
Financial Review of Department of Posts: India

Dr. Mrinali Kankar

Abstract

Today, the Department of Posts is passing through transitory path to development with expansion of the Postal Services useful to a common man (Aam Aadmi) and corporate sector in the changing marketing environment, technological advancement era. The Department of Posts has faced a period of changes due to increasing competition, computerization, technological changes and opening of its markets to competition. Thus on the one hand, the role of the Department of Posts is undergoing a complete image change from dealing with basic mail functioning to that of multifaceted business center having involvement of huge finance at every step.

Keywords: India Post, Post Offices, Postal Services, Means of Communication, Value Added Services, Financial Services.

Introduction

It is seen that the India Posts has faced drastic changes during last 150 years in its role & functioning. In the current form it existed for the last 110 years. Now its role is not limited to traditional role of conveying of mails but meets out the requirements of efficient and value added postal services, financial services and insurance services on demand of today's society, large business houses, corporate sector. It is fully competent to compete with private couriers in open and globalised competitive market along with fulfilling its social obligations for providing basic postal services across the country at affordable price. It is a blend of traditions and modernity and had adopted vision statement that reads -“India Posts is a socially committed, technology driven, professionally managed and forward looking organization”.

Therefore aiming at to fulfill vision of the Department, it provides communication services pertaining to letters, registered and unregistered mails, collection, transmission and delivery of mails upto doorstep of the customers, transportation services relating to logistics of goods and articles, value addition to basic postal services like Speed Posts, Business Posts, Direct Posts, Bill Mail Service, Express Parcel Posts, Retail Posts etc., financial services relating to Savings Bank and Saving Certificates, Postal Life Insurance, Rural Postal Life Insurance, International Money Transfer, Remittances of funds through Money Orders etc. within the country.

The Department of Posts, with its network of 1,54,910 Post Offices, is the largest postal network in the world and is performing all the services to every nook and corner of the country.. The beginnings of this vast postal network can be traced back to the year 1727 when the first Post

Office was set up in Kolkata. Simultaneously it is facing many challenges in performing its new role due to increase in commercialization of economic activities, growing competitions, globalization, open market economy, rapid advancement in technology, customization and the most important factor of rising expectations of customers about quality of services.

Therefore, the Department of Posts has taken action in the areas of modernization and computerization of Head/Sub Post Offices, Administrative Offices, Accounts Offices and opening of Financial Postal Marts as “One Stop Solution” for financial services, computerization of the work relating to processing and conveying of mails aiming at speedy transmission of mails i.e. computerization of the Head Record Offices, Registration Centers, setting up of Automated Mail Processing Centers, introduction of various channels of mails- Metro, Rajdhani, Green, Business and Patrika, creation of Mail Grid, induction of freighter aircrafts etc., has been introduced. Mail Motor vehicles are equipped with Global Postal System (GPS) in some areas of the country. All Accounts Offices also been computerized. In addition, setting up of “Business Development and Marketing Directorate”, introduction of e-enabled services, improving of human resource skills through arranging more training programs, introduction of “Project Arrow” etc, are also important initiatives of the Department to transform Indian Post Offices as vibrant and responsive organization.

The Department of Posts appears to face problems like:

1. Non growth of revenue at a satisfactory level since long.
2. Year to year growing expenses of the department, which are beyond control.
3. Non commensuration with the demands of today's business environment specially relating to –
 - (a) Product proposition i.e which product is required and which is not required. Whether all the traditional products are still useful to a common man and corporate sector or require modification in the wake of growing competitive circumstances, globalization of market economy and fast changing technology.
 - (b) Poor/incomplete implementation of information level and,
 - (c) Problems relating to Human Resource Development in the changing technological era.

