

Assessment of Functioning of Postal Saving Schemes.

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ABSTRACT

In India post offices are developing as alternatives to banking sector. Their saving schemes are attractive, secure, risk free, convenient and good earning, particularly for small and medium investors. Thus, the post office small saving schemes have become very popular among public who want to invest their money in the government guaranteed instruments. Rural, illiterate, backward should also come in the ambit of financial sector and they should not hesitate to save their hard earned money for their future. The post office saving schemes is definitely one of the best avenues for such type of people. In addition to that POSS are instrumental in implementing some of the important govt schemes. Thus, these schemes are functioning in different dimensions, at one end financial inclusion, encourage saving habits of the people etc and at another end it supports in implementing different govt schemes.

Keywords: Saving, Post office, schemes, accounts.

I. Introduction:

In India post offices are developing as alternatives to banking sector. Their saving schemes are attractive, secure, risk free, convenient and good earning, particularly for small and medium investors. Thus, the post office small saving schemes have become very popular among public who want to invest their money in the government guaranteed instruments. The variety of saving options are also another attractive feature and opportunity to people of different age and income groups. Nowadays, people are looking for tax free savings schemes, which are available as a part of post office saving schemes of India.

Indian monetary sector has been struggling for financial inclusion and searching for institutions that could help in promoting the agenda. Rural, illiterate, backward should also come in the ambit of financial sector and they should not hesitate to save their hard earned money for their future. The post office saving schemes are definitely one of the best avenues for such type of people.

The paper tries to throw light on the performance of such postal saving schemes.

II. Objectives:

1. To study the role of postal saving schemes in the financial inclusion.
2. To examine the growth of saving schemes account in the post offices of Indian postal dept.
3. To know the growth of outstanding balance in the Indian post offices.
4. To understand the role of post offices in implementing govt. schemes.

III. Methodologies: The paper is based on the available secondary data. The analysis are made by using tools like table, growth rates etc.

IV. ANALYSIS:

Indian postal department has been assisting the communication throughout the country for a long period of time. As department grew old, it developed into different dimensions. Though the beginning of the dept was for communication, today it functions as substitute to bank and financial institutions. Here, paper tries to do analysis of the changing scenario of such schemes of postal dept.

1) Savings Accounts: This type of account is meant to promote saving habits among the people of the country. It is Saving account which helps to keep money safely and available at any time with minimum interest. The growth of this type of account in the post office is positive and has been increasing year after year. It was 12,53,23,400 accounts in 2012-13, has increased to 16,59,68,186 in 2014-15 and further to 18,62,00,705 accounts in 2016-17 (Table no.1) and the outstanding balance in this type of account has also indicated considerable growth during the last few years. It was Rs.37,792.78 crores in 2012-13, has increased to Rs.85,168.93 crores in 2016-17. The annual growth rate of outstanding balance in savings account, including MGNREGA, has been increasing year after year. It was 13.67% in 2013-14 and 17.58% in 2015-16. (Table no.3). Thus, saving account in Indian post office is attracting many people of the country and they are approaching the post office more and more to have a saving account.

2) R.D. Accounts: This is a long term saving scheme which is meant for such investors who want to deposit a fixed amount every month to get a lump sum amount after a few years. This is five years post office recurring deposit, the rate of interest is 7.3% per annum quarterly compounded and helpful to low income groups. The growth of this type of account is positive most of the years. It was 9,38,98,145 in 2012-13 and has increased to 12,27,03,759 in 2016-17. The outstanding balance in this account has been increasing year after year. It was Rs.67,964.08 crores in 2012-13 and has increased to Rs.76,181.88 crores 2015-16. (Table no.1 & 3) The annual growth rate is also good for this type of account. It indicates that RD in post office helps in two ways, one is to attract small investors, another is for more financial inclusion.

