REPORT

I. INTRODUCTORY

The Department of Posts (DoP) are responsible for the planning, development, expansion of operations and maintenance of postal services in the Country. Besides providing affordable means of communication throughout the Country, the Department also meet the emerging socio-economic needs of the specific segments of society like commerce, industry, Governmental and institutional bodies by providing basic postal services and various financial activities which most importantly comprise facilities for banking and money transfer activities and insurance operations.

2. The Post Office Savings Bank (POSB) which is run by DoP as an operating agent of the Ministry of Finance (MoF) is the oldest and largest banking institution in the Country. In 2001, the total amount of savings with the Post Offices accounted to about seven per cent of India's Gross Domestic Product (GDP). With a customer base of more than 17 crore account holders, a network of 1,54,038 branches and closing balance *i.e.* deposit outstanding including Saving Certificate being Rs. 5,54,386 crore, the Post Office Savings Bank (POSB) are twice the size of all the banks in the Country put together. The products like Savings Account, Recurring Deposits (RD), Time Deposits (TD), Monthly Income Scheme (MIS), Public Provident Fund (PPF), Kisan Vikas Patra (KVP), National Savings Certificate (NSC) and Senior Citizen Savings Scheme (SCSS) are retailed from the Post Offices.

3. Postal Life Insurance which is 114 years old was started in 1884 as a welfare measure for the employees of Posts & Telegraphs Department under the Government of India dispatch No. 299 dated 18 October, 1882 to the Secretary of State. Due to the popularity of the Scheme, various Departments of Central and State Governments were extended its benefits. Now Postal Life Insurance is open to employees of all Central and State Government Departments, Nationalised Banks, Public Sector Undertakings, Financial Institutions, Government aided Educational Institutions, Local Bodies like Municipalities and *Zila Parishads* and officers and staff of the Defence Services and Para-Military forces. On 24 March, 1995, the benefits of Postal Life Insurance were extended to rural populace of the Country under the banner of Rural Postal Life Insurance.

4. As elsewhere, postal services in India are also part of Universal Service Obligation (USO) entailing provision of postal services to all at affordable rates. By virtue of the inherent non-profit motive of these services, the Department had been delivering these services against all odds and with burgeoning revenue deficit over the years. The Committee while examining Demands for Grants (2008-09) had reviewed the position with regard to revenue deficit during each year of the Tenth Plan and the first two years of the Eleventh Plan. In this regard, the Committee had been informed by the Department of Posts that revenue deficit during each year of the Tenth Plan was Rs. 1364.40 crore (2002-03), Rs. 1375.22 crore (2003-04), Rs. 1381.84 crore (2004-05), Rs. 1209.88 (2005-06) and Rs. 1317.66 (R.E.) (2006-07). Similarly, during the first year of the Eleventh Plan, projected revenue at Budget Estimates stage was Rs. 1482.16 crore. The projections at Revised Estimates stage increased slightly to Rs. 1291.34 crore. However, the actual revenue deficit was almost 2.5 times of the projected revenue at Budget Estimates stage *i.e.* Rs. 3278.54 crore (Actuals upto Jan., 08). Further during the year 2008-09 the projected revenue deficit as informed by the Department was Rs. 1135.74 crore. Concerned with this recurring revenue deficit, the Committee in their above cited Report had recommended that the Department's efforts to contain the revenue deficit urgently required a new thrust and direction. The Committee had also emphasised that the Department should devise ways and means to make themselves commercially viable without compromising with their national obligation.

5. The Department, through their efforts are also enabling access to various financial services to all regions and social groups in the Country thus fulfilling the mandate of the Universal Service Obligation. With a view to meet the challenges of providing faster, more reliable and more user responsive services and to meet with the rising customer demands, the Department, for the Eleventh Plan, have earmarked an Outlay of Rs. 142.50 crore and Rs. 35 crore for the Schemes of 'Banking and Money Transfer Operations' and 'Insurance Operations' respectively. Various aspects related essentially to the financial activities carried out by the Department, like reach and network of Post Offices, computerization and network of various levels of Post Offices, need of skilled manpower and provision of training to make them competent for the designated work and the vital role played by the advertisement and publicity in making Department's Schemes successful etc. have been dealt with in the report.

II. BANKING ACTIVITIES

(i) POST OFFICE SAVINGS BANK (POSB)

6. The Committee were informed that the Post Office Small Saving Schemes were framed and managed by the Department of Economic Affairs, Ministry of Finance (MoF) under the provisions of Post Office Savings Bank Act, 1873, Post Office Savings Certificates Act, 1959 and the Public Provident Fund Act, 1968. These Schemes are run by the Department of Posts as an operating agent of MoF. The Committee were also informed that the Department of Posts accepted deposits and allowed withdrawal of money deposited on behalf of MoF for which they got remuneration from MoF for meeting the operational cost. All the funds collected by the Department were transferred to MoF.

7. In the same context, it was added that all the deposits under the Small Savings Schemes were credited to the 'National Small Savings Fund' (NSSF), established in the Public Account of India with effect from 1 April, 1999. All withdrawals by the depositors were made out of the accumulations in this Fund. The balance in the Fund was invested in Special Government Securities as per the norms decided from time to time by the Central Government.

8. When asked to provide the detailed profile of the various Savings Schemes in terms of the number of accounts and the total amount deposited as on 31 March, 2007 the following information was furnished to the Committee:

(Rs. in crore)

Name of Scheme	Number of Accounts	Total Amount deposited
Savings	6434287.3	18564.87
Recurring Deposits	6702723.4	60230.04
Term Deposits	1242982.7	36712.46
Monthly Income Scheme	2492114	189438.97
National Saving Schemes (87 & 92)	81285.3	4860.76
Public Provident Fund	211108.2	19456.32
Saving Certificate/Saving Schemes	75226	22284.30
Total	17239726.9	351547.72

9. As regards the details of the number of account holders and quantum of annual deposits during 2004-05, 2005-06 and 2006-07, the following data was furnished to the Committee:

(Rs. in crore)

Year	No of Account holders (Actual figure)	Deposits	Withdrawals
2004-05	159826751	124065	59737
2005-06	164324933	130474	76740
2006-07	173975872	116085	90922
2007-08	180664670	104259	112316

10. Asked to indicate the outstanding balances in various POSB Schemes during the Tenth Plan period, the Department furnished the following information:

(Rs. in crore)

	SB	RD	MIS	TD	PPF	SCSS
2002-03	11593.73	28084.55		15606.60	10155.33	
2003-04	13367.33	33963.50	113386.04	24066.11	12265.72	
2004-05	15300.78	41293.12	151573.57	32060.73	14829.81	8783.92
2005-06	16789.96	50189.76	183076.05	36878.17	16871.29	15916.08
2006-07	18564.87	60230.04	189438.97	36712.46	19456.32	22284.30
2007-08	19786.26	65072.50	182389.99	29938.99	21357.35	22197.04

11. When the Committee wanted to know whether there had been any downward trends in any of the Schemes operated by the Department during the last three fiscals, it was submitted that there had been no downward trend in SB, RD, TD, MIS during the last three years. The following comparative statement detailing the number of accounts across the Circles was furnished to the Committee in this context:

Number of Accounts of All Savings Scheme (Circle-wise)

CIRCLES	2004-05	2005-06	2006-07	2007-08
1	2	3	4	5
A.P.	9556427	10242192	11544343	17402242
ASSAM	2150223	2694216	2883765	2428144
BIHAR & JHARKHAND	7290222	7458957	7685106	10429955

1	2	3	4	5
BASE	479410	468520	523687	519018
DELHI	2740971	2901288	2958754	2794950
GUJARAT	10020316	11275551	11792616	11003810
HARYANA	13304662	3934256	4150469	3543807
H.P.	2234132	2465243	2683481	2903501
J&K	2068189	2139849	2180620	901084
KARNATAKA	5418866	6913311	7743614	9474608
KERALA	7329009	8784462	8731628	8586072
MAHARASHTRA	14617252	15968724	1683046	19418155
M.P.	3939051	8529183	10206546	11072638
NORTH EAST	1013086	1304970	1316624	1201399
ORISSA	4459937	3561351	3833977	5027767
PUNJAB	4157447	4425328	4719200	4761396
RAJASTHAN	7406309	8813304	9275080	10336159
TAMIL NADU	14036343	16869714	18548341	17242802
U.P.	19527774	20429950	22011600	19196772
WEST BENGAL	26477929	22424243	18468479	18105933
CHHATTISGARH	-282431	717264	848545	1540520
UTTARAKHAND	1881627	2003057	5031351	2773938
TOTAL	159826751	164324933	173975872	180664670

12. A perusal of the above statement revealed that despite an over all increase in the number of accounts, there was an alarming trend of decline in the Savings Account in some of the Circles, *viz*. Assam, Base (Army Postal Circle), Delhi, Gujarat, Haryana, Jammu & Kashmir, Kerala, North-East, Orissa, Tamil Nadu, Uttar Pradesh, West Bengal and Uttarakhand. Apart from the decline in number of accounts in some of the Circles reportedly in the first seven months of the 2007-08 fiscal, the total funds under the National Small Savings had declined by Rs. 9715.95 crore as against the Budget Estimate of a net mobilisation of Rs. 1589.65 crore. Further, in the popular tax savings

Scheme like Public Provident Fund too, the net mobilisation up to October, 2007 had been reported to be Rs. 177.69 crore only as against the Budget Estimate of Rs. 1640 crore. Asked to state the reasons for this decline in Savings Accounts and the drastic shortfalls in mobilisation of funds under various Schemes, it was replied that the shortfalls in deposits in Savings Schemes could had been due to other lucrative financial instruments such as Mutual Funds/Share Market and Insurance Schemes available with the depositors for investment where return on investment was much higher.

13. Elaborating further about the reasons for the worrisome decline in various Post Office Savings Schemes recently, the representative of the Ministry of Finance submitted during evidence:

"……the reason why small savings schemes are showing a decline is that the recent phenomenon, from about 2006 onwards, of hardening of the interest rates. The banks have also been very competitive mostly in the smaller term deposits. The banks are offering very high rates of interest there. So, we witnessed this phenomenon wherein after the lock-in period of about two to three years people would withdraw the funds from small savings and avail of other investment opportunities which were giving them higher returns. So, investors were going to those areas."

14. When the Committee asked about the Circle-wise targets fixed for opening of new Savings Bank accounts during the year 2007-08, it was replied that no targets for opening of Savings Bank accounts were fixed. However, revenue targets allotted and achieved by the Circles in respect of Savings Bank/Savings Certificate work for the year 2007-08 were stated to be as under:

(Rs. in crore)

Sl. No.	Name of the Circle	Target	Revenue accrued as on 31.12.07 as per Circle's Report
1	2	3	4
1.	Andhra Pradesh	224.37	218.33
2.	Assam	39.06	33.41
3.	Bihar	121.55	96.84
4.	Chhattisgarh	23.81	19.41

1	2	3	4
5.	Delhi	73.31	38.07
6.	Gujarat	204.56	141.37
7.	Haryana	63.00	48.25
8.	Himachal Pradesh	45.09	36.49
9.	Jharkhand	42.23	39.37
10.	Jammu & Kashmir	16.99	13
11.	Karnataka	139.23	122.97
12.	Kerala	141.48	106.89
13.	Madhya Pradesh	127.00	117.36
14.	Maharashtra (incl. Goa)	325.09	248.99
15.	North East	20.95	15.81
16.	Orissa	67.45	57.40
17.	Punjab (incl. Chandigarh)	93.44	69.04
18.	Rajasthan	148.76	115.98
19.	Tamil Nadu (incl. Pudducherry)	294.37	227.50
20.	Uttar Pradesh	326.63	272.31
21.	Uttarakhand	42.70	34.93
22.	West Bengal (including Andaman & Nicobar Islands & Sikkim)	404.47	282.52
23.	APS	7.01	6.05
	Total	2992.55	2362.29

15. Regarding the total amount/deposits mobilised under POSB during the Tenth Plan period, the following information was furnished:

(Rs. in crore)

SAVINGS BANK SCHEME

2002-03	72469.82
2003-04	96799.68
2004-05	127177.49
2005-06	133498.37
2006-07	119882.57
2007-08	107605.70

16. The following data detailing the Saving Certificate works done by the Department during the last four years, was furnished to the Committee :

SAVINGS CERTIFICATES

	No. of Certificates issued (in crore)	No. of Certificates discharged (in crore)	Amount mobilized (Rs. in crore)	Amount Paid (Rs. in crore)
2003-04	4.6	5.17	39166.23	28023.13
2004-05	6.01	5	33717.68	16388.34
2005-06	7.11	6.89	39810.14	28013.79
2006-07	6.38	5.33	34534.73	25520.87
2007-08	4.36	4.87	21365.93	25175.05

17. It was also stated that the Minister of Communication & Information Technology had written to the Finance Minister on 17 November, 2006 highlighting the decisions taken by the Ministry of Finance which resulted in decline in deposits in Small Savings Schemes and effecting significant fall in the revenue of the Department of Posts in the shape of remuneration to the Department. The Minister of Communications & Information Technology had suggested introducing such measures, as MoF considered necessary, feasible and prudent to arrest reduction in the revenue of the Department of Posts. The matter was pursued by DDG (FS) through a letter to Joint Secretary (Budget) in the Department of Economic Affairs on 27 June, 2007 and further reminder was issued on 6 February, 2008. Besides, some representations of the public received through the Office of the Minister of Communication & Information Technology and the Reserve Bank of India were also sent to MoF for their consideration. About the action taken by MoF in the matter, the Committee were apprised that no response on the matter had been received from the Ministry of Finance so far.

