



NATIONAL POSTAL POLICY

Introduction

An efficient and reliable communication network is the lifeline of the nation and plays a crucial role in socio-economic development and the integration of the country. For nearly a century and half the Postal System has been the main component of the communication infrastructure for the country.

The Indian economy has moved on to a high economic growth trajectory involving an average annual growth rate of about 6% over the last 16 years with further acceleration in recent years. India Post requires a new policy framework because of the emergence of several significant trends such as: liberalisation and globalisation; demographic shift towards urbanisation leading to increasing internal and external migration requiring to be serviced; monetisation of the economy especially the agricultural sector giving rise to a corresponding demand for financial services by all sections of the population; and government policy to increase funding for weaker section programs. Given the need for a strong communication and financial infrastructure, India Post will meet both challenges and avail of the opportunities presented by current market conditions.

A Policy for India Post

This policy has a two-pronged approach.

- Develop services that assist, facilitate, enhance and quicken the process of development aimed at inclusive growth.
- Reposition India Post to become a self-sufficient, credible, efficient, quick and cost-effective provider of these services.

Functions

India Post's mandate, traditionally, has covered the following services:

- Delivery of letter and other mail
- Savings Bank operations
- Money transfer
- Provision of Life Insurance

Transmission and delivery of mail can be defined as India Post's core business so far. Post Office Savings Bank is the oldest and largest banking institution in the country. Transmission of funds by postal order/money order has been the traditional way of money transfer. Since 1884 onwards Postal Life Insurance (PLI) has been providing life insurance coverage, initially to employees of P&T Department and subsequently to all Government employees. Since 1995 PLI has been extended to the rural population of the country under a new scheme Rural Postal Life Insurance.

India Post is expected to ensure provision of quality and basic postal services on regular basis to all the users at all points in the country at affordable prices as part of its Universal Service Obligation. The cost of providing these services has to be assessed systematically and fully funded. The source of funding needs to be determined and set in ways that ensure the financial self-sufficiency of India Post and allow it to make decisions relating to growth and development. A sustainable tariff policy for providing the basic postal services also has to be determined. In view of the increasing participation in mail services by private players there is a need to address the issue in a holistic manner.

To effectively face the challenges of competition India Post also needs to be able to respond to market forces quickly and efficiently – both in pricing and product decisions. In order to do so, India Post will require a certain degree of financial autonomy and commercial flexibility while remaining accountable to its customers and to Parliament.

Governance Structure

The Department of Posts is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts, as the Chief Executive of the Department, is also the Chairperson of the Postal Services Board and Director General, India Post. There is a need to revisit India Post's governance structure to provide an effective line of command so that India Post is able to meet the challenges of current market conditions vis-à-vis other players in the postal sector. India Post recognises the presence of private

competitors in the market, but there is also a need for regulating the sector to ensure disciplined functioning and growth.

India Post expects in the near term to achieve self-sufficiency given realistic prices for its core functions and other services. However, for the purpose of operational efficiency and expansion of its activities, funding of its capital requirement may require external resources. It also expects to receive revenues from its financial services and other fee based services. It will examine closely and rationalise its product mix with emphasis on e-commerce, logistics and parcel services, etc., bearing in mind the need to maintain highest level of performance in letter mail services, financial services and governance functions.

Private Sector Participation

India Post welcomes the opportunity to work with the private sector in providing value added services and extending its product range beyond the current core functions. Private sector's participation in providing support services is expected to enable India Post to serve its customers better.

Physical Infrastructure

It will be the policy of India Post to bring its facilities within reach of every citizen in the country. Since Independence, India Post increased the number of post offices from 23,344 to 1,55,204. It is the largest postal network in the world, with one post office serving 7160 people and covering an area of approximately 21.2 sq. kms. Despite this only 1,37,508 out of 5,95,113 inhabited villages have post offices. Even if only Gram Panchayat villages are considered, only 1,15,881 of them out of a total of 2,34,755 have post offices.

With the 73rd Constitutional Amendment transferring funds, function and functionaries in many development sectors to Panchayati Raj Institutions (PRIs), there is a real need to increase connectivity and provide communication and financial services to these bodies to enable them to discharge their Constitutional roles. There is a need therefore, to expand, strengthen and rationalise the rural branch network to ensure full coverage. This can be done with funding assistance from the Government for infrastructure support.

India Post not only needs to invest in physical structures and remedial maintenance, but also in good housekeeping, computerisation, transport facilities etc. This will result in increased efficiency, lower costs, customer satisfaction and enhanced service delivery.

Financial Services

The Post Office Savings Bank Scheme is an agency function performed by India Post on behalf of the Ministry of Finance, Government of India. The Ministry of Finance remunerates India Post for this agency work at a rate fixed from time-to-time.