3) Time Deposit Scheme: This scheme attracts more to such investors who invest a lump sum amount safely for certain period of time. Usually in this scheme people can invest for 1 year, 2 years, 3 years and 5 years, and it is like FD in commercial Banks. The investment under 5 Years TD qualifies for the benefit of Section 80C of the Income Tax Act, 1961 from 1.4.2007. The number of TD accounts in 2012-13 was 1,11,99,051, it has increased to 1,62,38,903 in 2014-15 and further to 1,66,69,195 in 2016-17. (Table no.1) The outstanding balance in this account was Rs.33,007.2 crores in 2012-13 which has increased to Rs.79,655.46 crores in 2016-17 and the annual growth rate of outstanding balance in this account has been increasing year after year. It was 23.34% in 2013-14 and 36.47% in 2015-16. (Table No.3) Thus as per the study, the post office TD accounts scheme has been giving tough competition to commercial Banks and other type of financial institutions.

4) Post office Monthly Income Scheme:

This monthly Income scheme account can be opened as individual or joint account. The minimum amount to open account is Rs.1500/- and for each individual the maximum amount which could be invested is Rs.4.5 lakhs and for joint account it is Rs. 9 lakhs. Interest rate from 1.1.2018 is 7.3% per annum payable monthly. The maturity period is 5 years. As per the study, though number of MIS accounts are considerable, people did not show much interest in this type of account in post office. The number of MIS accounts were 2,28,86,528 in 2012-13 and it has decreased to 1,66,80,673 in 2016-17. Even in the outstanding balance the same tendency was found. It was Rs.2,01,785.53 crores in 2012-13 and has decreased Rs.1,80,063.61 crores in 2016-17. (Table no.1 & 3) It indicates MIS may not be so attractive to people of the country, it may be because of interest rate and procedural aspect.

5) Public Provident Fund Account:

An individual can open PPF account with Rs.100/-, but has to deposit minimum of Rs.500/- in a financial year and a maximum of Rs.1,50,000/-. Interest rate is 8% per annum (compounded yearly) from 1.10.2018. 15 years is the maturity period, but the same can be extended within one year of maturity for further five years and so on. Deposits qualify for concession under 80C of IT act and the interest on it is completely free from tax. The PPF total account opened in the year 2012-13 were 23,74,661 and it has increased to 24,65,767 in 2016-17. There is gradual growth in the number of PPF account in post offices. The outstanding balance has also increased year after year. It was Rs. 41,120.22 crores in 2012-13 and has increased to Rs.52,747.56 crores in 2014-15 and further to Rs. 63,361.91 crores in 2016-17. (Table no.1 & 3) As per the study, PPF account is one of the most attractive and good saving scheme of the people which is available in the array of Post office saving schemes.

6) Senior Citizens Saving Schemes:

This scheme is for retired persons. An individual, aged 60 years, retired or age above 55 and less than 60 years retired under VRS can open the account with condition that account should be opened within 1 month of receipt of retirement benefits and the amount should not exceed the amount of retirement benefits. Interest rate is 8.7% per annum from 1.10.2018. The maturity period is 5 years.

Table No.1. Growth in the Number of Accounts of Saving bank schemes in Indian Post offices. (In Numbers)

Years	Name of the Schemes.											
	Savings Accounts	Annual Growth Rate in %	RD Accounts	Annual Growth Rate in %	TD Accounts	Annual Growth Rate in %	MIS Accounts	Annual Growth Rate in %	NSS Accounts	Annual Growth Rate in %	PPF Accounts	Annual Growth Rate in %
2012-13	12,53,23,400	-	9,38,98,145	-	1,11,99,051	-	2,28,86,528	-	3,48,636	-	23,74,661	-
2013-14	13,35,01,670	6.53	11,05,99,553	17.79	1,42,46,320	27.21	2,20,17,179	-3.80	3,31,869	-4.81	24,11,817	1.56
2014-15	16,59,68,186	24.32	12,29,38,104	11.16	1,62,38,903	13.99	2,10,73,808	-4.28	3,20,174	-3.52	24,24,984	0.55
2015-16	16,30,30,431	-1.77	12,21,89,563	-0.61	1,67,49,513	3.14	1,95,43,130	-7.26	3,05,001	-4.74	24,56,944	1.32
2016-17	18,62,00,705	14.21	12,27,03,759	0.42	1,66,69,195	-0.48	1,66,80,673	-14.65	2,85,125	-6.52	24,65,767	0.36