18. During the oral evidence held on 12 November, 2007 the Committee sought clarification from the representatives of the Ministry of Finance about the existing rates of interest for the various Schemes of DoP. He stated,

"The Post Office Savings account is 3.5 per cent; Post Office Term Deposit of one year is 6.25 per cent, of 2 years is 6.5 per cent, of

3 years is 7.25 per cent, and of 5 years is 7.5 per cent. In the case of RD, it is 7.5 per cent. In the case of MIS, it is 8 per cent per annum. In the case of PPF, it is 8 per cent; in the case of Senior Citizens' Savings, it is 9 per cent.

19. In a subsequent material while furnishing comparative list of interest rates of Post Office Small Saving Schemes and other Nationalized Banks, the Department furnished the following information:—

Comparative List of Current Interest Rates of Posts Office Small Savings Schemes and Nationalized Banks

Name of Schemes	Duration	Comparative Interest Rates					
		Post Office Small Savings Schemes		SBI Bank		UCO Bank	
		General	Sr. Citizen	General	Sr. Citizen	General	Sr. Citizen
Savings Accounts		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Time deposit	1 year	6.25%	6.25%	9.50%	10.00%	8.75.%	9.25%
	2 Years	6.50%	6.50%	9.50%	10.00%	8.75%	9.25%
	3 years	7.25%	7.25%	9.00%	10.00%	8.75%	9.25%
	5 years	7.50%	7.50%	9.00%	9.00%	8.75%	8.75%
Monthly Income Scheme	6 years	8%	8%	No such scheme in Banks			
Sr. Citizen's Savings Scheme	5 years		9%		9%		9%
Public Provident Scheme	15 years	8%	8%	8%	8%	8%	8%
National Savings Certificate (viii) issue	6 years	8%	8%	No such scheme in Banks			
Kisan Vikas Patras	5.1/2 years	8.4%	8.4%	No such scheme in Banks			

20. The Committee then desired to be apprised of the reasons necessitating the withdrawal of ten per cent bonus from the Monthly Instalment Scheme (MIS). In response, the representative of the Ministry of Finance explained,

"The over all rate of return was very high. The interest paid out to the depositors is linked with the interest on funds that are lent to the States. The MIS was the only Scheme where the 10 per cent bonus, gave rise to the wide disparity, which was distorting the entire interest rate regime among comparable instruments. The administered interest act as benchmarks then, for various other interest rates within the economy. So, just to rationalise that, the bonus was taken out. But on a review recently, as was just mentioned, we brought back the bonus albeit at a lower rate of five per cent, which compares more favourably with the existing rates."

21. The Post Office Savings, which enjoy tax concession on interest accrued have a ceiling of Rs. 1 lakh in single and Rs. 2 lakh in joint accounts. DoP, on this aspect, stated that it was the prerogative of the MoF to decide fixation of any limit for investment in any of the Small Savings Scheme. However, keeping in view the representations received from general public, the Department of Posts had requested the Ministry of Finance to raise the limit fixed on Savings Account which had not been agreed to by the Central Board of Direct Taxes. The matter had again been taken up with MoF for allowing the depositors to credit the cheques issued by Post Masters in lieu of maturity value of Savings Instruments in their Savings Account irrespective of the limit fixed in Single as well as Joint Savings Account. However, the decision of MoF was still awaited.

22. When the Committee wanted to be apprised of the reasons for putting a limit on the investment, the representative of the Ministry of Finance submitted,

"The Post Office Savings Limit is presently Rs. 1 lakh. There is a tax concession on the interest. So, interest of that amount would involve a revenue angle to it."

23. About action taken to get the limit enhanced in view of the public demand, he clarified,

"The limit is basically because of the tax concession that is enjoyed on this. But we have taken it up with the Central Board of Direct Taxes to increase this limit from Rs. 1 lakh to Rs. 3 lakh. We have taken it up but at present the Department of Revenue's stand is still the same that it has a burden on the exchequer because there will be revenue loss in terms of giving more concessions on a higher deposit rate. So, at present they are still quite close to the idea. This was just recently also taken up with them. But I think the FM would have to take a final policy."

24. Asked to quantify the burden on the exchequer in case Post Office Savings limit is enhanced, the representative of the Ministry of Finance submitted,

> "It is difficult to say that because we do not know the number of people who then put in savings into this to the extent of Rs. 3 lakh."

(ii) MARKET SHARE OF POSB

25. When asked about the market share of the Savings Bank Schemes operated by the Department of Posts, it was replied that since the Department were not the sole operator of such Schemes, the market size and market share was not readily available. However, as per the RBI data collected from their website, the aggregate deposits of Savings Schemes of Scheduled Commercial Banks in India as on March, 2007 was Rs. 26,08,309 crore. On the other hand, the outstanding balance of all Post Office Savings Bank Schemes excluding Savings Certificates in the Department as on March, 2007 was Rs. 351589.95 crore. As stated by the Department, the market share of the Department was to the tune of 11.88 per cent. However, when calculated in the per centage terms the market share actually works out to 13.47 per cent.

26. About the action taken to arrest this declining trend it was stated that the efforts were on to regain the customers through efficient customer service and as a step forward in this direction, a major project on 'Anywhere Anytime Banking' was being undertaken during the Eleventh Five Year Plan in 4000 Post Offices. Besides, the Department were also actively pursuing with Government of India to make it a preferred agency for disbursement of social benefit Schemes especially in rural areas through Savings Bank accounts. The Department had taken up the matter with the Ministry of Finance for increasing the rate of interest in various Small Savings Schemes at par with the Public Sector Banks in order to have a level playing field. In addition to this, funds had been allotted to Circles to create awareness among the people about the Post Office Savings Schemes.

27. In view of the significance of expansion and the pressing need for new avenues for additional resource generation for the Department, the Committee desired to know whether DoP had ever approached MoF for starting any new Small Saving Schemes. The Department in reply admitted to had never written to MoF for starting any new Savings Deposit Schemes on the plea that it was the prerogative of the Ministry to decide launching of any new Small Savings Schemes and the Department were only operating these Schemes on remuneration basis. However, it was further added that the Department in recent years have requested MoF for starting some new Schemes for girl child, working women, rural women, etc. in the light of the directions of MoF on gender budgeting.

(iii) ORGANISATIONAL STRUCTURE

28. The Committee wanted to know about the organisational structure in the Department for carrying out the banking and other financial activities. In reply, it was stated that the Member (Infrastructure & Financial Services) of Postal Services Board assisted by one Deputy Director General, one Director, 4 Assistant Directors General, 1 Accounts Officer, 2 Desk Officers and one Assistant Superintendent of Post Office in the Postal Directorate, headed the organisational set up of the Savings Bank in the Department of Posts. In the Circles, Head of the Circle was in-charge of the organisation assisted by Regional heads. In case of Regions, Head of the Circle was assisted by one Director, one Assistant Director or Accounts Officer. In the field offices, head of a Postal Division was assisted by Assistant Superintendents, Inspectors and in the Post Offices, Head Postmasters were assisted by Sub-Postmasters, Postal Assistants, Extra Departmental Sub-Postmasters and Extra Departmental Branch Postmasters were entrusted with the job of carrying out the banking activities.

29. When the Committee enquired about the professional qualifications that were laid down for the personnel manning the banking activities at various levels, it was replied that no professional qualification was prescribed for these personnel as the Department were not doing full fledged banking activities. However, departmental training was being provided to all the personnel entrusted with such work.

30. In view of the leading role being played by the Department in the micro banking requirements of the rural sector, the Committee wanted to be apprised of the role that MoF envisaged for the Post Offices as a banking entity. In reply, it was stated that the MoF never assigned full fledged banking services to DoP. They had only authorised DoP to collect and disburse money from and to Small Savings Scheme customers on their behalf on remuneration basis. It was also added that some of the Ministry of Finance Schemes like Public Provident Fund and Senior Citizen Savings Schemes were being run simultaneously through the Department of Posts and other banking networks of the Country.

(iv) RATE OF REMUNERATION FOR AGENCY SERVICES

31. The Department of Posts are paid agency charges for the banking and Savings Certificate services rendered by them on behalf of the Government. An Expert Committee set up by the Ministry of Finance in 1993-94 had fixed the rates of remuneration for the agency services for that year and had also recommended for an annual increase of ten per cent in this remuneration, which the Ministry of Finance had not been adhering to after initial couple of years. The amount received by the Department from the Ministry of Finance as

remuneration for banking and other services since 2001-02 was given hereunder:

COMPARATIVE POSITION OF REMUNERATION FOR SAVINGS BANK/SAVINGS CERTIFICATES WORKS RECEIVED AND DUE FROM MoF

(Amount in Rs.)

Financial Year	Savings Bank			
	Rate received (per live account)	% of annual increase	Rate due as per recommendations of Expert Committee @ 10% (per live account)	Cost per account
2001-02	94.24	6.61	97.24	
2002-03	100.26	6.39	106.96	107.65
2003-04	102.63	2.36	117.65	114.04
2004-05	106.97	4.23	119.41	123.91
2005-06	111.12	3.88	131.35	
2006-07	114.46	3.01	144.48	
2007-08	117.89	3.00	158.92	
2008-09	123.33	4.60	174.81	

Financial Year	Savings Certificates (NSC/KVP)			
	Rate received (per certificate)	% of annual increase	Rate due as per recommendations of Expert Committee @ 10% (per live account)	Cost per certificate
2001-02	27.43	10.00	27.43	
2002-03	28.30	3.17	30.17	39.1
2003-04	28.96	2.33	33.18	40.45
2004-05	30.19	4.25	36.49	45.24
2005-06	31.36	4.00	40.14	
2006-07	32.30	3.00	44.15	
2007-08	33.27	3.00	48.56	
2008-09	34.80	4.60	53.41	

32. From the documents furnished by the Department, mismatches in the figures regarding year-wise details of the revenue received by the Department for performing agency functions on behalf of the Ministry of Finance in respect of existing Post Office Savings Scheme were observed. The Department at one place mentioned the remuneration amount for the year 2004-05 as Rs. 2036.22 crore and at the other place as Rs. 2081.22 crore. Similarly, for the year 2006-07, remuneration received by the Department for the above-said services had been mentioned as Rs. 2384.85 crore and the data for the same elsewhere had been given as Rs. 2389.98 crore.

33. Asked to reconcile the mismatches, it was submitted that based on the number of live accounts as on 31 March and the rates approved by the Ministry of Finance, the remuneration for handling Savings Bank Services (including Savings Certificates) was calculated and further, the amount approved for adjustment in the Financial Year by the Ministry of Finance was accounted for in the books of the Department. Hence, there would always be difference between the remuneration accrued and the remuneration actually received from the Ministry of Finance. The year-wise, actual remuneration from the Ministry of Finance including the arrears of previous years and banking transaction tax, etc. during the period 2004-2007 was stated to be as follows:

(Rs. in crore)

Sl.No.	Year	Amount
1.	2004-05	1861.00
2.	2005-06	2323.00
3.	2006-07	2490.00

34. It was further stated that the Department of Posts had taken up the issue of remuneration at the enhanced rates with the Ministry of Finance and had also requested for release of the past arrears.

35. When the Committee wanted to know the basis for fixing the rate of remuneration at ten per cent, the representative of the Department submitted,

"......... the enhancement which was agreed by the Committee roughly at the rate of ten per cent per annum was more or less based on the rate at which the salary increase was taking place at that time. Roughly, around 10 per cent was the additional cost every year in terms of year on year additional grants of DA and revision of salaries and things like that, as also the revision in the pension. So, roughly that, to my mind, would have been the basis. May be that 10 per cent may have slowed down and may be it is eight per cent or nine per cent, but certainly, if I am going to get 3.5 per cent or four per cent, it is not covering my additional Outlays."

36. In the same context, the representative of the Ministry of Finance stated:

"It is worked out on the basis of per savings what is the transaction, that is, the number of transactions in a year on an average. Thereafter, a rate is fixed, and that rate is multiplied by the number of transactions. This is the agency charge. About Rs. 2,900 crore is what we are projecting to pay them next year as agency charges. What we pay to the Department of Posts is much higher than what we pay the banks. This year they will be receiving Rs. 2,611 crore as agency charges, and next year we have estimated that we will pay them Rs. 2,907 crore."

37. When enquired whether the amount for remuneration for agency charges was fixed taking into consideration the amount collected by the Department, the representative of the Department during evidence stated:

"No, this is based on the number of accounts maintained and the number of certificates sold. It is not related to the amounts."

38. The representative of the Ministry of Finance further added:

"The number of transactions is taken into consideration."

39. Summing up, the representative of the Department stated:

"The formula based on which we are now being remunerated was worked out by a Committee in which all the stakeholders in the National Small Savings Schemes were participating, that is, one or two of the States; the Ministry of Finance and the Department of Posts, which administers the Schemes.

It was based on a study of the effort involved in the Post Office to maintain and administer these accounts. What was done was that a time test taken to find out what is our process, what is the time that is involved, how we are maintaining the accounts, and statistics were collected. We always keep on record the number of accounts, where they are maintained, how many times a person deposits, how many times a person withdraws, etc.. Based on all of these statistics, we evolve a formula where it was worked out that there are roughly 4.8 transactions per account per year……..This is why, it was roughly 4.8 transactions. Then, we took a time test of the actual manual work involved. Then, on that we worked out the cost that the Post Office incurred in terms of salaries of its staff. Based on that, taking into account the time, it was arrived at that each account was to remunerated. In those days, the original rate was Rs. 34 per account per year which was compensating us for the actual physical time involved of our staff in the work.

