

# Income and Expenditure Pattern of India Post: An Analytical Study

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**Abstract** - Globally, multiple socio- economic deterrents being faced by varied classes and social groups have been increasing day by day. These hindrances limit the access of the masses to resources, technology, education, finance, market, and quality of life. Rather, access to financial services by the poor and vulnerable groups is a pre-requisite for poverty reduction which is an integral part of socio – economic empowerment in any region. Both the Reserve Bank of India and Government of India have been entrusted with responsibility of promoting the financial inclusion by different schemes since the year,1969. Conceptually, financial inclusion, thus, denotes the delivery of financial services at an affordable cost to the disadvantaged and low –income groups in a society. It improves their financial conditions, living standards, creates financial assets, generates income, and builds resilience. These services include the facilities such as deposits, savings, insurance, payments etc.

A small loan, a savings bank account and an insurance policy can make a great difference to the poor and a low-income family. It enables the poor to have better standard of living. Keeping in view, the Government’s financial inclusion plan has always been aiming at extending financial services to the disadvantaged sections of the society at affordable costs. In this endeavor, amongst all other financial institutions, India Post has been facilitating the Government of India in its plan for financial inclusion besides mobilizing deposits, especially in the under – served, rural and semi- urban areas of the country. It offers services by launching various investment schemes to meet the varied needs of the masses throughout the country, particularly in the remote areas through its huge network.

In a bird’s eye view, India has been leaving no stones unturned to achieve its objectives of accelerating the socio- economic development by undertaking the appropriate ventures. However, it is still lacking behind as compared with other developing countries in the world. Consequently, majority of the households are remaining unbanked and about the 90 percent of the villages are not fully covered by the umbrella of financial inclusion yet. More precisely, as far as the access, usage,

affordability, and availability of financial services are concerned, the India Post is anticipated to serve the rural masses in a better way than banks in terms of its socio-economic empowerment. The performance of the financial institutions, including the India post, will enable the country to reach its economic goal of financial institution at a faster rate. Owing to this reason, a scientific enquiry into the financial performance of such institutions is a need of the hour to gain a deeper insight into the problem.

At micro-level, the present study has been attempted to analyze the income and expenditure pattern of India post, to identify the outcome of its operational endeavours, and to suggest remedial measures to improve its financial performance.

**Index Terms** - India Post, Financial Institutions, Financial Inclusion, Financial services, Financial System.

## I.INTRODUCTION

The term, ‘development’ cannot be unique but a widely pronounced one throughout the world. There is no country which is not willing to develop at par with all other its counterparts. The development of a nation, undoubtedly, depends on the socio-economic development of its population. Hence, an individual welfare and development will lead to the national development gradually. For attaining such financially balanced growth and development, all the resources and amenities should be indiscriminately accessible by its citizens, irrespective of their economic status, be it richer or poor. But, in reality, even in the entire world, rich becomes richer and the poor remains poorer. This is a crucial issue that each and every country has been attempting to overcome it but yet it remains as a burning issue and unsolved. In this process, the phenomenon of inclusive growth comprising the financially excluded population for achieving the

balanced development, vis-à-vis financial inclusionary measures.

Theoretically, the concept of 'financial inclusion' denotes the delivery of financial services at an affordable cost to the vast sections of the disadvantage and low – income groups. It has a special significance for emerging economy as this would help in bringing up the large segment of the financially excluded sectors of the economy under a formal financial network. It improves the financial assets, generates income and builds resilience to meet diversified investment needs of the masses throughout the country, particularly in remote areas through its huge networks. These services are provided by several financial institutions in India like commercial Banks, Regional Rural Banks, micro-credit institutions, post offices and other financial institutions.

Of them the post offices play a significant role in rural and urban areas particularly they cover the rural unbanked areas. According to the Annual Report of India Post, 2019-2020, the Indian Post Office savings schemes provide a secure, risk free and attractive investment options for small investors and offer savings products through reportedly about 156600 Post Offices. From the service providers' point of view, the postal savings systems are aiming at providing the financial services, especially to the deprived sections of the society who do not have an easy access to banks and other financial institutions at an affordable cost. Likewise, from Investors' point of view, 'investment culture' refers to the attitudes, perceptions and willingness of individuals, and institutions in placing their savings in various financial assets, popularly known as 'investments or Postal Savings'. The India post offers several schemes to serve the diverse investors' requirements in rural and urban areas by creating multifarious avenues in the form of accounts for savings or making investment i.e, Savings Bank account(SB), Recurring Deposit account(RD), Monthly income Scheme(MIS), Public Provident Fund (PPF), Time Deposit (TD), Senior Citizen Savings Scheme (SCSS) and national Savings Certificates(NSC) etc., Post Offices also offer Insurance products through Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) schemes with low premium and high bonus of the country.

