential – and ability – to transform economies to be more equitable and inclusive, especially when it comes to furthering financial inclusion through access to Digital Financial Solution (DFS). As part of the Sustainable Development Agenda, governments have been giving greater priority to social, financial, and digital inclusion. As they increasingly acknowledge the importance of financial inclusion, they have realized that the postal network can address three issues faced by low- and moderate-income populations: accessibility, affordability and eligibility (Union, 2021). Thus, post offices can play a leading role in increasing financial inclusion.

Worldwide, 28 percent of adults access formal financial services from post offices (Union, 2021). Post offices are the largest physical financial network in the world, with more than 6,50,000 post offices. Most of these are located in rural areas. In 44 percent of countries, post office branches outnumber bank branches, highlighting the importance of the role of post offices in rural areas in providing financial services (Visa and the UPU, 2025).

As of 31 March 2019, there were 35,649 bank branches in rural areas out of the total 50161 bank branches of public sector, commercial, and foreign banks in the country (Snehal S., 2021). In contrast, India has the largest Postal Network in the world with 1,64, 987 Post Offices as of 12 March 2025 of which 1,49,164 are in rural areas (*Operational Post Offices*, 2025). Compared to banking institutions, post offices have a large number of branches in rural areas. A wide and well-connected network is essential for providing financial services because it addresses the major challenge of financial inclusion, namely, access (Nils & Bsrat, 2016).

Deprivation in the use of financial services might be experienced differently among people belonging to various population groups across their place of residence, age, gender, level of education, income, and source of livelihood (Das & Mishra, 2020). Therefore, the academic community is eager to know which segment of the population uses financial services provided by post offices and what services they avail from post offices, such as savings, pensions, and insurance.

Low access to financial services forces rural people to access credit from informal finance from money lenders, friends, and relatives (Basu, 2005). This may lead to exploitation and high costs. However, Post offices work on the principle of low margins. Thus, post offices can break the barrier of affordability (Nils & Bsrat, 2016).

Commercial financial service providers may be reluctant to provide financial services to people in remote villages, people with less education, the poor, women, and those with less income. Therefore, post offices can do a lot for these sections of society by providing various financial services in the village without exploitation and at a lower cost.

This study attempts to examine whether rural people avail financial services through Post Offices.

2. Review of Literature

Jose Anson found that financially excluded individuals like the poor, less educated and those out of labour force are more likely to be hold an account in the post office (2013). (Naik,2017) observed that 20 percent of the marginal farmers and 26.7 percent of the Marginal Medium farmers had an account with post offices. Jose Anson also found that larger the postal network compared to banks and more likely adults have an account at the post office (2013). (Naik,2017) found that 32 percent of non-farmers have an account with post offices.

(Naik,2017) observed that 16.7 percent of the farmers never used post office services, and 33.3 percent of them were marginal farmers. Of the non-farmers, 33.3% never used postal financial services. However, 58.3 percent opined that post offices are at their doorsteps. (Walking Distance).

Basu examined whether India's financial system is accessible to rural people, especially the poor. They found that the majority of the rural population does not have access to finance from rural sources. They stated that 59 percent of the rural households do not have a deposit account and 79 percent of the rural households have no access to credit from formal sources (2005). Among the formal financial institutions, commercial banks are the dominant source of financial services followed by RRBs, cooperative banks and post offices. Post offices provide a modest role in providing financial services. They also found that transaction costs are high, to access finance from formal institutions because they need to pay bribes for sanctioning loans and advances. Not only that poor need to give collateral to get loan and land is the major collateral to them but this collateral is not executed. These factors lead the household to use finance from informal sector. They stated that the policies such as service area approach, priority sector lending do not effective in providing services to poor. They recommend different strategies for inclusive growth, including flexible products, composite financial services, simplification of procedures, and better staffing.

3. Data and Method

This study was analytical in nature. The unit of study is the customers of post offices from Konnathady Panchayath in the Idukki District. This study used primary data. Primary data were collected through a sampling survey. A total of 75 customers were selected and surveyed to collect data. A convenient sampling method was used for data collection. The collected data were analysed using percentages and chi-square tests.

4. Results and Discussion

4.1. Results

4.1.1. Avail financial services through Post Offices

Table 1: Avail financial services through Post Offices

Availing Financial Services	n	Percent
Yes	43	57.3
No	32	42.7
Total	75	100

Source: Sample Survey

From the above table, it can be inferred that most people avail financial services through post offices. These people access rural post offices for various financial services, such as small savings, money transfers, and insurance.

Table 2: Socio-demographic characteristics and accessing financial services

Characteristics	Chi-square	Df	Sig.
Age	7.228	3	0.065
Education	2.163	3	0.539
Gender	0.191	1	0.662
Income	3.575	3	0.311

Source: Sample Survey

The analysis revealed that none of the respondents' socio-demographic characteristics were significantly associated with accessing financial services from post offices. Hence, it can be inferred that socio-demographic characteristics are not a significant factor in determining access to financial services through Post Offices.

4.1.2. Popular Financial Service Provided by Post Offices

Table 3: Different services provided by post offices

Services	n	Chi-square	Sig.
PLI	3		
ATM	5		
Payment Bank	1		
Small savings/Saving certificate	11		
Money Transfer/Money Order	11	24.605	0.002
Health Insurance	2		
Sukanya Samridhi Yojana	1		
NPS/PPF	5		
PMSBY/PMBJBY	4		
Total	43		

Source: Primary Data

From the table, it can be inferred that the most popular services provided by post offices are small savings (25.6 percent) and money transfers (25.6 percent), and the next popular services are ATM services. The chi-square test of proportion revealed that the above proportion was significant, as the significance value was less than 0.05.