40. As regards the latest development in the matter, the Committee were apprised that a meeting with Joint Secretary (Budget) DEA, MoF was held by DDG (FS), DoP and MoF had assured that the views of the Department of Posts would be considered while fixing rate of remuneration for the year 2008-09. However, the rate for 2008-09 was increased by 4.6% from the previous year and still fell short of the 10 per cent benchmark. Efforts were again being made to fix one to one meeting of Secretary (Posts) and Secretary (Expenditure) to sort out the matter.

41. In the same context, the representative of the Department of Posts during evidence submitted:

"Actually, we had taken it up. We had senior officers from the Department to discuss this issue with the senior officers from the Ministry of Finance……….but there has been a revision in the remuneration given to us…….But we still feel that we are not fully compensated for what we actually put in. In fact, it is not even neutralising the additional expenditure on account of Dearness Allowance installments that go to our employees.

I personally feel that we will be further taking it up with the Ministry of Finance to ask them to review this issue because this forms a very large component of our total income………."

42. When asked about the response of the Ministry of Finance, their representative submitted:

"…..The Secretary has noted that there is an increase in the remuneration charges for the next year, that is, 2008-09 based on the discussions. The demand of the Department is to give a flat rate of 10 per cent increase every year as agency charges. The submission on this is that this is based on a report that is of 1990s. First of all, there is a need to re-look at the basis for that report in which the recommendation of a 10 per cent flat increase every year has been recommended. Initially, it was not accepted by the Government, but we would be open to reviewing it at some point of time. In the meantime, as an interim, we have taken a look at the agency charges and increased the agency charges for the next year.

The capacity to pay much more will depend on what is the affordability also within the Fund. The National Small Savings Fund receives the small savings collections from all over the Country, and it pays out the interest to the depositors. It also pays out the agency charges and the commission charges as part of its expenditure. It is not one of those funds that is aimed at making any kind of huge profits. In fact, this fund is at a deficit. Therefore, we need to take this consideration in view before deciding on what will be the extent of increase in the agency charges.

Secondly, the deficit shown in the budget of Department of Posts is also met by the Government. Therefore, if there is any shortfall, then it is made up through the budget and that deficit is also covered to the Department of Posts. This is basically the point that we wanted to put forth before you."

43. The Committee had been informed during the course of examination of the subject that the Department required some preferential treatment with respect to other banking entities because of certain functions typical to them. Elaborating further on this aspect the representative of the Department stated during the evidence:

"…….. The difference between us and any of these things is that actually there is no like to like comparison because we are not a full-fledged bank which makes money on the spread between lending and borrowing. We are also not just a collection agency. We are a collection agency for many things, including telephone bills, but in the case of Post Office Savings Bank, we are not just a collection agency, we need to maintain the accounts. It is very difficult to find a like to like comparison which is why initially also it was agreed that we look at our service in a stand alone manner, that is, what we do and what should we be compensated for."

(v) ELEVENTH FIVE YEAR PLAN SCHEME OF 'BANKING & MONEY TRANSFER OPERATIONS': AN ANALYSIS

44. The Committee have been informed that a new Scheme 'Banking and Money Transfer Operation' had been included by the Department in the Eleventh Plan to fully realise the potential of the vast customer base and exploit the goodwill of India Post in the area of banking and money transfer operations. This Scheme was also meant to build upon the initiatives taken in the Tenth Five Year Plan for setting up of Postal Finance Marts (PFMs) under the Plan Scheme 'Modernisation of Operative/Working Systems (improving ergonomics)' and other relevant Plan programmes/Schemes like 'New Products and Services' including Development of Financial Products and Services which could not be taken up fully during the Tenth Plan. The new Scheme had also been initiated with the intention that this largest retail banking network should be utilised to implement the '*Sampoorna Dak Khana Bachat Yojana*'. Further, it was also proposed to set up the Post Bank of India to provide an impetus to develop the Post Office network into a leading financial service provider and also support extension of domestic and international money transfer services and retailing foreign exchange. The following information was furnished to the Committee about the Scheme for the Eleventh Plan and Annual Plans 2007-08 and 2008-09:

	Banking and Money Transfer Operations	XI Plan (Physical Targets)	Annual Plan 2007-08 (Physical Targets)	Annual Plan 2008-09 (Physical Targets)	XI Plan (Financial Outlay)	Annual Plan 2007-08 (Financial Outlay)	Annual Plan 2008-09 (Financial Outlay)
	1	2	3	4	5	6	7
1.	Consultancy	1	1	1	0.50	0.50	0.36
2.	Centralised Banking for POSB (Anytime Any Branch Banking)						
	- Development of Decentralised Banking Software & Communication service provider	4000 CBS Deptl. Offices	1	300 CBS	30.00	9.90	3.16
	- Customer Relations Management (CRM)	1	—	—	15.00	1.00	—

1	2	3	4	5	6	7
- Project Management Unit (PMU)	For anytime anywhere banking	—	—	34.00	1.40	–
- Centralised back office and Circle Back office		—	—	10.00	1.40	1.00
- Cards		—	—	12.00	—	—
- HRD/Training		—	—	5.00	—	1.00
3. Setting up Postal Finance Marts	500	84	100	24.50	5.05	5.88
4. Setting up of Post Bank of India	1	—	1	5.00	0.50	1.00
5. Extending Instant money order service (@ Rs.. 3270 per center) and development & roll out of MO software	-8000 for iMO -MO software	1000 POs	3000	3.50	2.00	2.50
6. Linkages of SB, EFT, ECS, CTS of the domestic sector with International systems like IFS/ Eurogiro/SWIFT, etc.	30 countries	—	—	2.00	0.50	0.05
7. Retailing of foreign exchange	1000 post offices	—	—	1.00	0.05	0.05
8. Cash Management for North East	—	—	—	—	0.05	—
Total				142.50	20.50	15.00

45. The Committee while examining Demand for Grants (2008-09) of the Department, were apprised that for the Scheme 'Banking and Money Transfer Operations' a sum of Rs. 20.50 crore was allocated at BE stage. This stood reduced to Rs. 9.92 crore at the RE stage. However, against this estimate, the actual expenditure by the Department, upto

31.12.07 was of the tune of Rs. 0.08 crore only. The physical targets for the year 2007-08 fixed by the Department consisted of one consultancy, upgradation of IT infrastructure, H/W, UPS LAN, networking system integration in 33 Post Offices, setting up of 84 Postal Finance Marts, providing training to 100 officials related to the work of setting up of Post Bank of India and extending instant money order services to 6350 Post Offices. The achievements their against were nil.

(vi) ELECTRONIC FUND/MONEY TRANSFER MECHANISMS

46. The Committee were informed that the Department had an ambitious plan of linking Savings Bank (SB), Electronic Fund Transfer (EFT), Electronic Clearance System (ECS) and Cash Transfer Services (CTS) presently provided to the domestic sector with the International systems like Universal Postal Union's International Financial Systems IFS/Eurogiro/SWIFT, etc.. The Department also had plans of expanding these services in 30 countries and had provided for an Outlay of Rs. 2 crore in the Eleventh Plan for the purpose.

47. The Committee were informed that the Electronic Fund Transfer (EFT) facility was launched in October, 2001 utilising the VSAT network of the Department to facilitate end-to-end fund transfers by Banks (UTI/IDBI/HDFC) on behalf of the Corporate Sector as well as the Capital Market.

48. It was also stated that EFT essentially involved clearance of cheques by the originating Post Office and transmission of cleared funds *via* VSAT to the destination Post Office. At the destination Post Office, the received funds were paid out to the client bank through a cheque. EFT had a number of variants of which the Post Office offered only collection of cheques from multiple locations and pooling into a central account, high value fund transfers as well as receipt of funds at a central account for payment at multiple locations. EFT facility was stated to be available in 25 locations. With the discontinuation of VSAT system, EFT is now non-functional.

49. The Committee were further apprised that after being launched in January, 2002 the Warrant Payment Scheme (WPS) had facilitated redemption of over 72,080 dividend warrants of UTI and Citibank worth more than Rs. 1000 million through the entire Postal Network. It was further stated that WPS was available in 530 Post Offices and as the VSAT system had been discontinued, it had rendered WPS payment also non-functional.

50. In the light of the information that EFT and WPS of the Department, inspite of their advantage, had become non-functional due to discontinuation of V-SAT System, the Committee wanted to be apprised of the alternate avenues/systems explored by the Department to facilitate the continuation of such services. The Department submitted that they were proposing to set up Core Banking Solutions (CBS) enabling 'Anywhere-Anytime Banking' in 4000 branches all over the Country. The project was proposed to be implemented during the Eleventh Five Year Plan. It was also stated that once the infrastructure was available in 4000 Branches, the Schemes like Electronic Fund Transfer (EFT), Warrant Payment, etc. could again be considered.

51. During evidence the representative of the Department stated,

> "We have a plan for Core Banking Solutions. About 4,000 offices will be on that. That will allow transfers, etc.."

52. He added,

> ".....We also want to strengthen our network through computerisation and interconnectivity, through IT based products which will make a dent like instant money order and electronic money order, etc.."

53. The Committee learnt that the Department introduced Electronic Clearance Services (ECS) in Mumbai City from August, 2003 through 70 Post Offices offering payment of interest under the Monthly Income Scheme (MIS). It was added that the ECS Scheme was being offered by the Department of Posts for payment of monthly interest under MIS. Under ECS, the depositors had the facility of getting MIS interest automatically transferred and credited into their SB account on due date at the designated bank of their choice.

54. The Committee were informed that the Scheme was in operation in more than 350 Post Offices, which were located at 15 ECS locations managed by RBI and 19 ECS locations managed by SBI on behalf of RBI across the Country. Remaining 2 SBI locations *viz*. Raipur (Chattisgarh) and Ranchi (Jharkhand) would be covered shortly. The 15 RBI and 19 SBI locations were stated to be as under:

Sl No.	RBI Locations	Sl. No.	SBI Locations
1	2	3	4
1.	Ahmedabad	1	Shimla
2.	Bangalore	2.	Nasik

1	2	3	4
3.	Bhubaneswar	3.	Panaji
4.	Kolkata	4.	Calicut
5.	Chandigarh	5.	Thrissur
6.	Chennai	6.	Jabalpur
7.	Guwahati	7.	Jodhpur
8.	Hyderabad	8.	Puducherry
9.	Jaipur	9.	Tiruchirapalli
10.	Kanpur	10.	Durgapur
11.	Mumbai	11.	Hubli
12.	Nagpur	12.	Dehradun
13.	New Delhi	13.	Siliguri
14.	Patna	14.	Burdwan
15.	Thiruvananthapuram	15.	Baroda
		16.	Surat
		17.	Sholapur
		18.	Gwalior
		19.	Tirupur

55. Asked to state the advantages of the Scheme and revenue generated from it since inception, it was replied that this Scheme obviated the need for issuing and handling paper instruments and thereby facilitated improved customer services. Hence, it was a value addition to MIS interest payment, which provided more comfort level to MIS account holders. It was further stated that as this was a free value added facility for customers, it did not generate any revenue for the Department. However, advantages attached to ECS gave additional satisfaction to the Department's valued customers and met their expectations to a good extent. It also reduced the handling cost for the Department of Posts. It was also stated that in some Circles like Maharashtra and West Bengal, MIS account holders were availing this facility with great enthusiasm and in other Circles it was picking up.

56. The Committee were further informed that DoP had been providing International Money Transfer Service in association with the Western Union since April, 2001 through more than 8659 selected Post

Offices across the Country enabling the customers to receive their remittances from more than 205 countries on a real time basis.

57. As regards the principal amount transferred and revenue generated from this Scheme, the following data was furnished for the years 2004-05 to 2007-08:

(Rs. in crore)

Period	Principal Transferred	Revenue
2004-05	7523333552	110299813
2005-06	17035807895	215969042
2006-07	37426146631	441957441
2007-08	53562450271	574387071
Total	115547738349	1342613367

(vii) POST BANK OF INDIA (PBI)

58. The Committee were informed that the Post Bank of India was proposed to be set up during the Eleventh Five Year Plan to provide full banking services particularly to the rural poor who still do not have the privilege of modern banking facilities and still have to depend on the informal sector for their credit requirements. The Post Bank of India was also proposed to be a conduit for priority sector credit including micro finance from various agencies like National Bank for Agriculture and Rural Development (NABARD)/Council for Advancement of People's Action and Rural Technology (CAPART)/ Provision of Urban amenities in Rural Areas (PURA). It was also submitted that the Post Bank of India was envisioned to act as a profit generating institution, which will plough back profits from the banking operations to India Post thus, eliminating the deficit of the Department. It was further submitted that the seed capital for setting up of Post Bank of India, the IT infrastructure, research and training for this purpose will require Government funding.

59. The Committee were informed that the Post Bank of India was at a conceptual stage and it was proposed to be set up during the Eleventh Five Year Plan to exploit the reach and credibility of the Department and their experience in mobilising deposits. When further queried about the present status of the proposal and likelihood of its materialising, the representative of the Ministry of Finance stated,

"………… RBI has already come out with its guidelines on banking correspondent and banking facilitator model and the banking correspondent model does foresee the Post Offices also being used as a banking correspondent. Instead of setting up another fresh company looking for a banking licence which in today's current policy regime, we do not feel very feasible because as it is in India we have a large number of banks and we are trying to consolidate the number of banks. We have mergers-regulatory mergers or voluntary mergers. So, the RBI is very reluctant to issue fresh licence for banks.