The role of the Post offices is undergoing transformation the world over, as the electronic mail and new technologies supplement traditional postal services / activities. In the wake of globalization and deepening of market mechanism in India, the Department of Posts had to fulfill its responsibility of rendering social services as well had to fulfill the current requirements of the business world. The Post Office is increasingly adopting new business to help to optimize its strength by providing new services of public utility and new financial services suiting to the socio-economic need of the country. It is also simultaneously upgrading traditional services through inducting new technology, introducing new products and services in order to meet the

challenges of providing faster, more reliable and more responsive service to the customer in the time of increasing competition from private couriers and continuing advancements in communication technology since the last decades especially since 1990s and onward. The Department of Posts is facing twin challenges posed by the private couriers and continuing advancements in communication technology especially mobile telephony and the World Wide Web and the Department had devised a sound strategy to meet these challenges by changing the Department at multiple levels say:

- (i) Personal / agential / Human Resources by repositioning the Department at the human resource level by providing quality training to all categories of staff,
- (ii) Re-engineering of business process for Saving Bank and Insurance, mail operations, introducing E-enabled services and Business Development activities, Human resources and establishment, Accounting and Finance, setting up Rural Business Division to explore market potential for postal products and to serve their needs in rural areas,
- (iii) Restructuring through technology,
- (iv) Introducing new concept of Project Arrow during 2008-09 an initiative to transform India Post into a vibrant and responsive organization and to make a visible and positive difference in postal operations to benefit the customers, and;
- (v) To provide greater satisfaction to the customers, 'Pick Up Mail Facility' (w.e.f. 18th July, 2005), different e-Enabled services, logistic services, instant money orders etc. reoriented.

Review of Literature

1. **Postal History, published by Postal Training Centre, Mysore:** This book shows the complete history of the Posts i.e. this book contains details from where post came into existence, how did it grow and develop. This book further shows the evolution of Postal System in Europe, America and Asia. This book contains the Postal history and development since emergence of Postal System in India to 20th Century. This book was published by the Department of Posts.
2. **Story of Indian Post Offices, written by Mulk Raj Anand:** This book contains the history of Post Offices in India i.e. how it came into existence, from where they started, how the system worked from time to time. Development of Post Offices from beginning onwards is the subject matter of the book.
3. **Business Development and Financial Services, compiled by S.B. Rao:** This book was compiled by Mr. Rao, an officer in the Department of Posts to analysis the development of business by its Premium Products and new financial services.
4. **“Think Big” by Major General V Sadasivam** – Assistant Director General, APS, New Delhi discussing with various aspects for development of Postal System published in Dak Patrika (June 2007).

5. **“Role of Indian Post Office as building the Indian History”, written by C.R. Vijaylakshmi:** This article was published in Dak Patrika (March 2005) showing development of Post Offices and its services in Indian History.

Objectives

1. Appraisal of existing financial management system and critical review of financial position.
2. Examine the facts for non increase in revenue and make suggestions for increasing revenue and control over expenses.

Research Methodology

The statistical data for the study have been collected from the secondary sources. Secondary data have been collected from the various annual reports, publications of economic survey reports, books, journals and periodicals. The period of study is taken for 5 years i.e. from 2011-12 to 2015-16.

Revenue of Department of Posts

The Department of Posts is known for providing services to the society at affordable price without relating it to the actual costs of its products and services, even then there are some earnings of the Department. The sources of earnings of the Department are in the form of **“Recoveries”** and **“Revenues”**.

The **“Recoveries”** include the amount of commission earned by the Department of Posts for performing agency functions on behalf of other Government Departments/organizations, such as commission for –

- (i) Disbursement of military pension through Post Offices.
- (ii) Payment of Coal Miners, Employees Provident Fund/Family Pension & other Misc. services.
- (iii) Payment of Railway Pensions.
- (iv) Postal Life Insurance.
- (v) Custom Duty Realization.
- (vi) Commission on Account of International Money Transfer-Western Union Scheme.
- (vii) Telegraphs share of Combined Offices.
- (viii) Mahila Samridhi Yojna.
- (ix) Commission on sale of Non Postal Stamps of Delhi Administration.
- (x) Recoveries from Army Postal Service Accounts.
- (xi) Recoveries from other Government Departments and share of establishment debitable to Capital, etc.

“Revenue” includes the earnings on account of –

- (i) Sale of Postal articles.
- (ii) Commission on money orders and Indian Postal orders.
- (iii) Receipts from premium product services.
- (iv) Remuneration for Saving Bank and Cash Certificate work done on behalf of Ministry of Finance.

