



India Post - A Question of Survival

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Introduction:

Till the Post in India largely acted as a carrier of written communication between individuals and had the role of establishing a network in unopened and inaccessible areas, it had a public service role and character. During the last decade, not only has the share of the Post in the communication market declined, but also more significantly the share of private communication between individuals in the postal traffic has declined with the growing share of business-to-business, business-to-individual and individual-to-business communication. The Post in India is therefore acquiring a business character and has to face competition. The time is ripe to remove the governmental controls on the Post and vest it with operational and financial flexibility of a corporation.

Postal services were rendered by a combined Department of Posts and Telegraph till January 1985. The department as a whole was conceived and operated as a public utility like the railways and electricity. The Post and Telegraph was a part of the general budget of the central government. Due to slow induction of technology and old staff norms, manpower costs increased exponentially. Corresponding adjustment of product and service pricing lagged behind expenditure in a soft state, which perceived postal services as the common man's means of communication and, therefore, needed to be under-priced with the state picking up

the subsidy tag. The subsidy was a cross subsidy from the Telegraph in a combined Post and Telegraph Department but gradually the burden of cross subsidisation depleted the resources of the Telegraph Wing, which required massive capital for its expansion. Pressure from the Telegraph Wing and multinational financial institutions, which became lenders to the expansion of the Telegraph Wing, led to the complete separation of postal services from the telecommunications services in 1985. Since then, the liability for postal subsidy is being borne by the general exchequer.

Issues in Indian Postal system

Postal administration in India is grappling with the challenge posed by growing volume of mail, need to deliver services faster to the customers, increasing competition from private courier industry, administered prices and poor technology. These issues are discussed in detail below:

a) Structural Issues

Historically the post in India largely acted as a carrier of written communication between individuals and had the role of establishing a network in unopened and inaccessible areas, it had a public service role and character. During the last decade, not only has the share of the Post in the communication market declined, but also more significantly the share of private communication between individuals in the postal traffic has

declined with the growing share of business-to-business, business-to-individual and individual-to-business communication. The Post in India is therefore acquiring a business character and has to face competition. The time is ripe to remove the governmental controls on the Post and vest it with operational and financial flexibility of a corporation. The so-called social service character - the need to continue with a cheap postal service with state subsidy for the benefit of the common man, of the Post can be still retained in terms of well-defined universal service obligations.

b) **Technological Issues**

The department of Post continues to own and operate a large number of ancillary logistic services even though outsourcing these would be a cheaper alternative. Physical transmission of written message is getting outdated because of new means of electronic mail. The future of the department depends upon its ability to adopt new technology. Technology is the survival kit and competitive edge of any modern organisation. It has totally changed the way business is conducted especially in the communication sector. Physical exchange of data and message is fast being replaced by electronic exchange through the worldwide web. The constraints of physical transportation by surface or air are fast disappearing which has the tremendous potential of relieving an end-service provider like the Department of Posts of its reliance on physical carriers like railways and airlines. The Post has to choose to become an e-mail operator instead of a snail-mail operator if it has to survive competition.

India post is the largest and most credible outreach infrastructure in the country. It has several decades of experience in delivering bank accounts and payments across the country and especially to the

poor. India Post is already in the process of reinvesting itself and has implemented several innovative products for its letter and package delivery business. However, while India post has also introduced new financial products, its own basic banking and money order products have remained unchanged for several decades.

Problems faced by India Post

There is no doubt of the fact that Indian post is playing a very important role in financial inclusion but it can play a much better role if it can overcome from the following problems:

- § Lack of basic infrastructure: The post offices in India, especially post offices in rural areas which playing an important role in providing financial services in rural areas are not equipped with basic infrastructure. In most of the post offices even proper sitting arrangement for staff is not available.
- § Less numbers of staff: There is a crunch of manpower in the post offices. It is observed that most of the post offices are run by one or two persons and need to do all sorts of work which has a very adverse effect on performance and output.
- § Lack of coordination: There are many examples in the foreign countries where post offices are doing tremendous work for financial inclusion in coordination with other departments. But, till today Indian post keep itself away from other sister organization or other organization also not seeking coordination of Indian post in providing financial services.
- § Slow progress of innovation: To cope with the fast changing environment

Indian post also need to be catching the new invention and technology timely. The Indian post still following the age old practices of working, though it bringing some innovation recently but in a very slow speed. Out of total post offices only 25464 post offices are computerized till 2011-12.

§ Abstain from landing: Providing loan is one of the major aspects of financial inclusion but Indian post is not till today taking it as a part of its business which has narrowed down its operation.

Despite having these problems it has some other difficulties too in expanding its area of operation. From the verbal discussion with the officials it is observed that being a government department they cannot take a decision independently.

Challenges before India Post

India Post's recent initiatives, which include slotting itself in cyberspace through the ePost Office, are pointers to the manner in which the world's largest postal network can be better leveraged to strengthen the financial and communication infrastructure. The Internet and other affordable alternatives have hit the basic function of post offices: delivering letters and other mails. In India, as an answer to a question raised in the Lok Sabha reveals, the volume of mail traffic fell from 6,677.18 million pieces in 2006-07 to 6,391.15 million in 2007-08, and rose marginally to 6,540.90 million in 2008-09. That the figure for 1997-98 was 15,749.30 million points to the severity of the fall. Internationally too, there are clear signs of the Internet eating into postal systems. Developed economies, in particular, saw

postal businesses slump further with the onset of the recession. Statistics provided by the Universal Postal Union (UPU) show that between 2008 and 2009 domestic mail volumes were down 12 per cent globally (translating to about 13 billion pieces). Although there are signs of recovery now, particularly in the parcel and express segments, fundamental challenges posed by the emergence of alternatives to the post remain.