What we can do is that the banks can see the Post Offices as their banking correspondents; they can collect deposits for the banks, give small credit facilities from the banks, do remittance facility which they are already doing, but they have a tie up with Western Union. Some sort of a tie up agreement can be worked out depending on the experience they have with the pilot project launched in collaboration with the SBI."

60. In a subsequent evidence, the representative of the Ministry of Finance further clarified,

"The Reserve Bank of India has allowed Post Offices to work as banking facilitators. In that context, the State Bank of India and other banks are very keen to use this network of the Post Offices to render their products. So, I think this is a good idea."

61. The Committee were further informed that a pilot project in collaboration with the State Bank of India had been launched by the Department and some tie-up/agreement could be worked out based on the experience gained. When asked about the contours and working of the pilot project, the Department replied that India Post tied up with State Bank of India on 29 June, 2007, as per the plan to extend rural financial inclusion for providing the following products through the vast network of India Post which was operated on business correspondent model of SBI;

Assets	:	Home loans, Auto loans, loans against TDR/ securities-KVP, NSC loans and non-agricultural SME loans, general purpose credit cards, Kisan credit cards.
Liability	:	Current account, Savings account, Term/Recurring Deposits, No frills accounts (smart card accounts)
Investment	:	Mutual Fund investment

62. Elaborating on the working of the pilot project, the Department informed that 909 applications for loans received by Post Offices had been forwarded to SBI, which also resulted in disbursal of Rs. 6.67 crore as loans by SBI for these applications. Further, it was said that such a tie-up helped the Department of Posts to add value to their vast network and provide services aligned with the requirements of rural masses. It was also added that this pilot project was on in about 100 Post Offices in five postal Circles, *viz*. Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra and Jharkhand.

63. The Committee were also apprised that Smart Card Accounts were operated through Point of Sale (PoS) device, which consisted of mobile phone instrument, thumb reader and printer. So far, about 1,18,300 Savings/Recurring Deposit/Current accounts/Term Deposit accounts had been opened. Out of these, the number of applicants for smart card accounts received in Post Offices was 1,03,576. These Smart Card SBI Accounts were operated through Post Offices for both deposits and withdrawals on a continuing basis.

64. In the same context, the representative of the Department stated during the evidence,

> "We are going into a number of new areas and particularly other people are going in for tie-ups with us to use our retailing network and delivery capabilities and we have been approached by public sector and private sector companies. We are going ahead with them. They are all mutually beneficial. We have been telling about mutual funds, but there are banking and other companies which have also approached us."

III. INSURANCE ACTIVITIES

(i) INSURANCE SCHEMES OF DOP

65. The Committee were informed that Postal Life Insurance (PLI) was introduced on 1 February, 1884 as a Scheme initially meant for the welfare of the postal employees and was later extended to the employees of the Telegraph Department. This Scheme was stated to cover employees of Central and State Governments, Public Sector Undertakings, Universities, Government aided Educational Institutions, Nationalised Banks, Local bodies, etc.. PLI was also extended to the officers and personnel of the Defence Services and Para-Military forces.

66. It was also added that Rural PLI (RPLI) was introduced with effect from 24 March, 1995 in pursuance of the recommendations of

the officials of the Committee for Reforms in the Insurance Sector (Malhotra Committee). RPLI was open to all between 19-60 years having rural address. The prime objective of this Scheme was to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population. Further, both PLI and RPLI were exempted insurers under Section 118 (c) of the Insurance Act, 1938 and also under Section 44 (d) of the LIC Act, 1956. It was also submitted that PLI & RPLI were Schemes managed by the Department of Posts on behalf of the Central Government and these two Schemes did not come under the purview of IRDA, Act, 1999, and consequently, were not regulated by IRDA.

67. When asked about the salient features of the Insurance Schemes/ Products that were offered by the Department, it was submitted that PLI offered following six types of plans:

(i) Whole Life Assurance (SURAKSHA)

(ii) Convertible Whole Life Assurance (SUVIDHA)

(iii) Endowment Assurance (SANTOSH)

(iv) Anticipated Endowment Assurance (SUMANGAL)

(v) Joint Life Assurance (YUGAL SURAKSHA)

(vi) Children Policy

68. Similarly, RPLI offered the following six types of plans:

(i) Whole Life Assurance (GRAMA SURAKSHA)

(ii) Convertible Whole Life Assurance (GRAMA SUVIDHA)

(iii) Endowment Assurance (GRAMA SANTOSH)

(iv) Anticipated Endowment Assurance (GRAMA SUMANGAL)

(v) 10 years GRAMA PRIYA

(vi) Children Policy

69. The Committee were further apprised that as per Rule 10 of Post Office Insurance Fund Rules, Director General, Posts (Secretary, Posts) was the Administrator of both PLI & RPLI Funds. PLI & RPLI were self-financing Schemes, *i.e.* actual cost of operations are debited to the respective Funds. Unlike in traditional insurance business, both PLI Fund (POLIF) and Rural PLI Fund (RPOLIF) and annual accretions to these Funds were placed at the disposal of the Ministry of Finance where they form a part of the Special Deposit Schemes. The Funds

earned interest at par with Special Deposit Schemes as decided by the Ministry of Finance from time to time. The current rate of interest was stated to be 8 per cent.

70. It was also submitted that the expenses of running the PLI & RPLI Schemes were debited to Post Office Insurance Fund and Rural Post Office Insurance Fund at the rate of 7 per cent and 10 per cent respectively of the premium collected over the year. The premium income from PLI & RPLI during the years 2004-05 to 2006-07 was stated to be as under:

(Rs. in crore)

Year	PLI	RPLI	Total
2004-05	904.58	380.88	1285.46
2005-06	1078.66	475.10	1553.76
2006-07	1211.79	601.03	1812.82
2007-08	1480.34	665.46	2145.80

71. Similarly, the growth of corpus of PLI & RPLI during these three years was as follows:

(Rs. in crore)

Year	PLI	RPLI
2004-05	7678.42	1127.61
2005-06	8933.59	1624.77
2006-07	10342.61	2284.92
2007-08	12081.71	3003.78

72. The Committee were informed that professional actuary evaluated the Funds every year and recommended bonus based on estimated assets and liabilities of the Funds and estimated surplus accrued to the Funds. According to actuarial evolution, surplus in PLI Fund was as follows:

As on 31 March, 2005 - Rs. 500 crore

As on 31 March, 2006 - Rs. 660 crore

As on 31 March, 2007 - Evaluation is under process

As on 31 March, 2008 - Evaluation is under process

73. Whereas, as per the latest valuation, surplus in RPLI Fund was stated to be Rs. 1648 crore. The fund size as on 31 March, 2007 and on 31 March, 2008 was informed to the Committee to be:—

(Rs. in crore)

		31 March, 2007	31 March, 2008
POLIF	-	10,342.61	12,081.71
RPOLIF	-	2,284.92	3,003.78
EDAGIS	-	73.03	fund for 2007-08 yet to be audited

74. The detailed statistics of PLI/RPLI during the Tenth Plan period were stated to be as follows:-

(Rs. in crore)

Year	No. of Policies		Total Sum Assured		Corpus of Fund	
	PLI	RPLI	PLI	RPLI	PLI	RPLI
2002-03	2098577	1795070	13676.80	7464.53	5797.30	510.69
2003-04	2208683	2666485	15917.61	12385.11	6619.81	756.48
2004-05	2391662	3738798	19105.43	18520.93	7678.42	1127.61
2005-06	3098248	4702776	22951.60	25229.66	8933.59	1624.77
2006-07	3297825	5246673	26753.17	33865.65	10342.61	2284.92

75. The estimated annual growth rate of Funds were reported to be 15, 40 and 10 per cent respectively for POLIF, RPOLIF and EDAGIS. When asked about the net accretion to the Funds, the Department furnished the following information:

(Rs. in crore)

Year	PLI	RPLI
2005-06	1256.00 (audited)	497.00
2006-07	1409.00 (audited)	660.00
2007-08	1739.10	718.86

76. Taking note of the fact that the Department had been catering mainly to the Government employees with regard to insurance Schemes, the Committee desired to know about the contribution of Government employees to the business of POLIF in per centage terms. To this, the representative of the Department replied,

"If we look at this target group, it seems to be 70 per cent."

77. Asked further as to how the Department proceeded with soliciting insurance business from various sectors in the Government, the representative stated,

> "In Railways, every Circle has made a data-base. It is there in all the paramilitary forces like the BSF, ITBP, etc.. Then there are other Central Government offices like the Revenue Department and banks. We have got our PLI office in Kolkata and our report from there is that every year, they bring together figures of every sector on the insurance policies, which are bought. They are also consolidating those figures. So, we do have an idea of it.

78. When the Committee wanted to be apprised of the rate of growth of the business among various sectors, the representative of the Department stated,

> "In the Army, we are giving a definite growth of 40 per cent every year. In the paramilitary forces, it is 25 per cent growth and in the Railways and other services, on an average, it is 20 per cent growth. It is because the recruitment there is not so much."

79. It was further added during evidence,

> "In fact, one of our best performing circle is the Army Postal Services. They cover the Armed Forces people. We have a very healthy growth in the army side.......... the army people do not have access to many insurance policies. We also give them insurance cover."

80. When the Committee, during evidence pointed out that there would be Government employees not contributing or subscribing to the Department's Schemes and wanted to be apprised of the Department's efforts in inducing them to join, the representative of the Department submitted,

> "Yes, we have got our marketing efforts where our development officers go to the Government offices."

81. The Committee have further been informed that as compared to similar Schemes/products of other players in the market, the premium rate of PLI and RPLI for policies of similar sum assured and similar types are lower than the products of other Life Insurers whereas bonus rates are higher. In addition, by virtue of existing infrastructure of Department of Posts, the costs of operations were also reported to be low as compared to other insurance companies.

82. During evidence, when the Committee desired to be apprised about the market share of the Department, the representative stated,

> "Sir, basically the industry works on how much is the return and if we take the return, our market share is 2.7 per cent."

83. The Committee then wanted to know whether the Department have some kind of a pro-rata system of working and assessing their market share, the representative of the Department explained during evidence,

> "If we take the pro-rata system, that means, if we just take the market share which is a dedicated market of the postal life insurance. We take the number of policies which are there for all the other players in the industry and the PLI policies, then our market share is 70 per cent."

84. Another representative of the Department submitted,

> "If we take it on pro-rata basis, you may see that the same segment is being utilised by other players as well."

85. When the Committee enquired about the reasons for this abysmally low market share of the Life Insurance Schemes of the Department despite these intrinsic advantages, it was stated that the clientele of PLI in urban and semi-urban areas were restricted to Government and semi-Government employees. It was also stated that though according to Rule 10 of the Post Office Insurance Fund Rules, Director General (Posts) [Secretary, Posts] was the administrator of both POLIF and Rural POLIF, the Insurance Division under the Ministry of Finance *vide* its letter No. 97(25)/INS.II/93 dated 20 September, 1993 directed the Department of Posts to refer all policy matters like extension of scope so as to cover other clientele, introduction of new products, etc., to them for concurrence. There had not been any change in the stand of the Ministry of Finance in the changed scenario.

86. In the same context during evidence, the representative of the Department stated,

> "As far as competition is concerned, we are not really an insurance company in that way. We are outside the scope of IRDA. We are an exempted organisation. Therefore, the kind of products that we give are very limited. We can only go to Government servants and autonomous bodies. I have an open field. There, we are having a spectacular growth of around 40 per cent per annum. I am competing in rural areas and there, my hands are tied because my clientele is limited where as they are coming up with all sorts of Schemes. Now we are starting to do much more in marketing."

87. Citing a recent instance in this regard it was stated that the Department had initiated a case with Insurance Division/Ministry of Finance to consider bringing the following organisations/employees under the fold of PLI:

- Co-operative Banks
- Employees of Private colleges/institutions
- Private Sector Undertakings
- Employees of Jute Mills in Gujarat
- Employees of State Cooperative Banks
- Employees of self-financial educational and research institutions
- Employees of joint venture companies.

88. It was also added that the logic of inclusion of these groups of employees under the fold of PLI is that the pay structure of such employees are very similar to the Government employees and they are covered by medical support, very similar to those of Government employees. As such mortality rates of such employees need not be much different from the employees of Government and semi-government sector and, therefore, they could be brought under the fold of PLI. Insurance Division had not yet approved the proposal. Moreover, they had asked PLI Directorate to first draw a roadmap for coming under the regulator, IRDA, for further examination of the proposal. A pre-condition for coming under IRDA was that an insurance organisation had to be a company. PLI was a Scheme run by the Government Department and, hence, it could not have come under IRDA before becoming a corporate entity. The position had been explained to the Insurance Division of the Ministry of Finance.

However, the proposal for extension of client base had not been approved as yet.

89. When asked about any further expansion in recent years in the Government sector, it was submitted by the representative of the Department,

"It has come to a standstill in Government."