It is, therefore, felt necessary that a periodic review on the performance of India post is a must for launching, effectiveness and monitoring of its schemes, apart

from assessing its revenue generating potential, for its survival and growth in the long run.

## II.STATEMENT OF THE PROBLEM

Globally, all the countries can be segmented into three categories viz. developed countries, developing countries and under-developed countries. Amongst them, the categories of latter two have to strive harder to attain the balanced development socially and economically, as compared with the developed countries. During the process, it has been inevitable for those countries to focus on the phenomenon of financial inclusion. It is, therefore, not only an Indian specific problem, rather it is a global one.

In India, from the perspective of financial inclusion, about 40 per cent of the population across the country has bank accounts reportedly. The proportion of people having any kind of life insurance cover is as low as 10 per cent and proportion having non –life insurance is abnormally low at 0.6 per cent. People having debit cards comprise only 13 per cent and those who are having credit cards constitute only about a meager 2 per cent of the population”.

It is, thus, a pre-requisite for an inclusive development and tackling poverty and inequality issues which ultimately entail the economic growth and development. Some research studies of this kind reported that a small loan, a savings bank account, and an insurance policy can make a great difference to the poor and a low-income family. These financial services enable the poor to have better nutrition, housing, education, healthcare, and standard of living. In this way, as a policy measure, the financial inclusion addresses the issues of financial exclusion ensuring more avenues of financial services for the poor to participate in the growth process.

However, even after 69 years of its independence, India is still lacking behind in the process of providing financial services to the masses. Nearly about a half of the households in the entire population is still remaining unbanked, and similarly, about ninety per cent of the villages are not fully covered by the umbrella of financial inclusion. Adding to this, in the rural areas, a large number of populations do not have bank accounts, insurance schemes and other financial services. More importantly, people in these unbanked areas do not fully appreciate why they need a bank account, or why loans from the formal sector are more

useful than the informal ones. Under this circumstance, financial inclusion can be assumed to be one of the key drivers of our vision of an inclusive society and an inclusive economy as well.

Analytically, during the post –liberalization period, the banking sector has grown enormously by keeping a pace with the faster economic growth. At the same time, Indian post offices have also been providing banking services to the all the sections of people in the society since 1882. India post has been serving the Indian villagers as a banker which may claim to be the pioneer of financial inclusion in India. Other than banking and other financial institutions, the India post has partially also been extending banking services under the Ministry of Finance. It is doing the commendable job towards providing the financial services to the rural masses through its huge network. As a result, the India post has a better scope in assisting the Government in its plan and initiatives for achieving the broader goal of financial inclusion to serve the rural masses in a better way. In this context, a research study to evaluate the performance of India post in the light of its problems and prospects becomes a need of the hour.

### III.LITERATURE REVIEW

There have been several research studies being undertaken on financial inclusion worldwide. In order to identify the research gap, the researcher has reviewed the literature of similar studies carried out across the globe. Some of them are presented as under. Anand M.B., Srinivas D.L. & Ramesh H.H. (2013) examined the performance of Indian postal service. In their study, different aspects of its financial services of the India post were evaluated in terms of their quality and efficiency in deliver. Eventually, its result proved that the existing operational efficiency was not very impressive owing to its traditional approaches for delivery of services. Further, it suggested that there should be a centralized core banking solution with alternate delivery channels for facilitating anytime banking environment to the rural masses by the India post.

Dipankar M. (2013) made an attempt to study the role played by Indian post in financial inclusion. His study brought to light several problems associated with the India post comprising the issues such as lack of infrastructure, manpower, co-ordination and so on. His

study concluded with a suggestion that there should be an integration of innovation and technology while providing such services to the customers for attaining the objective of financial inclusion in the long run.

Gayatri (2014) , in her study on various small saving schemes in post office, she made an attempt to assess the degree of awareness amongst the customers of India post on various small saving schemes available in the India post at Cumbum, Tamil Nadu. The researcher had concluded her study by stating that majority of the customers were aware of the crucial issues and hurdles as and when they opt for availing such services.