India's expansion of telephone services — the number of telephone subscribers increased from 76.54 million in 2004 to 764.77 million in November 2010 — and the growth of broadband are important developments that could further eat into the letter-post. Against this backdrop, the ePost Office, through which customers can carry out some basic services such as Money Order transactions, marks the beginning of what could be a new chapter for India Post. Its agreement with the Unique Identification Authority of India (UIDAI) to work more closely in socio-economic areas with the provider of unique identity ID cards will be watched with interest round the world. An excellent way of strengthening India Post's finances would be to build on its biggest strength — as the world's largest postal network whose reach extends to all households in the country — and take a range of services closer to Indian residents: financial services and insurance products, for a start. Optimism over economic growth offers India Post an opportunity to correct its deficit-ridden balance sheets and also play a larger role in development by strengthening business-to-business and business-to-consumer segments. Making this change — while maintaining its key public service role as a provider of affordable services for a country of a billion-plus people — is the strategic challenge facing India Post.

The Postal Service in India must return to its roots – of serving the people with a variety of services that they need and at costs which they can afford. It is a sad commentary on the management that it has yet to find a way to reach five thousand rupees as inexpensively across India as someone with a bank account can transfer a couple of lakhs of rupees almost instantaneously to another account across the country for less than Rs.50. It is high time the Post Office is run on a PPP model with a lot more empathy for our less well off citizens and with a lot more public oversight than the ineffective formal ones we have in place.

Reviving Technology for Better Services

Department of Posts caters to the public through Departmental and Gramin Dak Sevaks managed Post Offices. There are 154688 post offices in the country, out of which 25154 are departmental post offices and 129416 Gramin Dak Sevaks (GDS) managed post offices which are predominantly in the rural areas. Around 89.8 percent of post offices are located in rural areas, rest are in urban areas. Till the month of March 2012, 24969 departmental post offices had been computerised, out of these 19890 have been provided with network connectivity.

The software solutions deployed at the Post Offices include:

- § Meghdoot for postal operations
- § Sanchay Post for saving bank function
- § Postal Life Insurance software for PLI work

Meghdoot and Sanchay Post are in Local Area Network (LAN), while the Postal Life Insurance software operates in the Wide Area Network (WAN) software.

Electronic money transfer

The money remittances done through Post Offices by electronic means are:-

- § **iMO:** iMO is an instant web based money transfer service through Post Offices (iMO Centres) in India. You can transfer sums ranging between INR 1,000 to INR 50,000 from designated iMO Post Offices. The payee has to collect the payment from the Post Office Counter.
- § **eMO:** eMOs are transmitted electronically from the Post Office of Booking to the Post Office of delivery and the payment is made at the doorsteps of the payee. Therefore, the transmission time involved in manual MO is reduced considerably. The maximum limit of money remittance is Rs. 5000/-.
- § **Collaboration with Western Union and Moneygram:** Remittances from abroad can be received instantaneously and the payment is made at the Post Office counter on production of security code and authorised identity proof. Remittances of up to Rs. 50,000/- is payable in cash.
- § **Remittances to other countries through Eurogiro (MO Videsh):** Money Order Videsh, a new offering of India Post, facilitates remittances to foreign countries and receiving of remittances from foreign countries through the medium of Post Office. The service was launched in 2009.

Modernisation plans

The LAN based software limits the reach of the Post Offices and therefore, the department has taken up the implementation of IT Modernisation

Project in 2012 under Plan scheme for which an outlay of RS.1877.2 crore has been made by the Government.

The project has the following components:-

- § It will establish IT infrastructure of Data Centre and Disaster Recovery Centre and networking of all Post offices including Grameen Dak Sewaks (GDS) managed Post Offices in rural areas.
- § The project envisages development of integrated modular scalable applications for mail, banking, postal life insurance, advanced financial services and ERP solutions for accounts and HR operations of the Department.
- § The GDS managed Post Offices will be provided with rural ICT devices with required applications for performing postal, banking, insurance, retail operations.
- § Provision for training, change management, capacity building of the employees of the department along with setting up of the Project Management Units at Department, Circle, Region and Division levels for smooth and timely implementation of the project.

With such a large network the question invariably is whether such a large network is beneficial to the common man or not. If the postal system enables to ensure optimal utilization of its infrastructure then it can be said that the network justifies itself, but if the utilization is low then there is a case for having a re-look at the existing infrastructure particularly in the rural sector. An analysis of the various policy initiatives undertaken during the past five year plans would reveal that the

postal planning was based on a number of assumptions which have not fulfilled expectations as there is a difference between the market demand and our policy assumptions as the following table will show:

1. Whenever a post office is established, it contributes to the development of the area.
2. If any post office is set up then over a period of time its traffic increases till the post office becomes a profit-earning center.
3. If the State Governments are asked to contribute to the cost of the post office, then the part of the cost will be recovered.
4. As rural post offices are opened, the cost per post office is minimal and remains static over a period of time.
5. Post office has a Universal Service Obligation(USO) and therefore, the Govt. is duty bound to open post offices wherever they are required.
6. As number of post offices increase economies of scale starts working to the advantage of the post office.
7. There are over 6 lakh villages and it is important to provide cheap and efficient service to all the villages.

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