Thus, the earnings of the Department are in form of 'Revenue' and 'Recoveries'. The 'Recoveries' represents the amount of commission earned by the Department for agency services rendered on behalf of other Departments and Organizations, where as 'Revenue' is on account of sale of Postal Articles, Commission on Money Orders/Indian Postal Orders and receipts from premium product services, service charges retained by the Department of Posts for sale of Pass Port Application form, Pass Port Fee Stamps, Central Recruitment Fee (CRF) Stamps, Receipt from other Postal Administration etc.

Gross revenue including amount of remuneration received from Ministry of Finance for Saving Bank & Cash Certificates Work, and amount of Recoveries (deducted from Gross Total Expenditure for the work done as agency functions on behalf of other Departments/Organizations) of the Department of Posts at all India level was Rs. 12,939.79 during the year 2015-16.

Revenue Status of the Department of Posts as prevailed during last five years has been shown in **TABLE 1:**

TABLE 1
Revenue of Department of Posts, India

(₹ in Crore)

Sources of Revenue	2011-12	2012-13	2013-14	2014-15	2015-16
Sale of Stamps	663.03	649.06	670.67	576.18	441.75
Postage Realized in Cash	2277.62	2752.11	3161.71	3240.10	3468.41
Commission on MOs/IPOs	490.78	514.87	606.89	641.98	464.84
Other Receipts*	163.84	418.86	375.88	507.69	780.91
Total (A)	3595.27	4334.90	4815.15	4965.95	5155.91
Remuneration for Savings Bank / Cash Certificates (B)	4304.08	5031.60	5915.27	6670.03	7783.88
Total (A + B)	7899.35	9366.50	10730.42	11635.98	12939.79

*This includes revenue from sale of Passport Application Form, Passport Fee Stamps, Central Recruitment Fee Stamps, and Receipt from Other Postal Administration etc.

It is worthwhile to mention that in the year 1980-81 total revenue of the Department of Posts was only `278 crore which gradually rose and reached to `12939.79 crore in the year 2015-16 showing increase by 4554.60 %. But the above increase is in a long span of 28 years where as prevailing trend during last five years of Revenue reflects total revenue growth to `12939.79 crore in the year 2015-16 from `7899.35 crore in the year 2011-12 recording an increase of 63.81%. However the pace of growth of revenue in the year 2008-09 over 2007-08, i.e. in one year was only 11.21%. Revenue from commission of Money Orders/Indian Postal Orders, declined by 27.59% in one year. Revenue from "Sale of Stamps" and under the head 'Other Receipts' also declined during last five years. Major share of total revenue was earned from "Postage Realized in Cash" equal to 26.80% and remuneration from SB/CC services was worth 60.16% in the financial year 2015-16. Main factors attributing to revenue growth in recent years can be identified as technological advancement and computerization in the functioning of Post Offices enabling speedy growth of premium product services and launching of e-enabled services, increase in corporate/business mails and revision of rates of SB/CC remuneration etc.

Expenditure of The Department of Posts

The Department of Posts provides Postal facilities within the reach of every citizen in the country with the bounding of providing postal services at affordable price under Universal Service Obligations through a vast network of 23,344 Post Offices existed at the time of Independence now reached to 1,54,910 Post Offices. The Department of Posts is a part of General Budget of India for the purpose of revenue and expenditure. It receives all funds from the General Budget of India.

The Department has to incur expenditure for its operational services and on workforce for the purpose of operations and administration.

"Expenditure" of the Department of Posts consists mainly:

- (i) Working expenses (Non Plan) on account of payment/liabilities of Salary, Rent Rates Taxes, Materials and Supplies, Advertisement & Publicity, Professional Services, Machinery & Equipments, Pension, Audit Charges etc pertaining to (a) General Administration (b) Operations (c) Agency services and others like welfare activities & maintenance of buildings etc.
- (ii) Capital outlay on Land, Building, Apparatus and Plants. Other Fixed Assets etc (Plan & Non Plan both).
- (iii) Plan expenditure on account of Mechanization & Modernization and improvement of ergonomics of the postal operative units etc.