Gupta M.K. & Nidhi G. (2012) studied about the customers satisfaction with respect to the financial services provided by the India post and made a comparison with the performance of commercial banks rendering such financial services. As a result, their study suggested remedial measures which include launching of new deposit schemes, increasing service counters etc., to satisfy its customers profitably.

Parimala K. & Ashok K. (2013) had made an attempt to study the investment, awareness, preferences, objectives, purpose and satisfaction of the investors on the India post office savings schemes in Coimbatore, Tamil Nadu. The study found that majority of the investors are aware of all the post office saving schemes and satisfied. As revealed, the post office saving accounts dominate all other savings schemes. Santhosh R., & Sreenivas (2013) had tried to investigate into the problems associated with the financial services of the India post. Their studies brought several problems in rendering the services into light which includes lack of infrastructure, manpower, coordination, creativity, apart from its structured and technological issues and technological issues.

### IV.SIGNIFICANCE OF THE STUDY

This study is expected to have social implications and also to throw light on the operational efficiency of the India Post as well. In this context, the institution may review its prevalent schemes and avenues for generating income and the expenditure patterns during the study period chosen for the purpose. It may, therefore, identify its specific heads of accounts having the scope of earning more revenue while focusing on the heads of income needing more

attention. Simultaneously, the study may facilitate the India Post to find out its specific heads incurring substantial and minimal expenditure.

Thus, the study will certainly anticipate to assist the India post to channelize its efforts towards rendering financial services more constructively. As an outcome, its surplus may be expected to rise gradually through its efficient monitoring system. Indirectly, the customers, forming part of a society especially the rural masses, may undoubtedly enjoy the financial services of India post at affordable costs. In this manner, the India post has an enormous scope to contribute to the financial inclusion like other competing financial institutions in India.

Keeping view, the current research study has been undertaken on a topic entitled “ Income and Expenditure Pattern of India Post: An Analytical Study’. Its main objectives are (i) to analyze the income and expenditure pattern of India post, (ii) to identify the outcome of its operational endeavours, and (iii) to suggest remedial measures to improve its financial performance for ensuring financially inclusive growth in India.

#### V.OBJECTIVES OF THE STUDY

The present study has the following objectives.

1. To analyze the income and expenditure pattern of India post.

2. To identify the outcome of its operational endeavours, and
3. To suggest remedial measures to improve its financial performance.

#### VI.RESEARCH METHODOLOGY

The current study was based on secondary data. The data was collected from the secondary sources which include the Annual Reports of the India post, internet, journals, magazines, newspapers etc. The data was tabulated and analyzed with simple statistical tools such as mean, percentage etc. Accordingly, the data was interpreted, and conclusion was drawn therefrom.

#### VII.INCOME AND EXPENDITURE PATTERN OF INDIA POST: AN OVERVIEW

The total income/revenue of the Department of Post, including remuneration for Savings Bank & Savings Certificate work earned from January 2019 to October 2019 was Rs 11472.71 crore and the amount received from other Ministries/ Departments as Agency Charges (recoveries) were Rs. 686.46 crore. Gross working expenditure was 23748.26 crore. Deficit of the department was Rs. 11589.09 crore.

Table-I Statement of Income and Expenditure During Jan 2019- Oct -2019 (Rs. in Crore)

Particulars	Actual	Actual		Total (Jan to October) 2019	*Average Revenue/ Expenditure Per month during 10 months	*Average Revenue/ Expenditure Per month during 10 month (2018-2019)
	2018-19	Jan 2019 to March 2019	April to October 2019			
Revenue						
Sale of Stamps	78.25	41.32	123.43	164.74	16.5	65
Postage Realized in Cash	3869.09	1275.06	1933.94	3209.00	320.9	3224
Commission on Money Orders and Indian Postal Orders etc..	248.76	64.72	128.11	192.83	19.3	207.3
Remuneration for Saving Bank/ Saving certificates Work	8600.00	2837.40	4670.87	7508.27	750.8	7166.66
Other Receipts	686.46	131.05	266.82	397.87	39.2	572.05
Total	13482.56	4349.55	7123.16	11472.71	1,147.3	11,235.446

