

FINANCIAL PERFORMANCE OF THE INDIAN POSTAL DEPARTMENT: A RESEARCH STUDY

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Abstract

The Indian Postal Department (India Post) is one of the world's largest public-sector service networks, serving as a critical socio-economic infrastructure in rural and urban India. Besides traditional mail services, it delivers a portfolio of financial, agency, and business-oriented services. This research paper analyses the financial performance, service diversification, business development activities, and key trends of the Department using official data from 2004–05 to 2009–10. The study highlights persistent financial deficits despite revenue growth, expansion in financial inclusion initiatives, and rising contribution from premium services. It concludes with an evaluation of structural financial challenges and strategic opportunities for modernization.

1. Introduction

India Post operates one of the world's largest postal networks, with 1,55,015 post offices as of March 2009, offering universal postal access at affordable prices. In addition to core postal functions, India Post manages agency services such as the Post Office Savings Bank (POSB), money-transfer systems, pension payments, retail financial distribution, and e-enabled services.

Its financial operations reflect both commercial activities and social commitments, leading to a unique cost–revenue structure. An assessment of these financial parameters provides insights into the economic sustainability and modernization needs of the Department.

2. Objectives of the Study

1. To analyze the financial performance of India Post using revenue, expenditure, and deficit trends.
2. To examine the role of savings schemes and agency services in revenue generation.
3. To evaluate the growth and contribution of Business Development (BD) products.
4. To identify challenges and emerging opportunities for India Post.

3. Methodology

This paper uses **secondary data** extracted from the Annual Report of the Indian Postal Department (2008-09) and related financial tables. The analysis incorporates ratio assessment, horizontal and vertical trend evaluation, and comparative financial review.

4. Financial Analysis Framework

4.1 Financial Analysis Concepts

Financial analysis involves evaluating the balance sheet, income statements, and cash flows to determine liquidity, profitability, stability, and future earning capacity. Key tools include:

- Comparative Statements

- Common Size Statements
- Trend Analysis
- Funds & Cash Flow Analysis
- Ratio Analysis

These tools help determine operational efficiency, profitability, capital structure soundness, and creditworthiness.

5. Overview of Postal Financial Services

5.1 Post Office Savings Bank (POSB)

POSB is India's largest banking institution with **206 million+ accounts** (2009). It operates eight major schemes such as SB, RD, TD, MIS, NSC, KVP, PPF, and SCSS.

- **Total outstanding balance:** ₹5,636,977 million
- **Savings accounts:** 78 million
- **RD accounts:** 74 million
- **MIS accounts:** 24 million

The vast rural penetration positions India Post as a pivotal financial inclusion vehicle.

6. Money Transfer & Digital Services

6.1 Instant Money Order (iMO)

- Launched: 2006
- Limit: ₹1,000–₹50,000
- Available in 2,100+ post offices

6.2 International Money Transfer

- Western Union partnership since 2001
- 8,511 post offices enabled
- Remittances delivered (2008-09): ₹76,497 million

6.3 Electronic Money Order (eMO)

- Launched: 2008
- 8,800+ post offices enabled
- Rapid adoption with 9.63 million transactions (April–Dec 2009)

7. Insurance, Mutual Funds & Retail Services

India Post distributes:

- UTI mutual funds
- ICICI Prudential life and pension products
- Oriental Insurance non-life products
- Railway tickets, bill collection, gold coins, forms, etc.

The range positions India Post as a **multi-service retail hub**.

8. Business Development & Premium Products

The BD & Marketing Directorate manages Speed Post, Business Post, Logistics Post, e-Payment, Retail Post, and Media Post.

8.1 Revenue Growth (2004–05 to 2008–09)

Product	2004–05	2008–09	Growth %
Speed Post	₹3541.6M	₹5152.7M	45.5%
Business Post	₹4730.6M	₹6032.5M	27.5%
Other services	₹1261.2M	₹3164.5M	150.9%

Key insight: Value-added services (Media Post, e-Post, EPP, Logistics Post) show exponential potential.

9. Financial Performance of India Post

9.1 Revenue–Expenditure Trends

Year	Revenue (₹M)	Expenditure (₹M)	Deficit (₹M)
2004–05	44,318	58,136	-13,819
2005–06	50,234	62,333	-12,099
2006–07	53,224	65,719	-12,495
2007–08	54,949	70,063	-15,114
2008–09	58,623	94,554	-35,931

Key Findings

- Revenue increased **32%** (2004–05 to 2008–09).
- Expenditure increased **62%**, driven by:
 - 6th Pay Commission arrears
 - DA/DR hikes
- Deficit rose by 160%**, indicating financial stress.
- In 2009–10 (up to Dec), the deficit soared to **₹76,396M**, doubling within nine months.

10. Recoveries from Agency Services

Recoveries are commissions earned for services such as pensions, money transfer, insurance, etc.

Category	2007–08 (₹M)	2008–09 (₹M)
Military pensions	0	0
Railway pensions	78.96	69.17
Postal Life Insurance	2004.7	1949.7
Western Union	303.21	389.62
Others	129.33	488.72

Total recoveries grew from **₹2663M** to **₹3008M**, showing the rising importance of outsourced services.

11. Capital Outlay & Budgetary Management

2008–09 Capital Expenditure

- Total: ₹2,394.65M
- Land & buildings: 5.35%
- Mechanization & modernization: **94.5%**
- Motor vehicles: 0.15%

Savings / Surrendered Funds

The Department recorded:

- **Overall savings:** ₹7,185M
- Achieved via efficient fund reallocation and monitoring

This indicates strong budgetary discipline despite deficits.

12. Discussion

12.1 Strengths

- World's largest postal network with deep rural reach.
- Leadership in financial inclusion through POSB and NREGA wage disbursement.
- Technological modernization: eMO, e-Payment, Core Banking initiatives.
- Expanding premium service portfolio.

12.2 Weaknesses

- Persistent structural deficit.
- High wage and administrative cost ratio.
- Slow modernization compared to private-sector logistics and courier services.

12.3 Opportunities

- Digital banking, microfinance, insurance expansion.
- E-commerce logistics and last-mile delivery.
- Leveraging postal real estate for financial and retail services.
- Strategic partnerships with fintech, insurance, and telecom companies.

12.4 Threats

- Competition from private couriers and digital communication.
- Rising operational costs not matched by revenue growth.
- Need for rapid modernization to stay competitive.

13. Conclusion

The Indian Postal Department is a critical institution for inclusive growth in India, particularly due to its extensive reach and portfolio of financial services. However, despite revenue expansion—especially from premium BD products—the Department suffers chronic deficits due to high administrative overheads and universal service obligations.

With digital transformation, service diversification, and strategic use of its physical presence, India Post holds immense potential to transition into a modern, self-sustaining service entity. Strengthening efficiency, enhancing technology adoption, and expanding revenue-centric services will be key to future financial stability.

14. Recommendations

1. **Accelerate modernization** through Core Banking, automation, and digital payment systems.
2. **Expand e-commerce logistics**, which is India Post's strongest emerging market.
3. **Optimize HR costs** through productivity-linked mechanisms and process automation.
4. **Strengthen public–private partnerships (PPPs)** for financial, logistics, and retail services.
5. **Introduce differential pricing** to reflect service-level costs while protecting rural consumers.
6. **Promote underutilized services** such as Logistics Post, Media Post, and Direct Post.

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