Nearly 16 crore* people use India Post to save Rs. 3,23,781 crore as on March 31, 2007. Out of this, deposits in savings bank account alone is Rs.16,789 crore. There is, therefore, a need for India Post to computerize and connect all its savings bank accounts so as to widen and deepen the level of financial transactions and offer banking services to the rural population. India Post sees a great opportunity for increasing the number of accounts and volume of savings.

India Post will provide banking and financial transaction services to cater to the needs of the rural population and help realise the policy of financial inclusion for the “un-banked” rural masses. For deepening and broadening its financial services, suitable agreements with public/private sector banks will be forged, so that India Post can offer its unique “last mile” connectivity to the customers. This will permit it to receive fees for the service rendered to the banks and other financial entities. Before this, however, adequate infrastructure and connectivity coupled with application of appropriate software needs to be in place.

India Post will also be the predominant agency for payments under all social security schemes of Government such as Old Age Pension scheme, Rural Health Insurance, National Rural Employment Guarantee Scheme etc. Such a service will reduce delay and inefficiencies in making payments of legitimate entitlements to the poor, illiterate and uneducated masses who are more likely to have confidence in the Post Office, than any other agency.

The urbanization of the country to levels of over 50% of population in older urban agglomerations, new growth sectors and new agglomerations, creation of special economic zones etc., has created additional demand for postal and financial facilities. These urban postal and financial services are essential in order to maintain the flow of funds between urban and rural residents and it is necessary to ensure safe and quick transmission of monies. Since the competitors for such urban services are aggressive and efficient private players, India Post will enhance and improve its delivery of urban services in order to offer comparative standards of performance.

India Post will increase its market share in rural insurance. Postal Life Insurance and Rural Postal Life Insurance are the instruments, which will allow India Post to increase its market and business potential, as also fulfilling the social obligation of insuring people. It will transform the century old Postal Life Insurance into a commercial business entity making its own investment decisions and

(1 crore = 10 million)

competing on level playing field with other insurance entities, while conforming to requirements of IRDA norms.

Facilitating Governance Functions

India Post is an essential part of the governance of the country. It has performed sovereign functions since its inception and is instrumental in unifying the country and ensuring connectivity between far-flung regions and between dispersed citizens, both within and outside the country.

Its presence and operations have ensured that as a Government organisation it enjoys high credibility and trust, and citizens have no hesitation in approaching its personnel or visiting its offices. This degree of confidence is precious and it can be leveraged to bring more accuracy, efficiency and credibility to other governance functions that depend crucially on identification of individual citizens.

It is therefore, possible, given government approval and legislative support, for India Post to carry out maintenance of electoral rolls, census operations and ensure passport verification etc. This will be based on a National Address Database Management System (with street and GPS addresses), which will be established. It will also solve the “identification problem” that besets most Governmental programs and policies. Investment in this facility will enable the Union and state governments to allow citizens to avail of their rights as well as enable the Government to identify and locate citizens more accurately.

Connectivity

While expanding the Postal network, the policy of India Post is not only to provide physical access to the people, but also to bridge the digital divide. As a step in this direction, India Post has a Technology Induction Plan, which would connect the entire population to the electronic network. India Post will induct technology aimed at providing new and better services, and more efficient management by computerizing and networking all post offices using Central Server based system. Induction of other state of the art processing systems including mail-processing systems - so as to provide service on par with global industry standards - will facilitate financial transactions such as inward domestic and foreign remittances to and from India Post’s customers.

Human Resource Development

The basis of any policy of sustainability and growth, especially of labour intensive activities, is the productivity, capacity and morale of its personnel. A greater focus on human resource development will be given with the objective of enhancing and transforming the human resource of India Post into a

customer-friendly, techno-savvy and efficient workforce led by managers attuned to their tasks and aware of the competitive and accountable environment. Efforts will also be made to increase productivity of human resources through direct recruitment of technically qualified persons, training of incumbents and various incentive schemes.

Increased productivity and higher performance will receive appropriate incentives and the interests of the workforce will be safeguarded. India Post will equip its workforce to achieve the standards of excellence expected by its customers.

Conclusion

India Post is committed to meeting the challenges of the economy and the need to ensure connectivity, communication and financial services to every citizen. It also emphasises the need to expand and strengthen its coverage of rural areas where 60% of the people reside and maintain their livelihoods.

India Post believes that the new economy and modern markets require it to become more financially autonomous and commercially flexible in order to deliver its core functions and other services efficiently and to high standards. It believes that a new legislative framework for regulating the sector is an essential part of modernizing the sector and ensuring its orderly and disciplined functioning and growth.