90. In view of the participation of private sector, foreign direct investment, etc. that had resulted in making insurance services more competitive, attractive and accessible to the public at large, the Committee desired to know the measures envisaged by the Department to give an impetus to their insurance activities. Explaining about the Department's endeavour to enhance its market share, the Committee were apprised that within its limited mandate, PLI had taken the following steps:—

a. Departmental employees of almost all categories had been authorised to produce PLI/RPLI business.

b. The Scheme had been initiated to engage direct agents for the procurement of PLI/RPLI business.

c. Arrangements had been worked out with the Insurance Institute of India, Mumbai to impart professional training to sales force of PLI, followed by examination.

d. '*Melas*' were organised for popularising Rural PLI Schemes.

e. Extensive media and publicity campaigns had been initiated through press, television and radio network.

91. About the specific steps that are required to be taken by the Department both in short and long term perspective, to improve the market share of the Life Insurance Scheme more so in view of the coming of other players including the foreign multinational, the Department stated that today PLI could not introduce Unit linked products whereas the demand of the market is exactly towards that. These were the reasons that stand against enhancement of market share by PLI. It was also submitted that the Department of Posts should be allowed to extend their clientele and introduce new Products and Schemes after due diligence. Concurrence of the Insurance Division of the Ministry of Finance should not be mandatory for PLI to work and conditions imposed by the Ministry of Finance *vide* letter No. 97(25)/INS.II/93 dated 20 September, 1993, should be withdrawn.

(ii) ELEVENTH FIVE YEAR PLAN SCHEME OF 'INSURANCE OPERATIONS' – AN ANALYSIS

92. The Committee were apprised that in order to fully exploit the opportunities offered by the insurance sector, there was increased focus in the Eleventh Plan on technology and skill upgradation, keeping in view the potential for market growth and customer expectations. The details of the Schemes proposed to be undertaken by the Department during the Eleventh Plan and Annual Plans 2007-08 and 2008-09 were given as under:

	Insurance Operations	XI Plan (Physical Targets)	Annual Plan 2007-08 (Physical Targets)	Annual Plan 2008-09 (Physical Targets)	XI Plan (Financial Outlay)	Annual Plan 2007-08 (Financial Outlay)	Annual Plan 2008-09 (Financial Outlay)
1.	Online operations up to Divisional level and HO level through development of Insurance Software for the entire PLI organisation based on Windows platform	1 software	-	1	3.00	2.00	0.50
2.	Computerisation of PLI/RPLI	DPLI Office, Kolkata, 822 HOs, 42 Dos, 59 Circle/ Regional Offices	-	1DPLI +100 Pos	17.00	0.50	2.00
3.	Publicity of Insurance Products – TV spots & Radio Jingles		-	-	10.00	2.00	2.00
4.	Training of Marketing Personnel in Insurance marketing @ Rs. 4000/-	10000	5000	4000	4.00	2.00	2.00
5.	Training of Circle Office personnel in under writing	2000	50	50	1.00	0.50	0.50
	Total				35.00	7.00	7.00

93. During the course of the examination of Demands for Grants 2008-09, the Committee were informed that for the Plan Scheme ' Insurance Operations', BE and RE for the First Year of the Eleventh Plan *i.e.* 2007-08 were fixed at Rs. 7.00 crore and the actual expenditure against this target upto 31.12.2007 stood nil. The Committee were also apprised that the physical targets set for the year 2007-08 under the Scheme prescribed for setting up AMPC centres, 30 depots of multimodal transport network and one Regional Data Centre. However, the actual achievement against these targets was also nil.

94. The Committee have been informed that the computerisation of 822 Head Post Offices, 442 Divisional Offices and 59 Circle/Regional Offices will be taken up in a phased manner during the five years of the Eleventh Plan and will be completed by the end of the Plan. This was stated to be essential for providing online connectivity using the new software developed. Similarly, with regard to the development of software of PLI/RPLI, it was submitted that at present, the PLI/RPLI was using Unix/Oracle based software, which was developed by the NIC. On the other hand, the software developed for operative offices was based on Windows platform. Hence, difficulties had been experienced for bridging up the two software at various levels. Therefore, a software for PLI/RPLI that was compatible with the postal operations software was proposed to be developed, with a provision for data warehousing and IVRS facility for the customers to answer queries and provide access to accounts from anywhere in the Country. This software would also give the facility of premium payment and repayment from anywhere in the Country. This would bring PLI/RPLI facilities on an equal footing with other insurance companies.

95. In addition, provisions for training of marketing professionals and existing development officers in insurance marketing and back office staff in underwriting had been sufficiently made during the Eleventh Plan.

(iii) CHANGES IN INVESTMENT PATTERN OF PLI AND RPLI FUNDS

96. As stated in the earlier para of the Report, PLI Funds, Rural PLI Funds and the annual accretion to these Funds were placed at the disposal of the Ministry of Finance where they form a part of the Special Deposit Schemes. These funds earned interest at par with the Special Deposit Schemes as decided by the Ministry of Finance from time to time. Recently, it had been decided by the Government that accretion to the PLI and RPLI Funds would be invested as per IRDA

(Investment) Regulation 2000, as amended in 2001. The corpus under POLIF and RPOLIF would be frozen on a cut off date and the same would be converted into dated securities over a period of three years, offering a mix of maturities to be decided. Accretions to the Fund after cut off date would no longer form part of the Special Deposit Scheme of the Ministry of Finance.

97. During evidence, the representative of the Department while elaborating about the Scheme of things stated:

> "This is a Fund which is parked with the Ministry of Finance. That is the system, which we have for 125 years. Now we are going for a change. Last month only the Cabinet has approved a proposal that this Fund should now be invested in the market by the Department following the guidelines of IRDA. We, as a Government Department, are not part of IRDA, but voluntarily we have said that if we have to invest this Fund, will follow the IRDA norms."

98. The Committee were further apprised that there will be an Investment Board to provide policy guidelines for judicious investment of this corpus. The Fund would be managed by two Public Sector Asset Management Companies under non-discretionary mode. Further, there would be an Investment Division to take day-to-day decisions.

99. When the Committee asked the Department about the possibility of investing in real estates in general and properties of the Department in particular as an investment option, the representative of the Department submitted:

> "Any transfer in terms of the investment of our Fund, this we have to do within the existing IRDA Guidelines. When we have fund managers to advise us, we will definitely be looking at this. If we have an SPV that is doing estate development, it is feasible that we use the funds from our own corpus."

IV. COMPUTERISATION AND MODERNISATION OF POST OFFICES

100. The Committee were informed that the Department were in the process of upgrading their traditional services through induction of technology to meet the challenges of providing faster, reliable and responsive service to the customers in the face of increasing competition and to fulfill the plan of providing 'Anytime Anywhere' banking facilities to their customers. To achieve this objective at the national

level, the Department had computerised 8263 Post Offices throughout the Country in the Tenth Plan period. All Circle Offices, Regional Offices, Postal Accounts Offices, 206 Divisional Offices, Speed Post Centres, etc. had also been computerised.

101. When further queried about the deadlines set by the Department to make all the Head Post Offices, Administrative Offices across the Circles fully computerised with all functional software, the Department submitted that they had computerised all the 839 Head Post Offices and 8263 Sub Post Offices across the Country during the Tenth Five Year Plan and had provided functional software to improve the efficiency of the Department. All the Head Post Offices were working on various software supplied by the Department. Out of them 710 HOs were fully computerised using functional (Meghdoot/Sanchay Post) softwares as on 30 November, 2007. Remaining HOs were to be fully computerised by 31 March, 2008. Out of above, 15 HOs were in rural areas.

102. In the same context, the Committee were informed that in the Eleventh Plan proposals, the DoP had plans to computerise remaining 17598 Department Post Offices and 64000 Branch Post Offices. When asked about the targets fixed for each of the Annual Plans of the Eleventh Plan and the achievements against the targets fixed for the Annual Plan 2007-08, the Department furnished the following information:

PROPOSED TARGETS FOR ELEVENTH FIVE YEAR PLAN

Item	07-08	08-09	09-10	10-11	11-12	Total
Computerisation of Departmental Sub Post Offices	1600	15998	0	0	0	17598
Computersiation of Extra Departmental Sub Post Offices	0	1000	32000	31000	0	64000

103. It was further added that till date, 1376 Post Offices had been supplied computers and peripherals against a target of 1600 Post Offices in 2007-08.

V. POSTAL FINANCE MARTS

104. The Committee were informed that during the Eleventh Plan, DoP proposed to expand the Plan Scheme for creation of Postal Finance

Marts (PFMs). The PFMs would provide all the financial products and services of the Department such as Post Office Savings Bank (POSB) Schemes, Postal Life & Non-life Insurance, Mutual Funds, Pension Schemes, International Money Transfer, Money Order, Instant Money Order, etc. under one roof as 'One Stop Shop for Financial Services' in a fully computerised office supported by technology and in a customer friendly ergonomically improved environment at par with the reputed banking institutions. It was further added that in the Tenth Five Year Plan, 313 Postal Finance Marts were set up throughout the Country and 500 more such Marts were proposed to be set up during the Eleventh Five Year Plan. However, in some other context, the Department had submitted that against the physical target of setting up of 300 PFMs, 293 PFMs had been set up during the Tenth Five Year Plan.

105. It was submitted that for the year 2007-08 a sum of Rs. 5.05 crore including North East region had been earmarked at BE for setting up of Postal Finance Marts. This was reduced to Rs. 4.22 crore including NE region at RE stage. When the Committee wanted to know about the annual targets for setting up PFMs during the Eleventh Plan the following data was furnished:

Activity	07-08	08-09	09-10	10-11	11-12	Total
Setting up of PFMs all over India except North East	83	117	107	98	85	490
Setting up of PFMs in North East	1	3	3	2	1	10
Total	84	120	110	100	86	500

106. It was also stated that the process to obtain the approval of Standing Finance Committee (SFC) was going on and once the SFC's approval was obtained, further action would be taken to set-up PFMs across the Country. As regards the physical achievements in the year 2007-08, it was stated that no PFMs out of 84 proposed could be opened during the year. This was due to the fact that the clearance of Standing Finance Committee (SFC) was not received.

VI. ADVERTISING AND PUBLICITY

107. In reply to the Committee's query about the utilisation of budget allocated for publicity and popularisation of Post Office Savings

Bank Schemes during last three years, the Department submitted that the allocation made and expenditure incurred for marketing of Post Office Savings Schemes and new products and services during the last three financial years was as under:

(Rs. in lakh)

Year	Allocation	Expenditure
2004-05	75.00	72.70
2005-06	199.56	198.25
2006-07	200.00	194.43

108. For the Eleventh Five-Year Plan a sum of Rs. 30 crore had been allocated for marketing and advertising of Financial Services. Out of this, Rs. 1 crore each had been earmarked for the first two financial years of the Plan. Funds were allocated to Circles to publicise and create awareness among the people about Post Office Savings Bank Schemes and other products and services of the Department. Advertisements were also made by the Directorate to popularise new products and services of the Department among the people.

109. When asked about the initiatives been taken for better and effective utlisation of the budget during the Eleventh Plan, the Department stated that the following marketing activities in respect of Post Office Saving Bank Schemes, Insurance Schemes, Financial Services & Products of Department of Posts were proposed to be undertaken after due sanction of funds:

(i) Advertisements in Print & Electronic Media

(ii) Jingles on local radio/FM channels

(iii) Direct marketing through printing of pamphlets, mailers, brochures having important information about the services

(iv) Celebrating Postal week

(v) Organising customer/business meet

(vi) Organising workshop on financial services & Products

(vii) Organising road shows/PLI and RPLI *melas*

(viii) Printing of publicity material

(ix) Advertisement through web portals

(x) Setting up help lines

(xi) TV spots

(xii) Hoardings on PLI and RPLI, etc.

OBSERVATIONS / RECOMMENDATIONS

I. BANKING AND INSURANCE SERVICES OF DOP

The Department of Posts (DoP), through the world's largest network of Post Offices, 89% of which exist in rural areas are providing a wide range of services such as collection, transmission and delivery of mails (including premium products), money transfer, financial services such as banking and insurance and a variety of retail services. The Committee note with concern that with the significant decline in mail traffic, increasing competition and recurring operating losses, (partly on account of its Universal Service Obligation) the Revenue deficit of the Department has been a massive Rs. 6649.00 crore in the Tenth Plan. During the first two years of the ongoing Eleventh Plan, this is expected to be of the tune of Rs. 2617.90 crore. India Post, therefore, faces great pressure to reduce costs, increase revenue and operate on a far more commercial basis while fulfilling the rising expectations of the customers. The Committee feel that these challenges can be faced only by improving services and adapting them to the needs of the rapidly evolving and increasingly technology driven world. With the obvious revenue generation limitation on account of fulfillment of USO, this calls for intensified focus on non-core activities like financial and non-financial and information technology based services by mainly leveraging their network.

2. The Committee observe that DoP seek to enable access to financial markets and enhance opportunities without discrimination, to all regions and social groups in the Country. The financial services offered by DoP can broadly be classified into three categories. These are, the Banking Services operated on behalf of the Ministry of Finance, the Insurance Services administered by the Director General, Posts (Secretary, DoP) and the International Money Transfer and Mutual Funds carried through tie-up arrangements. The Committee note that the Department have received Rs. 1861 crore, Rs. 2323 crore and Rs. 2490 crore during the years 2004-05, 2005-06 and 2006-07 respectively from the Ministry of Finance as remuneration charges for performing Savings Bank/Cash Certificates work. Further, the premium income of DoP from Insurance operations are stated to be Rs. 1285.46 crore, Rs. 1553.76 crore, Rs. 1812.82 crore and Rs. 2145.80 crore for the years 2004-05, 2005-06, 2006-07 and 2007-08 respectively.