Status of Gross working expenses and Net working expenses of the Department of Posts at national level during last five years is shown in **TABLE 2**.

Table 2
Expenditure of Department of Posts, India

(₹ in Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
General Administration	786.01	841.96	942.08	1043.54	1077.04
Operations	8719.95	9555.45	10242.51	11191.01	11895.89
Agency Services	423.60	443.02	472.29	536.82	745.31
Others*	4234.35	4640.73	5139.82	5785.19	5936.43
Total Gross Expenses	14163.91	15481.15	16796.71	18556.56	19654.67
Less: Recoveries**	458.64	688.77	593.19	661.98	707.70
Net Expenditure	13705.27	14792.38	16203.52	17894.58	18946.97

* This includes audit and accounts, amenities to staff, pension charges, stationary and printing etc.

** Less Recoveries: It means that these are recovery of working expenses on account of Agency Services performed by the Department of Posts for

- (i) Military Pension,
- (ii) Payment of Coal Miners and Employees Provident Fund/Family Pension and Misc. Services,
- (iii) Payment of Railway Pension,
- (iv) Postal Life Insurance,
- (v) Custom Duty Realization,
- (vi) Mahila Samridhi Yojna,
- (vii) Commission on account of International Money Transfer, Western Union Money Transfer Scheme,
- (viii) Telegraph Share of Combined Charges,
- (ix) Commission on Sale of Non Postal Stamps of Delhi Administration,
- (x) Incentive paid to Staff from commission required under Retail Posts,
- (xi) Accounts and Audit,
- (xii) Commission on account of Payment of Provident Fund,
- (xiii) Share of spread Margin received from Western Union Finance Service International (WUFSI) etc.

Gross Expenditure comprises expenditure on account of General Administration, operations, providing Agency Services and other functions. The expenditure generally includes salary/wages/office expenses/overtime/rent & taxes/ professional services. Maintenance of Land/Buildings and assets, amenities to staff, pension charges, material and supplies, other administration expenses – audit and accounts.

Simultaneously, Department performs some agency services on behalf of other Departments/organizations and receives remuneration on mutually agreed rates from those Departments/organizations. Such amounts are treated as recovery and are deducted from Gross Working Expenses to get Net Working Expenses of the Department.

Analysis of the data of expenditure in **TABLE 2** reveals that Net expenditure of `340 crore existed 28 years back in the year 1980-81 reached to `18946.97 crore in the year 2015-16 showing an increase 5472.64%. It has also marked 38.76% increase in Total Gross Expenditure in the year 2015-16 over the 2011-12. Gross working expenditure for the year 2015-16 was `19654.67 crore against the previous year's expenditure `18556.56 crore showing an increase of 5.92%. Conclusively – a regular increase in Gross and Net Working Expenditure has been seen during this period. The increase was mainly due to payment of arrears of Pay and Allowances on implementation of 6th Pay Commission Report and regular increase in Dearness Allowance, increased Pension Charges, increase in Cost of Index causing increased Cost of Operational items, Postal Products and Postal Services, much lesser costing of Postal Services in comparison of their actual costs.. After 1980, the Department of Posts had to bear the financial implications of 4th, 5th & 6th Pay Commissions, Talwar Commission Report on Extra Departmental Agents, and expenditure on modernization /computerization etc.

Status of the recoveries during last five years is shown against the item “Less Recoveries” in **TABLE 2**. In the year 2015-16 total amount of recovery was `707.70 crore against `458.64 crore in the year 2011-12 showing increase of 54.30% in five years.

TABLE 3
Deficit of Department of Posts, India

(₹ in Crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Net Expenditure	13705.27	14792.38	16203.52	17894.58	18946.97
Revenue	7899.35	9366.50	10730.42	11635.98	12939.79
Deficit (Net Expenditure – Revenue)	5805.92	5425.89	5473.10	6258.60	6007.18

Overall, the expenditures are more than the revenues of the Department of Posts which results into deficit which is increasing year by year. After analyzing the **Table 3**, it is to be concluding that the Department of Posts was in the deficit of ` 5805.92 crore in the year 2011-12 which increased to `5425.89 crore, `5473.10 crore and `6258.60 crore in the year 2012-13, 2013-14, 2014-15 respectively. In the year 2015-16, the financial position of the Department again resulted into deficit of `6007.18 crore but it was less than the deficit of year 2014-15.