Expenditure					180.006	1,607.808
General Administration	1929.37	327.04	1473.02	1800.06	1350.814	14,001.942
Operation	16802.33	3385.82	10122.32	13508.14	43.781	462.692
Agency Services	555.23	132.57	3.05.25	437.81	800.25	7,193.358
Others	8632.03	1695.30	6306.95	8002.25	-	
Total Gross Expenditure	27918.95	5540.72	18207.54	23748.26	2371.826	23,265.792
Less Recoveries	789.87	251.02	435.44	686.46	68.646	658.225
Net Expenditure	27129.08	5289.70	17772.10	23061.80	2,306.18	22,607.566
Deficit (Net Exp- Revenue)	13646.52	940.15	10648.94	11589.09	1,158.909	11,372.1

Source: Annual Report of India Post, 2019-2020

\*Calculated figures. The figures in Table.I have been analyzed in Table.II and interpreted as under;

Table-II Comparative Statement of Average Revenue and Expenditure: An Analysis

Particulars	2018-19	2019-2020	Trend			
			Increase(+)		Decrease(-)	
			Rs	%	Rs	%
Revenue						
Sale of Stamps	65.3	16	-	-	49	74
Postage Realized in Cash	3224.2	321	-	-	2903	90
Commission on Money Orders And Indian Postal Orders etc..	207.3	19	-	-	188	91
Remuneration for Saving Bank/ Saving certificates Work	7166.7	751	-	-	6416	90
Other Receipts	572.1	40	-	-	532	93
Total	11235.5	1147	-	-	10088	90
Expenditure						
General Administration	1607.8	180	-	-	1428	89
Operation	14001.9	1351	-	-	12651	90
Agency Services	462.7	44	-	-	419	91
Others	7193.4	800	-	-	6393	89
Total Gross Expenditure	23265.8	2375	-	-	20891	90
Less: Recoveries	658.2	68	-	-	590	90
Net Expenditure	22607.6	2306	-	-	20301	90
Deficit (Net Exp- Revenue)	11372	1159	-	-	10213	90

Source: Computed Data

Table II reveals that the India post had earned to a tune of Rs.11,236 crore in 10 months during 2018-19. However, its net expenditure incurred against the aforesaid revenue had gone upto Rs.22,608 crore. As a result, there was a deficit of Rs.11,372 crore during the period 2018-19.

During the subsequent period of 10 months between 2019-20, its revenue earning capacity had gone down drastically to a tune of Rs.1147 crore only. Similarly, the India Post had incurred an expenditure (net) against different heads of account was Rs.2306 crore. It had resulted in the deficit of Rs.1159 crore during 2019-20.

However, the aggregate revenue earnings of the India post during the period 2018-20 was Rs.12,383 crore against its net expenditure of Rs.24,914 crore. Consequently, there was a deficit of Rs.12,531 crore during the period 2018-20.

As observed that the India Post had attempted to reach the break-even point at the end of 2018-20. It is apparent that the undertaking had curtailed its expenditure about 90 per cent of its expenditure having witnessed its earnings had declined by 90 per cent during 2018-20. Hence, there was no profit or no loss to the India post during the period 2018-20. It may, therefore, be inferred from the analysis that the

India post was prudent enough to eliminate the contingent losses until its reached the break-even point. Comparatively, in other words, it shows the relative financial performance of the India post between 2018-19 and 2019-20.

Further, it was also found that the India post had earned substantially to a tune of Rs.7918 crore during 2018-20 against the heads of account 'Remuneration from Savings Bank', and 'Savings Certificate'. Likewise, there was a meger income of Rs.81 crore only from the 'Sale of Stamps'. The analysis shows clearly that the India post has an enormous scope to earn revenue against the head of account 'Postage'.

While analyzing the expenditure components reflected in Table 2, it was obvious that the operational expenditure of India post was the highest during 2018-20. The aggregate expenditure of the aforesaid head of account was amounting to Rs.15353 crore, followed by the expenditure on other miscellaneous sub-heads of account. Such expenditure was aggregated to Rs.7993 crore.