Evidently, these figures indicate that the contribution of DoP in these areas is not insignificant. The various aspects arising out of the Committees' examination of the management of funds by DoP through banking and insurance activities are dealt with in the succeeding paragraphs.

II. BANKING ACTIVITIES

(i) Post Office Savings Bank (POSB)

3. The oldest and the largest banking institution in the Country, the Post Office Savings Bank (POSB) functions as an agency of the Ministry of Finance, (MoF) Government of India. MoF pay an annual remuneration to DoP for the performance of the Savings Bank function. The Committee note that the Department at present through the Post Office Savings Bank are offering products like Savings Bank Account (SB), Recurring Deposits (RD), Time Deposits (TD), Monthly Income Scheme (MIS), Public Provident Fund (PPF), Kisan Vikas Patra (KVP), National Savings Certificates (NSC) and Senior Citizen Saving Scheme (SCSS). The total number of accounts under different Schemes as on 31 March, 2007 are 172397269 with a total deposit of Rs. 351547.72 crore. The Committee are constrained to observe that the Savings Deposits are showing a declining trend. Their examination revealed that the deposits of Rs. 130474 crore during the year 2005-06 came down to Rs. 116085 crore during 2006-07. On the other hand, the withdrawals have shown an increasing trend being Rs. 76740 crore during the year 2005-06 and swelling further to Rs. 90922 crore during the year 2006-07. Since the Post Office Savings have been the most preferred investment/savings option of the general public, the Committee find this negative trend of declining deposits and rising withdrawals very perturbing and a reflection of the shrinking popularity and trust of the people in the Schemes of the Department. The Committee desire that the Department should thoroughly look into the reasons for this and take corrective measures at the earliest. The Committee would like to be apprised of the initiatives taken by the Department to revive the Savings deposits as the foremost investment option of the people.

4. The Committee find from the data furnished by the Department relating to the Circle-wise position of number of accounts of All Savings Schemes that there is an alarming trend of decline in the savings account. Out of 22 Circles, declining trends have been observed in 13 Circles *viz.*, Assam, Base (Army Postal Circle) Delhi, Gujarat, Haryana, Jammu & Kashmir, Kerala, North-East, Orissa,

Tamil Nadu, Uttar Pradesh, West Bengal and Uttarakhand. The worst is the position in Haryana where the number of accounts during the year 2005-06 has sharply declined almost by 30 per cent of the total accounts. The Committee strongly recommend that the reasons for the sharp decline in the number of Savings Scheme Accounts in the aforesaid States be analysed state-wise and corrective actions be taken in this regard. The Committee may be kept apprised of the concrete action taken by the Department.

5. The Committee further note that the figures of the total amount mobilised under the Post Office Savings Bank Schemes also showed a declining trend. They note that the total funds mobilised under various Schemes declined to Rs. 119883 crore in the year 2006-07 from Rs. 133498 crore during the year 2005-06. Similar shortfalls are also noticed in the case of Savings Certificate operations. The number of certificates issued during the year 2005-06 were 7.11 crore and the amount mobilised was Rs. 39810.14 crore which declined to 6.38 crore and Rs. 34534.73 crore respectively during the year 2006-07. The declining trend in the Post Office savings was attributed to several factors including the increasing options for the investors in more promising areas of returns like mutual funds, etc. The Committee, however, find that an important reason for this phenomenon was that the rates of interest on POSB Schemes have not been increased by MoF though the commercial banks have been permitted to do so. For instance, in term Deposit Schemes of one and two years, the leading bank SBI is offering interest at the rate of 9.50 per cent for general category whereas POSB are offering interest at the rate of 6.25 per cent and 6.50 per cent respectively. Besides, for senior citizens, SBI is offering 10 per cent rate of interest for one year and two year term deposit Schemes which is 0.50 per cent more than the general category whereas in case of POSB no such extra benefit is being provided to senior citizens. Although the Department had taken-up the matter with MoF, which was followed-up at various levels, yet, inexplicably, no relief has been forthcoming. In the opinion of the Committee, DoP ought to be provided with a level playing field and their case for increasing the rates of interest in various Small Savings Schemes at par with the banks deserves serious consideration. Undoubtedly, decrease in POSB mobilisation will adversely impact the developmental activities of the States as well. The Committee, therefore, desire that without wasting further time DoP should take the matter with MoF at the highest level to ensure that the matter regarding making the interest rates on POSB Schemes comparable to Banks is sorted out at the earliest and the POSB Schemes are restored to their previous role of the most favoured investment option of the common man.

6. The Committee find it strange that the Department have no targets fixed for opening Savings Banks accounts as a whole or on a Circle-wise basis but Circles are allotted revenue targets in respect of Savings Bank/Savings Certificates work for each year. The Committee feel that unless targets for opening new accounts are fixed at the national level, a holistic picture cannot emerge. The revenue targets for the Circles may of course act as additional inputs in this regard, but these should be separately fixed for Savings Bank and Cash Certificates work as this will help the Department to identify the areas of under performance in each of these activities and remedial measures can be taken accordingly. The Committee also find that against a revenue target of Rs. 2992.55 crore for year 2007-08 various Circles could generate revenue to the tune of Rs. 2362.29 crore which is 78.89 per cent of the target fixed. The Committee find it disconcerting that several Circles have missed their revenue targets by sizeable margins. With account targets and revenue targets fixed in tandem in future, the Committee expect that the declining trend in achieving the targets will be reversed. The concrete action taken in this regard should be intimated to the Committee.

7. The Committee note that Post Office Savings which enjoy tax concession on interest accrued, have a ceiling of Rs. 1 lakh in single and Rs. 2 lakh in joint accounts. Based on representations received from general public, DoP have requested the Ministry of Finance to raise this limit. MoF have in turn taken up the matter with Central Board of Direct Taxes (CBDT) to increase the limit to Rs. 3 lakh. The Department of Revenue (CBDT) have, however, taken a stand that there will be a revenue loss if the demand is acceded to. The Committee are of the view that the tax concession on interest accrued is an added benefit of Post Office Savings Scheme. A suitable increase in the limit would be a definite addition attracting more depositors in the Post Office Savings and stem the current declining trend. The Committee, therefore, recommend that the Government should give favourable consideration to the proposal of DoP.

8. The Committee note that MoF have recently reintroduced a bonus of 5 per cent on MIS and tax exemption on investments in Five year Term Deposits and Senior Citizens Savings Schemes. The Committee strongly feel that a lot more needs to be done to make POSB Schemes more attractive to the investing public. It is inexplicable why sufficient incentives have not been introduced with focus on rural India that is the predominant clientele of the Schemes of the Department and for most of whom tax benefits have no meaning as they generally do not come within the Income Tax net.

The Committee desire that the Department should work out in tandem with the Ministry of Finance to provide some additional incentives for the vast membership of POSB Schemes in rural areas.

9. The Committee further note that the Department have, in the recent years, requested MoF for starting some new Schemes for girl child, working women, rural women, etc. in the light of direction of MoF on gender budgeting. The Committee find strong merit in these proposals of DoP and desire that these should be pursued in right earnest with MoF to fructify them at the earliest.

(ii) Market Share of POSB

10. The Committee are perturbed to note that despite the advantages in terms of reach, network and goodwill, the Department have a meagre market share in the Country's banking sector. Curiously, the Department do not even maintain any data on the market size, market share, etc. under the plea that they are not the sole operator of such Schemes. From the data submitted to the Committee by the Department from the Reserve Bank of India website, it is noted that the aggregate deposits of the Savings Schemes of Scheduled Commercial Banks in the Country as on March, 2007 stood at Rs. 2608309 crore. The outstanding balance of all POSB Schemes excluding Savings Certificates was Rs. 351590 crore on the corresponding day. According to the Department, this is 11.88 per cent of the aggregate national deposits. On a relook, the Committee found that in percentage terms, the balance in Post Office Saving Bank Schemes as on March, 2007 worked out to 13.47 per cent of the aggregate deposits of Savings Schemes of Scheduled Commercial Banks and not 11.88 per cent. All this is indicative of lack of seriousness on the part of the Department towards an activity, which has all the potential to act as the much needed lifeline for the Department to enable them to sustain their operations. For their banking operations to succeed and expand further to their real potential, the Department ought to evolve a centralised monitoring and evaluation system at the Headquarters level. This system, manned by senior officials with relevant professional qualifications should keep an eye on the market size, market development and trends on a day-to-day basis so as to provide the much needed directional support and guidance to the field offices.

(iii) Organisational Structure

11. The Committee note that though the Department have a defined organisational structure at various levels for carrying out

banking and other financial activities, no professional qualifications have been laid down by the Department for the personnel manning these specialised financial areas. The Committee are not convinced with the Department's explanation that it has not been done since they are not doing full fledged banking and other financial activities, though some training is provided to persons entrusted with such work. Such reasoning would have sounded logical in the past when the Department were largely focussed on postal services and related activities. Now, when the Department are looking more and more towards the numerous avenues for revenue generation through financial services, it is but imperative that personnel specifically qualified for the purpose are also in place in the Department. Moreso, when the activities of the Department as a banking correspondent have become well defined now, it would lead to substantial increase in their banking and related activities. The Committee would also like the Department to provide for specialised, intensive in-house training for the existing staff entrusted with these works. The Department should, in this context, also seek outside professional guidance and help in designing and carrying out training modules and activities for ushering highest levels of professionalism in the personnel carrying out these activities.

(iv) Rate of Remuneration for Agency Services

12. The Committee note that based on the recommendations of an Expert Committee set up by MoF in 1993-94, the Department of Posts were to be paid agency charges by MoF with an annual increase of 10 per cent over the preceding year's remuneration. However, the Ministry paid agency charges to DoP as per this formula for a few initial years but have thereafter, failed to adhere to the recommendations of their very own committee. Finding merit in the contention of the plea of DoP, the Committee have been recommending a positive consideration by MoF in the matter, in their successive Reports. Midway through the examination of the present subject, the Committee asked DoP and MoF to reconcile their differences in this regard at the earliest. As a result, MoF have increased the rate of remuneration for the year 2008-09 by 4.6 per cent over the last year. The Committee while appreciating this move of MoF still feel that this increase is nowhere near the 10 per cent benchmark. The Post Office Savings Schemes with more than 17 crore accounts and a bevy of services to offer entail a lot of additional workload on DoP. The massive corpus of these Schemes is a significant contributor to the developmental efforts. The Committee, therefore, desire that as recommended in their Fifty-sixth

Report on the Demands for Grants (2008-09), the Department should continue to vigorously pursue with MoF for securing the annual 10 per cent increase in the rate of remuneration as per the recommendations of the Expert Committee.

(v) Eleventh Five Year Plan Scheme of 'Banking & Money Transfer Operations': An Analysis

13. The Committee note with appreciation that to fully realise the potential of vast customer base and capitalise on the good will of India Post in the area of banking and money transfer operations and in order to develop the Post Office network in the manner of financial service provider, the Department have taken up the Scheme of Banking and Money Transfer Operations' during the Eleventh Plan. A sum of Rs. 142.50 crore has been provided, under the Scheme for the Plan period with emphasis on technology infrastructure options, hardware and software requirements and networking. The Committee, however, observe that during the first year of the Plan, the performance of the Department has been very poor. A sum of Rs. 22.50 crore was allocated for the Scheme at BE stage for the year 2007-08. This was pruned down drastically to Rs. 8.82 crore and the actual expenditure upto December, 2007 has been a paltry Rs. 0.08 crore *i.e.* less than 1 per cent of the RE allocation. On the physical achievement side too, against the targets of one consultancy, upgradation of IT infrastructure and networking system integration in 33 Post Offices, setting up of 84 PFMs, extending instant money order services to 6350 Post Offices and providing training to 100 officials in relation to setting up of Postal Bank of India, the Department have nil achievements as on 31 December, 2007. This is clearly indicative of the unsatisfactory planning and execution processes in the Department, which needs rectification. The Committee, therefore, desire that at least in the remaining years of the Eleventh Plan, the Department should make all possible efforts to judicially and maximally utilise the allocated amount. This will certainly help the Department in having Centralised Banking Solutions which would make the operations efficient and cost effective and further strengthen the network for exploring untapped segments for fee-based services while broadening the Department's revenue generation base.

(vi) Electronic Fund/Money Transfer Mechanism

14. The Committee note that two very useful Schemes operated by the Department *viz.* Electronic Fund Transfer (EFT) and

Warrant Payment Scheme (WPS) were rendered non-functional due to discontinuation of VSAT network. While EFT facilitated end-to-end fund transfers by banks on behalf of corporate sector and capital markets, the WPS facilitated redemption of dividend warrants. The Department are now proposing to set up Core Banking Solutions (CBS) enabling 'Anytime – Anywhere' banking in 4000 Post Offices all over the Country. Once the infrastructure is in place in these 4000 Post Offices, Schemes like EFT and WPS could be considered for re-introduction. The Committee expect that the CBS facility will be made functional at the earliest at these 4000 Post Offices followed by time bound expansion of the Scheme throughout the country as this will enable the development of seamless transfer of information and a coordinated platform for various financial activities for all the customers, employees and the management in an integrated and comprehensive manner.

