

Govt may hive off India Post's life insurance biz into separate company

By: FE Bureau

Kolkata | Published: November 15, 2019 4:03:25 AM

The Centre is looking at forming a separate company for postal life insurance hiving it off from India Post, according to Gautam Bhattacharya, chief post master general, West Bengal Circle.



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The Centre is looking at forming a separate company for postal life insurance hiving it off from India Post, according to Gautam Bhattacharya, chief post master general, West Bengal Circle. He added that the postal department is also looking at the opportunity to become a cash-on-delivery channel for e-commerce brands like [Amazon](#) and [Flipkart](#).

While postal insurance could be a revenue generating scheme for the loss-making India Post, the Centre isn't pushing for making it a profit-making department as postal services are mainly meant for socio-economic development, he said at an interactive session organised by MCC Chamber of Commerce.

He said the government is focusing on Sampoorna Bima Gram to cover maximum rural population under an insurance scheme. Postal life insurance typically has a lower premium and higher bonus.

Hinting that India Post's revenue deficit gap is likely to widen in future since employee costs are adding more than the revenue receipts, he said, "Deficit is a deliberate decision of the government and it doesn't seem that there is going to be any change in the government's perspective."

According to estimates, India Post pay and allowances stood at Rs. 16,620 crore in FY19 against revenue receipts of Rs. 18,000 crore. If the pension payout of another Rs. 9,782 crore is factored in, the employee cost adds up to Rs. 26,400 crore in the last fiscal.

For FY20, the department has projected a revenue of Rs. 19,203 crore whereas the expenditure on salary and allowances for its 4.33 lakh workforce has been estimated at Rs. 17,451 crore with pension liabilities estimated to add another Rs. 10,271 crore. So there is no possibility of revenue deficit gap going down.

The under-recoveries for various postal services will continue to be higher since there is a huge mismatch between product services and price charged by the 1.56 lakh post offices in the country, he said, adding that delivering a registered newspaper costs Rs. 15.47 but India Post's revenue from the task is Rs. 2.02. For book-post of printed material, the cost is Rs. 24.62 but revenue realised is Rs. 3.67.

Although revenues have taken a hit from dropping volumes of letters and telegrams, there is a 60% growth in parcel services to which the postal department is looking for a re-orientation. Parcel delivery has increased to 16 crore this fiscal from 10 crore last fiscal.

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