#### IX.FINDINGS OF THE STUDY

The study has resulted in the following findings;

- The India post had earned to a tune of Rs.11,236 crore in 10 months during 2018-19.
- Its net expenditure incurred against the aforesaid revenue had gone upto Rs.22,608 crore. There was a deficit of Rs.11,372 crore during the period 2018-19.
- During the subsequent period of 10 months between 2019-20, its revenue earning capacity had gone down drastically to a tune of Rs.1147 crore only. Similarly, the India Post had incurred an expenditure (net) against different heads of account was Rs.2306 crore. It had resulted in the deficit of Rs.1159 crore during 2019-20.
- The aggregate revenue earnings of the India post during the period 2018-20 was Rs.12,383 crore against its net expenditure of Rs.24,914 crore. Consequently, there was a deficit of Rs.12,531 crore during the period 2018-20.
- The India Post had attempted to reach the break-even point at the end of 2018-20. It is apparent that the undertaking had curtailed its expenditure about 90 per cent of its expenditure having

witnessed its earnings had declined by 90 per cent during 2018-20.

- There was no profit or no loss to the India post during the period 2018-20.
- The India post was prudent enough to eliminate the contingent losses until its reached the break-even point. Comparatively, in other words, it shows the relative financial performance of the India post between 2018-19 and 2019-20.
- It was also found that the India post had earned substantially to a tune of Rs.7918 crore during 2018-20 against the heads of account 'Remuneration from Savings Bank', and 'Savings Certificate'.
- There was a meger income of Rs.81 crore only from the 'Sale of Stamps'. The analysis shows clearly that the India post has an enormous scope to earn revenue against the head of account 'Postage'.
- The operational expenditure of India post was the highest during 2018-20. The aggregate expenditure of the aforesaid head of account was amounting to Rs.15353 crore, followed by the expenditure on other miscellaneous sub-heads of account. Such expenditure was aggregated to Rs.7993 crore.

#### VIII.SUGGESTIONS AND RECOMMENDATIONS OF THE STUDY

Based on the finding of the present study, the following suggestions have been put-forth;

The India post may;

- take appropriate measures either to eliminate the financial deficit totally or to curb the expenditure gradually.
- pay greater attention in generating revenue against the head of accounts in ascending order viz; Sale of Stamps, Commission on Money Orders and Postal Orders, Other receipts and Postage realized in cash while maintaining the status quo in its earnings against the head of account ' , Remuneration from Savings Bank and Savings Bank certificates.
- look for the ways and means for curtailing the expenditure against the heads of account in descending order viz; Operational expenditure,

Other expenditures, General Administrative Expenditures and Agency services.

- explore new avenues for generating additional revenue and new strategies for mitigating the expenditure against the existing heads of account.
- prevent additional contingent expenditure prudently.
- ensure proper monitoring system to oversee the pattern of revenue earnings and spending against its different heads of account.
- launch awareness programs both in rural and urban areas suitably so as to attract more customers towards its financial products and services.
- attempt to identify the problems being faced by the existing customers and also to remove the hurdles for the prospective customers.

#### X.LIMITATIONS AND FUTURE DIRECTIONS OF THE RESEARCH

At micro level, the current study based on secondary data only. It is, therefore, needless to say that the primary data has not been put at use. Moreover, the study has simply attempted to portray the trend of the revenue earning capacity and expenditure pattern of the India post during 2018-20. However, the study has not been focused on identifying the root causes for low earning capacity and efficiency in monitoring the expenditure incurred during the period. Similarly, there was no further analysis made on the factors influencing the income and expenditure pattern, in addition to the dynamic behavior of the India post customers.

Keeping in view the above limitations, further researches may be directed, but not limited to, towards the following;

- Macro level studies may be carried out by taking into consideration the factors influencing the customers of India post for making a choice to invest or disinvest in the products of India post.
- Studies may also be undertaken as to why the India post existing customers prefer to avail the services of the undertaking and their crucial issues.
- A scientific enquiry may be made as to how to attract the prospective customers towards the financial products/services of India post

#### XI.CONCLUSION

The India post, like other financial institutions, has been playing an important role in boosting the socio-economic development vis-à-vis financial inclusion. Rather, its financial products and services are considered to be highly significant especially to include the financially excluded rural masses. In the process of financial inclusion, it becomes inevitable to enhance the level of managerial and operational efficiency of India post. Hence, for attaining its broader goals of financial inclusion at macro-level, there is an emergent need for reassessment on the demand and supply of the India post products and services in terms of its quality and effectiveness. Last but not the least, the India post may join hands with the Government to standardize its products and services and make them available to the masses at affordable costs to achieve its goals in the days to come.

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