15. The Committee further note that Schemes like Instant Money Order (IMO) and facility of electronic Clearance Scheme (ECS) for Monthly Installment Scheme (MIS) have been introduced by the Department. The International Money Transfer Service in association with Western Union Money Transfer, has also been generating revenue for the Department. The Committee appreciate these initiatives of the Department and desire that the Department should link the domestic instant money order service with the Savings Bank (SB), Electronic Fund Transfer (EFT) and other domestic services which can be further linked to the Universal Postal Union's International Financial Systems (IFS)/Eurogiro/SWIFT and other relevant international systems without any further delay in order to facilitate two way money transfer facility between India and other Countries. Considering the fact that India receives the highest amount of remittances anywhere in the world and there is still a huge potential for money transfer on account of large Indian diasporas across the globe, these linkages ought to be accorded top priority by the Department.

(vii) Post Bank of India (PBI)

16. The proposal for setting up of a Post Bank of India has been under consideration of the Government for several years now. Numerous queries of the Committee in connection with their previous Reports met with a stoic answer that the Post Bank was at the conceptual stage. While examining the present subject, the Committee were informed by DoP that Post Bank was proposed to be set up during the Eleventh Five Year Plan. However, during the oral evidence, the representative of MoF informed the Committee

that in the present trend of consolidation and mergers, RBI was very reluctant to issue fresh licence for banks. The Committee have also been given to understand that RBI had already come out with its guidelines on banking correspondent and banking facilitator models. The banking correspondent model foresees Post Offices being used by the banks as their banking correspondents, who can collect deposits for the banks, give small credit facilities from the banks, perform remittance facility, etc. Under this banking correspondent model, the Department presently have a tie-up with the State Bank of India on pilot basis in about 100 Post Offices in five postal Circles *viz.* Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra and Jharkhand. The Committee are unhappy over the state of indecision that has prevailed in DoP and MoF with regard to Post Bank of India for years together. Now, that a more achievable and practical banking correspondent model has been identified and is under implementation, the Committee hope that on the basis of experience gained through the pilot project, the Department would extend it to other Circles and cover more Post Offices in a phased manner and also make use of the opportunities created by growing retail services in an innovative way by forging tie-ups with various Government/ Private institutions/agencies.

17. As the Department have the edge in terms of institutionalised banking structure and immense goodwill, the Committee feel that the Department can very efficiently bridge the gaps in credit availability and enhance the institutional credit framework in the rural and semi-urban areas and also ensure better revenue generations. More significantly, the vast network of Post Offices can become the ideal delivery platform for various rural development Schemes of the Government. In this regard, the Committee may like to refer to their recommendation made in Fifty-sixth Report on Demands for Grants 2008-09 of DoP, whereby it has been recommended to capture rural sector by the strategy of opening Savings Bank accounts of every BPL family under the NREGA and any other Central sponsored Scheme, whereby the Post Offices have been involved with the objective of financial inclusion. The Committee hope that the Department would have been taking the desired initiatives. The Committee would like to be apprised of the outcome of the initiatives taken by the Department in this regard.

III. INSURANCE ACTIVITIES

(i) Insurance Schemes of DOP

18. The Committee note that Postal Life Insurance (PLI) was introduced in the year 1884 as a Scheme initially meant for the

welfare of the postal employees and was gradually extended to the employees of the Telegraph Department, Central and State Governments, Public Sector Undertakings, Universities, Government aided Educational Institutions, National Banks, Local bodies, etc. The Rural Postal Life Insurance (RPLI) was introduced in March, 1995. It is open to all between the age of 19 to 60 years having a rural address. The prime objective of RPLI is to benefit weaker sections and women workers of rural areas and to spread insurance awareness among the rural populace. The Committee further note that unlike Post Office Savings Bank Schemes, the products and their features under PLI and RPLI are designed by the Department of Posts though with the concurrence of the Ministry of Finance. The total number of policies under PLI is 32,97,825 as on 31 March, 2007 and the number of policy holders under RPLI stands at 52,46,673 on the corresponding date. The total sum assured under the two Schemes is Rs. 26,753.17 crore and Rs. 33,865.65 crore respectively. The corpus of PLI at the end of 2006-07 is Rs. 10342.61 crore. The corpus of RPLI at the end of fiscal 2006-07 stood at Rs. 2284.92 crore. The Committee note with satisfaction that the premium income of DoP from these two Schemes has also shown an encouraging upwards trend. The income from premium from PLI rose by about 30 per cent from Rs. 904.58 crore in 2004-05 to Rs. 1211.79 crore in 2006-07. Similarly, the income from the premium of RPLI grew by more than 50 per cent from Rs. 380.88 crore in 2004-05 to 601.03 crore in 2006-07. The Committee expect that DoP will maintain this trend in the years to come.

19. The Committee note that the number of policies under PLI have increased from 2098577 in 2002-03 to 3297825 in 2006-07 *i.e.* by about 80 per cent during the Tenth Plan Period. The RPLI policies have shown an almost 300 per cent growth from 1795070 in 2002-03 to 5246673 in 2006-07. The total sum assured under PLI almost doubled during this period from Rs. 13677 crore to Rs. 26753 crore. The sum assured under RPLI also increased almost four and a half times during the Tenth Plan period from Rs. 7465 crore to Rs. 33866 crore. The estimated growth rates of PLI and RPLI has been 15 per cent and 40 per cent per annum respectively. While fully appreciating the strides taken by the Department for expanding their insurance activities, the Committee note that these achievements are the proverbial tip of iceberg and the full potential of the Insurance Schemes operated by DoP is yet to be exploited. Inspite of lower premium rates and higher bonus rates as compared to similar policies of other players in the insurance sector, the market share of DoP is a meagre 2.7 per cent. In the opinion of the Committee, this tardy

progress is mainly because of the fact that the insurance activities of DoP are, even in this era of liberalization, shackled with norms that are highly restrictive. They are required to seek directions of the Ministry of Finance (Insurance Division) in terms of their letter No. 97(25)/INS.II/93 dated 20 September, 1993 for all policy matters like extension of scope so as to cover other clientele, introduction of new products etc. While other players are having freedom to come-up with all sorts of products, DoP cannot even introduce Unit Linked Insurance Products (ULIPs) inspite of the market demand just because the concurrence of MoF is not forthcoming. The Committee find this a very unsatisfactory situation. They are of the opinion that DoP should also be given atleast as much freedom, if not more, as enjoyed by other players in the insurance sector. They, therefore, strongly recommend that the conditionalities imposed on DoP by the communication of 1993 regarding mandatory concurrence of Insurance Division when launching any fresh initiatives, ought to be withdrawn forthwith and DoP should be allowed to extend their clientele and introduce new products on their own after exercising due diligence. The Committee further recommend that the Department should consider the desirability of going in for tie-ups with other Government/Private insurance agencies in rural and semi-urban areas for various life and non-life products like medical insurance, farming vehicle/equipment insurance products, etc. as these Schemes have a readymade market and would definitely help the Department to substantiate their revenue generation. The Committee feel that given this much needed functional freedom and diversification, DoP would continue their good work in insurance sector and improve their market presence.

20. The Committee expect that while persisting with their current strategy of luring individual customers, the Department while devising new Schemes and marketing strategies should also keep in mind the need and requirements of corporate and institutions as their potential clients. The Committee would like the Department to take initiatives with regard to signing MoUs with various bodies/ institutions for their Postal Life Insurance Schemes by way of offering certain attractive discounts on bulk membership. This will also help the Department to ensure timely payment of premium and mitigate the risk of default.

(ii) Eleventh Plan Scheme of 'Insurance Operations'—An Analysis

21. The Committee observe that the Department have provided Rs. 35 crore for the Scheme 'Insurance Operations' for the development of insurance software for online operations,

computerisation of PLI/RPLI, publicity of insurance products, training of marketing personnel in insurance marketing and for the training of Circle Office personnel in under writing for the Eleventh Plan. The Committee are, however, unhappy with the performance of the Department in execution of this Scheme. In the very first year of the Eleventh Plan, out of an earmarked Outlay of Rs. 7.06 crore not even a single rupee could be spent upto December, 2007 *i.e.* during the first nine months of the fiscal. As in the case of the Schemes meant for banking activities, this Scheme for insurance activities also could not take off due to non-receipt of requisite clearances and approvals. While appreciating the limitations of the Department in this regard, the Committee want them to ensure that the funds allocated under the Scheme are prudently and fully utilised in the rest of the Eleventh Plan so that the Department are able to provide all the facilities at par with other players and are in a position to compete effectively and efficiently with them on an equal footing.

(iii) Changes in Investment Pattern of PLI and RPLI Funds

22. The Committee note that in pursuance of the directive of the Ministry of Finance (Budget Division), the incremental accretion to POLIF and RPOLIF will now have to be invested as per Insurance Regulatory and Development Authority (IRDA) [Investment] Regulations, 2000 as amended in 2001. Accordingly, the corpus of POLIF and RPOLIF would be frozen on a specific cut-off date and converted into dated securities over a period of three years offering a mix of maturities to be decided. The corpus of POLIF and RPOLIF and the accretions to the fund after the cut off date will no longer form part of the Special Deposit Scheme of the Ministry of Finance. The fund will now be invested in the market by the Department as per the guidelines of IRDA. The Committee also note that though as a Government Department, DoP are not a part of IRDA but they have voluntarily chosen to follow IRDA norms for investment of this Fund. The Department are planning to set up an Investment Board for the purpose which will be assisted by an Investment Division. The Committee appreciate the initiative of the Department of voluntarily choosing to follow the IRDA norms for investment. This would send a very positive signal to investors, both the current and the prospective ones about the Insurance Schemes being operated by DoP. The compliance with IRDA norms would also put the services rendered by the Department in insurance sector at par with other players in the field. The Committee, therefore, desire that all preparatory works for setting-up of Investment Board, Investment Division, securitisation of corpus after the cut-off date, etc. may be

completed in a stipulated time frame. The new Scheme of fund investment is an uncharted course and devolves the responsibility of safekeeping and fund management by the Department for the first time. The Committee, therefore, hope that the Department would make earnest efforts to have the best available professional talent included in the Investment Board so as to ensure that the Fund is managed judiciously and efficiently in the years to come. Further, the Investment Board should have very clearly defined duties, responsibilities and powers. In addition, since IRDA investment regulations do not permit out-sourcing of investment functions, the Department need to develop their own cadre of investment personnel to take care of every aspect of the investment function and investment strategy besides taking care of day to day activities within a short period of 3-4 years *i.e.* till the time PLI & RPLI Fund comes under IRDA norms. This is an onerous task and the Committee desire that the Department should take all measures to achieve it. The Committee would like to be apprised of a definite roadmap, including targeted dates for each of these activities, at the earliest.

IV. REGULATORY MECHANISM

23. The Committee in their earlier Report on Demands for Grants (2008-09) of DoP, considering the increased activities of the Department in the various fields of postal operations, banking, insurance and money transfer activities, have recommended that the Government should consider setting up of a regulatory mechanism in this regard. In view of the Department's ambitious plans of increasing financial activities it has now become incumbent upon the Department to have some sort of regulatory mechanism on an urgent basis so as to make their functioning more transparent and accountable and win the trust and faith of the clients. The Committee would like to be informed of the action taken in the matter.

V. COMPUTERISATION AND MODERNISATION OF POST OFFICES

24. The Committee observe that the Department have computerised 8263 Post Offices, all Circle Offices, Regional Offices, Postal Account Offices, 206 Divisional Offices, Speed Post Centres and 816 Head Post Offices throughout the Country in the Tenth Plan. The Committee further note that the Department have plans for computerizing remaining 17598 Departmental Post Offices and 64000 Branch Post Offices during the Eleventh Plan and are developing and implementing various softwares for effective and

prompt services. The Committee while appreciating Department's efforts think that the focus on technology induction with an increased emphasis on rural areas should continue and the approach for network access needs to be reviewed with the introduction of alternative mechanisms like franchising, etc. The Committee, in view of the increased financial activities of the Department recommend that the project for restructuring/process reengineering and modernisation and total networking and computerisation of the Accounts Wing of the Department should also be carried out expeditiously. The Committee are confident that the network of fully computerised Post Offices, besides augmenting revenue generation through consolidation of existing services, introduction of new value added services, increased banking and insurance activities, will also support the e-governance initiatives of the Central Government particularly the NeGP.

25. The Committee during the examination of Demands for Grants (2008-09) of DoP observed that the National Data Centre has been developed and the Department have proposals for setting up some Regional Data Centres. The Committee think that the National Data Centre will have to be strengthened to network various categories of Post Offices and Administrative Offices and to enable all levels to access management information on real time basis, thus helping to take quicker decisions and cut processing costs. Further, as the Department are a data repository, the Committee opine that with proper data management they can also provide business intelligence with substantial possible commercial spin off.

VI. POSTAL FINANCE MARTS (PFMs)

26. The Committee note that the Department have plans for setting up of 500 PMFs in addition to the 300 odd PFMs set up during the Tenth Plan as a one stop shop for all financial services. The Committee, however, note with concern that none of the 84 Postal Finance Marts earmarked for 2007-08 could be opened due to want of mandatory clearances and approvals of various agencies. For the year 2008-09 a target of 120 PFMs has been projected by the Department. Keeping in view the immense importance of the PFMs in giving the much needed fillip to the activities of the Department in financial sector, the Committee exhort them to take all necessary measures for expediting the requisite clearances and approvals so that the Plan target of 500 PFMs is atleast achieved in the remaining four years of the Plan. The Committee are sure that the PFMs would help in creating a distinct identity and brand for the Department

and also serve as a front end for the tie-ups with various financial institutions and banks for vending their retail services. The Committee would also like the Department to equip the PFMs with all the utility products ranging from photocopying facility to facsimile, stationery, packaging material, internet connectivity, etc. to meet the growing customer expectations and competition and to increase business volume.