Conclusion

This study has revealed that The Department of Posts has witnessed all-round development with introduction of new products/services along with expansion and modernization of traditional products/services and abnormal increase in deficit simultaneously. The budgetary deficit of India Posts was over `6007.18 crore in the year 2015-16 which was increasing from the last many years .The main reasons for increase in deficit are the marked unbalance in escalation in establishment expenditure in the environment of growing competition, globalization and open market economy, rapid advancements in technology, rising expectations of delivery of services and customization, under pricing of products/services than their actual cost, increasing price level, uncontrolled expenditure on operational services, mechanization and modernization, implementation of various Pay Commissions' report etc. and increase in running cost of the Department. The other reasons for the increase in the deficit are Talwar Committee Report on ED employees, Increase in pension charges, increase in price index causing price hike of operational consumables, running cost of the office establishments, non increase suitably the rates for the work done on behalf of other Ministries/Departments as Agency Services, ageing factor of manpower indirectly causing an increase in salary due to increments/promotions etc. and the most important reason of non increase of postal tariffs corresponding to increased cost of postal services and products which are causing loss to the Department of Posts.

*Assistant Professor,
Department of ABST,
Kanoria PG Mahila Mahavidyalaya, Jaipur*

References

1. Anand, Mulk Raj; Story of the Indian Post offices (1994).
2. Bayanwala, A K; Indian Postal History (1947-1957).
3. Bhalla, V.K.; Financial Management, Allahbad (1989).
4. Bhatnagar, O P, Local Postal Service of Thikana Khetri (Jaipur State) and Its Fiscals (1988).
5. Borgia, Steve; Pigeons to Post; Indeco Leisure Hotels Pvt Ltd. (2011).
6. Brig. Virk, D.S; Indian Postal History 1873 – 1923 (1991).
7. Ghosh. P.K; Strategic Planning and Management.

8. Kuchhal S.C.; Financial Management-An Analytical and Conceptual Approach;Chaitanaya Publishing House,
9. Kulkarni, P.V.; Financial Management –A Conceptual Approach; Himalaya Publishing House, Bombay (2005).
10. Majumdar, M.L; Early History And Growth of Postal System In India (1995).
11. Majumdar, M.L; Imperial Post Offices of British India, (1990).
12. Postal History; Postal Training Centre, Mysore; (1999).
13. "Financial Information System" by Prof. K.L Handa in Selected Readings for Accounts Executives by Postal Staff College, India.
14. "A Brief Postal History of India" by Madhukar and Savita Jhingan
15. "Budgetary Tasks before the Government" by A.C.Tiwari, IMF Advisor & Ex. Deputy CAG from Selected Readings compiled by Postal Staff College, India.
16. "Mystery shopping in Speed Post" by V.P. Singh Joint Secretary, UPSC New Delhi about how to make more efficient the Speed Post.
17. Dak Sevaye- Ek Parichaya; Rajasthan Postal Circle, Jaipur; March 2009.
18. Indian Post Office Act, 1898
19. Project Report on Indian Postal Department generating Financial Resources by Amit Pareek and others, submitted to Indian Institute of Management, Ahemdabad.
20. Dak Patrika, March 2005
21. Souvenir, RAJPEX 2003, Rajasthan Postal Circle, Jaipur.
22. Annual Report 2012-13, Department of Posts, India.
23. Annual Report 2013-14, Department of Posts, India.
24. Annual Report 2014-15, Department of Posts, India.
25. Annual Report 2015-16, Department of Posts, India.
26. Annual Report 2016-17, Department of Posts, India.
27. http://en.wikipedia.org/wiki/Indian_Postal_Service
28. http://www.indiapost.gov.in/National_Postal_Policy.htm
29. http://en.wikipedia.org/wiki/Postal_History
30. <http://www.ptcmysore.gov.in>
31. <http://www.Indiapost.gov.in>