4.1.3. Problems Faced by Public while availing services through Post Offices

Table 4: Problems faced by public while availing services

Problems	n	%	Chi- square	Significance
Lack of infrastructure	8	18.6		
Lack of credit	16	37.2		
Lack of adequate staff	8	18.6	24.605 ^a	0.251
Lack of access	11	25.6		
Total	43	100.00		

Source: Primary Data

The table shows that 37 percent of people agree that lack of credit is the major problem faced by the people while availing services through post offices, 25.6 percent people opined that lack of access, and 18.6 percent voted for lack of adequate staff and lack of infrastructure. However, the chi-square test revealed that this proportion was not significant. This means that these services are not equally accessible to rural people. There is a difference in the number of people availing of this service. However, the proportion was not significant, as the chi-square value was $>.05$.

4.1.4. Reasons for Accessing Financial Services through Post Offices

Table 5: Reasons for availing financial services

Reasons	Frequency	Percent
Access	3	7
Convenience	6	14
Security	6	14
High Interest rate	6	14
Low cost	13	30.2
Prompt service	1	2.3
Easy Procedures	8	18.6
Total	43	100.00

Source: Primary Data

The table shows that low cost is one of the main reasons for using financial services from post offices. A total of 30.2 percent of the respondents consider low cost as the reason for availing financial services from post offices. Moreover, 18.6 percent of respondents stated that the ease of the procedure was another reason for their preference. Fourteen percent of the respondents were of the opinion that security, convenience, and high interest rates were other important reasons. Seven percent of them chose access, and only two percent chose prompt services as the reasons.

4.1.5. Reasons for Not Accessing Financial Services Through Post Offices

Table 6: Reasons for not availing financial services

Reasons	Frequency	Percent	Chi-square	Sig.
Not aware	13	40.6		
Poor Infrastructure	11	34.4	14.14	0.028
Lack of cooperation from staff	4	12.5		
No credit facility	4	12.5		
Total	32	100.0		

Source: Primary Data

The table shows that lack of awareness (40.6 percent) is the major reason for not availing postal financial services from post offices. Poor infrastructure (34.4 percent), lack of cooperation from the staff (12.5 percent), and lack of credit facility (12.5 percent) also play a role in preventing people from availing financial services from post offices. The chi-square test also revealed that this proportion was significant, as the P-value was $< .05$.

4.2. Discussion

The study found that the majority of rural people avail financial services from post offices. However, there was no significant association between the socio-demographic characteristics of the people and the use of financial services from post offices. The results of the study also reveal that there is a significant difference in the usage of different financial services by people. Small savings and money transfers are the major financial services used by people, and other financial services are used by only a small number of people. Lack of credit and access are the major problems faced by people when availing financial services from post offices. Low cost, safety (security), convenience, and access are the reasons for the usage of financial services by people. Lack of awareness and poor infrastructure are the reasons for not using financial services at post offices.

Regarding the usage of financial services by rural people from post offices, the study found that the majority are using financial services from rural branches of post offices. This is consistent with the findings of (Basu, 2005). People opined that low cost is the major reason for availing services from post offices. Cost is the main barrier to financial inclusion. Having a Bank account and sending money is expensive (Nils & Bsrat, 2016). However, post offices run businesses with a wide network and low margins. Therefore, post offices can break the barrier of financial inclusion through less costly services. However, this contradicts the findings of Basu. He opined that accessing financial services from formal institutions is costly (2005).

Safety or security is another important reason for using financial services at post offices. This is because people place a high level of trust in post offices. “Posts are generally regarded as trustworthy, and in some countries this trustworthiness can be extremely high” (Nils & Bsrat, 2016). This result reveals the role of post offices in rural areas, where illiterate and marginalised people can rely on post offices for their financial service needs.

Jose Anson observed that the poor and less educated are more likely to avail financial services from post offices (2013). However, the study found no significant association between the sociodemographic characteristics of the people and accessing financial services from post offices.

Post offices provide various financial services, from deposits to insurance. They provide pensions, insurance, ATM services, and different National Saving Schemes. The results revealed that these services are not equally accessible by people. Small Savings and money transfers are the most popular financial services availed from post offices. Other services are availed by people only in nominal percentages. This finding shows the confidence of people in using different financial services provided by banks. Commercial banks and financial institutions may be reluctant to provide financial services to people in remote villages because these services may not be viable to them. Therefore, post offices can fill this gap by providing financial services that are less costly and safer.

Lack of awareness and poor infrastructure are the main reasons for not availing financial services from post offices. By increasing speedy internet connectivity, introducing efficient technology, and publicising postal services, people can access financial services from post offices.

This study used a convenient sampling method to collect data. This is a major limitation of this study. The limited sample size is another limitation of this study. Other researchers can replicate this study by collecting data from a greater number of people and relating different variables to post office services.

5. Conclusion

Post offices now provide a number of financial services to the public in addition to postal savings banks. Therefore, post offices are emerging as banks. In this perspective, post offices can do a lot for the financial inclusion of the poor in rural areas. The study found that only 50 percent of the people availed of financial services through post offices. The major reason for not availing financial services through post offices is a lack of awareness. Lack of credit is a major problem when availing services through post offices. Therefore, the central government and the Reserve Bank of India may take appropriate policy measures to make post offices financial inclusion hubs.

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