VII. ADVERTISING AND PUBLICITY

27. The Committee note that during the financial years 2004-05. 2005-06 and 2006-07 the Department have spent Rs. 72.70 lakh, Rs. 198.25 lakh and Rs. 194.43 lakh respectively for marketing of various POSB Schemes and new products and services. In the Eleventh Plan, a sum of Rs. 30.00 crore has been allocated for marketing and advertising of financial services, which is a substantial increase over past allocations. However, the Committee are dismayed to note that only Rs. 1.00 crore each have been allocated for the purpose during the first two fiscals of the Plan. It is inexplicable why such meagre allocations have been made during the first two years and 90 per cent allocations have been left for the remaining three years of the Plan. The Committee would impress upon the Department to ensure an evenly spread of allocation of the funds meant for marketing and advertisement of Financial Services so that not only the earmarked activities do not suffer but the Department are also not compelled to surrender precious funds.

28. The Committee point to the fact that as the Department have to function in a competitive market, their advertising/branding exercise should be professional, quick in response and focused in approach to the segment targeted. This calls for involving print and electronic media and they should be optimally utilised according to the DAVP regulations. All new Schemes and services, changes in existing banking and insurance Schemes must be showcased in all the Post Offices through standardised, well designed, attractive posters and notices so that they immediately catch the attention of the customers. They should also be well publicised through newspapers and hoardings in order to establish an ongoing interaction with the customers. Further, for due publicity of the banking and insurance products there is an urgent need to have coordination with local governing bodies too. The forum of *Gram Sabha* **meetings can be the best platform to make the rural people aware of the Schemes of the Post Offices. The Committee further want the Department to evolve an effective marketing strategy, multi pronged marketing action, strong evaluation mechanism and strive for research based product development.**

29. To sum up, the foregoing paragraphs identify certain key areas in the administration of the Financial Services of the Department of Posts, particularly the Banking and Insurance activities, which requires urgent attention. Some of the tasks to be achieved and impediments and shortcomings which need to be handled with utmost seriousness and promptitude on the Banking side include, arresting the declining trend of deposits and the rising withdrawals from the Savings Deposits; the alarming decrease in the number of accounts in POSB Schemes in several States; shortfalls in Savings Certificates operations; the need for revision of rates of interest on POSB Schemes comparable with those of commercial banks; additional incentives for vast membership of POSB Schemes in rural areas; introduction of a centralized monitoring and evaluation system at the Headquarters for banking operations; settlement of the long pending remuneration charges for agency services in consultation with MoF; extension of banking correspondent model in a phased manner from pilot project to a pan India presence etc. The points emerging in the Insurance Sector include, the need for maintaining the increasing trend of policies and income from premia of PLI and RPLI; pursuing vigorously with MoF, the withdrawal of conditionalities imposed about launching of new Schemes to ensure a level field with other players in the Insurance Sector; charting out at the earliest, a definite and time bound roadmap for transition to the new investment pattern of PLI and RPLI funds to ensure expeditious implementation of the Scheme etc. There is also a need for judicious utilization of funds allocated for Banking and Insurance Sector Schemes for the Eleventh Plan to avoid slippages; and establishment of a Regulatory Mechanism to oversee the multifarious activities of the Department including postal operations, banking, insurance and money transfer activities. The imperatives for re-orienting/restructuring the administrative organization including human resource development need hardly be over emphasized. The Committee expect the Department to take necessary action in right earnest so that India Post not only make their valuable contribution to national growth in an effective way but also improve their financial health in the process.

NEW DELHI;
27 *August,* 2008
5 *Bhadrapada,* 1930 *(Saka)*

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

APPENDIX I

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2007-2008)

The Committee sat on Monday, the 12th November, 2007 from 1650 hrs. to 1750 hrs. in Committee Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Nikhil Kumar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Ramesh Dube
4. Shri Nikhil Kumar Choudhary
5. Shri Sanjay Shamrao Dhotre
6. Shri G. Nizamuddin
7. Shri Badiga Ramakrishna
8. Shri K.V. Thangka Balu
9. Shri P.C. Thomas

Rajya Sabha

10. Shri A. Vijayaraghavan
11. Shri Rajeev Chandrasekhar

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri P.C. Koul — *Deputy Secretary*

WITNESSES

REPRESENTATIVES OF THE DEPARTMENT OF POSTS

1. Shri I.M.G. Khan — Secretary
2. Ms. Anju Das Gupta — Member (I&FS)

3. Smt. Annie Moraes	—	Joint Secretary & Financial Advisor
4. Smt. Sunita Trivedi	—	CGM (PLI)
5. Shri S. Samant	—	CGM (BD)
6. Shri S.K. Sinha	—	DDG (CP)
7. Shri V. Sudhakur	—	DDG (Tech.)
8. Shri Monojit Kumar	—	DDG (FS)
9. Shri A.B. Joshi	—	DDG (Vigilance)
10. S.K. Mishra	—	DDG (PAF)
11. Shri Gautam Bhattacharya	—	DGM (PLI)

REPRESENTATIVES OF THE MINISTRY OF FINANCE

I. DEPARTMENT OF ECONOMIC AFFAIRS

1. Smt. L.M. Vas	—	Joint Secretary (Budget)

II. DEPARTMENT OF FINANCIAL SERVICES

1. Shri Amitabh Verma	—	Joint Secretary
2. Shri Tarun Bajaj	—	Director
3. Shri B.S. Bhalla	—	Director

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Department of Posts and the Ministry of Finance (Department of Economic Affairs and Department of Financial Services) to the sitting of the Committee. Emphasizing the significance of prudent management of funds by the Department of Posts through banking and insurance activities in the current scenario and the significant role played by the Department of Posts, Department of Economic Affairs and Department of Financial Services in such activities, the Chairman requested the representatives of these Departments to enlighten the Committee on the subject.

3. Accordingly, the Secretary, Department of Posts gave a presentation covering various aspects of 'Management of Funds by the Department of Posts through Banking and Insurance activities'. The members sought certain clarifications on various issues relating to the subject and the representatives of the three Departments responded to the same.

4. The Chairman, then, thanked the witnesses for appearing before the Committee as well as for furnishing valuable information that the Committee desired in connection with the examination of the subject.

A verbatim record of the proceedings has been kept.

The witnesses, then, withdrew.

The Committee, then, adjourned.

APPENDIX II

MINUTES OF THE SEVENTEENTH SITTING OF THE STANDING COMMITTEE ON INFORMATION TECHNOLOGY (2007-2008)

The Committee sat on Tuesday, the 12th February, 2008 from 1100 hrs. to 1305 hrs. in Committee Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Nikhil Kumar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Ramesh Dube
4. Shri Nikhil Kumar Choudhary
5. Shri Sanjay Shamrao Dhotre
6. Shri Narahari Mahato
7. Shri G. Nizamuddin
8. Shri Lalmani Prasad

Rajya Sabha

9. Shri Shyam Benegal
10. Shri Gireesh Kumar Sanghi

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri P.C. Koul — *Deputy Secretary*

WITNESSES

REPRESENTATIVES OF THE DEPARTMENT OF POSTS

1. Shri I.M.G. Khan — Secretary
2. Ms. Anju Das Gupta — Member (I&FS)
3. Ms. Radhika Doraiswamy — Member (P)
4. Smt. Annie Moraes — Joint Secretary & Financial Advisor

5. Smt. Sunita Trivedi	—	CGM (PLI)
6. Shri S. Samant	—	CGM (BD)
7. Shri Gautam Bhattacharya	—	DGM (PLI)
8. Ms. Kalpana Tewari	—	DDG (PQ&QA)
9. Shri P.T.S. Kumar	—	DGM (Global Business) & Secretary (PSB)
10. Shri K.L. Khanna	—	DDG (Estates & PN)

REPRESENTATIVES OF THE MINISTRY OF FINANCE

I. DEPARTMENT OF ECONOMIC AFFAIRS

Smt. L.M. Vas	—	Joint Secretary (Budget)

II. DEPARTMENT OF FINANCIAL SERVICES

Shri Tarun Bajaj	—	Joint Secretary (Insurance)

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Department of Posts and the Ministry of Finance (Department of Economic Affairs and Department of Financial Services) to the sitting of the Committee.

3. Thereafter, an audio-visual presentation covering various aspects and issues related to the subject 'Management of Funds by the Department of Posts through Banking and Insurance Activities' was made. The members sought clarifications on various issues relating to the subject and the representatives of the three Departments responded to the same.

4. The Chairman, then, thanked the witnesses for appearing before the Committee as well as for furnishing valuable information that the Committee desired in connection with the examination of the subject.

A verbatim record of the proceedings has been kept.

The witnesses, then, withdrew.

The Committee, then, adjourned.

APPENDIX III

STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2008-2009)

MINUTES OF THE SECOND SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 27th August, 2008 from 1100 hrs. to 1300 hrs. in Room No. 53, Parliament House, New Delhi.

PRESENT

Shri Nikhil Kumar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Shri Ramesh Dube
6. Shri Narahari Mahato
7. Shri Bhubaneshwar Prasad Mehta
8. Shri Lalmani Prasad
9. Shri Tufani Saroj
10. Shri Tathagata Sathpathy

Rajya Sabha

11. Dr. C.P. Thakur
12. Shri A. Vijayaraghvan
13. Shri Rajkumar Dhoot
14. Shri Shyam Benegal

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Shri P.C. Koul — *Deputy Secretary*
4. Shri D.R. Mohanty — *Under Secretary*

WITNESSES

MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(DEPARTMENT OF INFORMATION TECHNOLOGY)

*** *** ***

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Ministry of Communications and Information Technology (Department of Information Technology) to the sitting of the Committee.

3. *** *** **

4. The Chairman thanked the witnesses for appearing before the Committee as well as for furnishing valuable information desired by the Committee.

A verbatim record of the proceedings has been kept.

The witnesses, then, withdrew.

5. The Committee, then, took up the following Draft Reports for consideration and adopted the same:—

(i) Draft Report on 'Management of Funds by the Department of Posts through Banking and Insurance Activities' relating to the Ministry of Communications and Information Technology (Department of Posts).

(ii) *** *** ***

(iii) *** *** ***

(iv) *** *** ***

6. The Committee authorised the Chairman to finalise the above Draft Reports and present the same to the House on a date convenient to him.

The Committee, then, adjourned.

***Matters not related to this Report.

SIXTY-SECOND REPORT

STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2008-2009)

(FOURTEENTH LOK SABHA)

MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(DEPARTMENT OF POSTS)

MANAGEMENT OF FUNDS BY THE DEPARTMENT OF POSTS THROUGH BANKING AND INSURANCE ACTIVITIES

Presented to Lok Sabha on 20 *October* 2008
Laid on the table of Rajya Sabha on 22 *October* 2008

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2008/*Bhadrapada,* 1930 *(Saka)*

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4. Shri Sanjay Shamrao Dhotre
5. Shri Ramesh Dube
6. Smt. Jayaprada
7. Shri Narahari Mahato
8. Shri Bhubaneshwar Prasad Mehta
9. Shri Harish Nagpal
10. Shri G. Nizamuddin
11. Shri Sohan Potai
12. Shri Lalmani Prasad

*13. Vacant

14. Shri Tufani Saroj
15. Shri Tathagata Satpathy
16. Smt. Rubab Sayeda
17. Shri K.V. Thangka Balu
18. Shri P.C. Thomas
19. Shri Kinjarapu Yerrannaidu
20. Vacant
21. Vacant

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*Shri Badiga Ramakrishna, M.P. ceased to be a member of the Committee *w.e.f.* 26 August, 2008.

Rajya Sabha

22. Shri Praveen Rashtrapal
23. Shri Gireesh Kumar Sanghi
24. Shri Ravi Shankar Prasad
25. Shri Dara Singh
26. Dr. C.P. Thakur
27. Shri A. Vijayaraghavan
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4. Shri P.C. Koul	—	*Deputy Secretary*
5. Shri D.R. Mohanty	—	*Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2008-2009) having been authorised by the Committee to submit the Report on their behalf, present this Sixty-second Report on Management of funds by the Department of Posts through banking and insurance activities relating to the Ministry of Communications and Information Technology (Department of Posts).

2. The Committee were orally briefed by the representatives of the Department of Posts and the Ministry of Finance (Departments of Economic Affairs and Financial Services) on 12 November, 2006. The Committee also took oral evidence of the representatives of the Department of Posts and the Ministry of Finance (Departments of Economic Affairs and Financial Services) on the subject on 12 February, 2008.

3. The Report was considered and adopted by the Committee at their sitting held on 27 August, 2008.

4. The Committee wish to express their thanks to the Officers of the Ministry of Communications and Information Technology (Department of Posts) and the Ministry of Finance (Departments of Economic Affairs and Financial Services) for appearing before the Committee and furnishing information that the Committee desired in connection with the examination of the subject.

5. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold in Part-II of the Report.

NEW DELHI;
27 *August*, 2008
5 *Bhadrapada*, 1930 *(Saka)*

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

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STANDING COMMITTEE ON INFORMATION TECHNOLOGY

(2008-2009)

FOURTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DEPARTMENT OF POSTS)

MANAGEMENT OF FUNDS BY THE DEPARTMENT OF POSTS THROUGH BANKING AND INSURANCE ACTIVITIES

SIXTY-SECOND REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

August, 2008/*Bhadrapada*, 1930 *(Saka)*

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