Note: RD: Recurring Deposit, TD: Time Deposit, MIS: Monthly Income Scheme, PPF: Public Provident Fund
Sources: Annual reports, Dept. of Posts India, for 2014-15, 2015-16, 2016-17 and 2017-18

Table No.2.Growth in the Number of Accounts of Saving bank schemes in Indian Post offices.**(In Numbers)**

Years.	Sr.Citizens Saving Schemes	Annual Growth Rate in %	MGNREGA	Annual Growth Rate in %	MSY Accounts	Annual Growth Rate in %	Sukanya Samridhhi account	Annual Growth Rate in %
2012-13	10,85,831	-	5,16,95,593	-	29,45,668	-	-	-
2013-14	10,67,752	-1.66	6,26,89,394	21.27	20,00,651	32.08	-	-
2014-15	9,54,177	-10.64	6,48,84,602	3.50	18,47,916	7.63	24,86,005	
2015-16	10,36,568	8.63	6,47,85,984	-0.15	18,10,521	-2.02	79,68,318	220.52
2016-17	11,23,387	8.38	-		4,57,608	74.73	99,19,137	24.48

Note:MGNREGA :Mahatma Gandhi National Rural Employment Guarantee Act,

Sources: Annual reports, Dept of Posts India, for 2014-15,2015-16, 2016-17 and 2017-18

Table No.3.Growth in the outstanding Balance in the saving bank schemes in Indian Post offices.**(Rupees in Crores)**

Years	Name of the Schemes.											
	Savings Accounts*	Annual Growth Rate in %	RD Accounts	Annual Growth Rate in %	TD Accounts	Annual Growth Rate in %	MIS Accounts	Annual Growth Rate in %	NSS Accounts	Annual Growth Rate in %	PPF Accounts	Annual Growth Rate in %
2012-13	37,792.78	-	67,964.08	-	33,007.2	-	2,01,785.53	-	4,292.24	-	41,120.22	-
2013-14	42,959.01	13.67	74,150.81	9.10	40,712.21	23.34	2,02,083.60	0.15	4,149.48	-3.33	46,607.65	13.34
2014-15	46,847.59	9.05	74,515.26	0.49	51,755.12	27.12	2,00,555.35	-0.76	3,924.30	-5.43	52,747.56	13.17
2015-16	55,082.35	17.58	76,181.88	2.24	70,632.28	36.47	1,93,805.89	-3.37	3,621.37	-7.72	57,603.50	9.21
2016-17	85,168.93	54.62	84,455.58	10.86	79,655.46	12.77	1,80,063.61	-7.09	3,257.06	-10.06	63,361.91	10.00

Note: 1.RD: Recurring Deposit, TD: Time Deposit, MIS: Monthly Income Scheme, PPF: Public Provident Fund

2.*Outstanding balance of MGNREGA accounts is included in outstanding balance of savings accounts.

Sources: Annual reports, Dept. of Posts India, for 2014-15, 2015-16, 2016-17 and 2017-18

Table No.4.Growth in the outstanding Balance in the Saving bank schemes in Indian Post offices.**(Rupees in Crores)**

Years.	Sr.Citizens Saving Schemes	Annual Growth Rate in %	MSY Accounts	Annual Growth Rate in %	Sukanya Samridhhi account	Annual Growth Rate in %	NSC VIII	Annual Growth Rate in %	KVP	Annual Growth Rate in %
2012-13	24,092.82	-	3.26	-	-	-	64,708.96	-	1,28,378.43	-
2013-14	22,491.36	-6.65	3.10	-4.91	-	-	75,075.89	16.02	1,06,757.58	-6.84
2014-15	17,974.64	-20.08	2.98	-3.87	5,21.69	-	85,597.59	14.01	84,844.47	-20.53
2015-16	22,876.07	27.27	2.92	-0.21	6,425.94	1131.75	88,128.35	2.96	64,861.05	-23.55
2016-17	29,453.39	28.75	2.90	-0.68	13,824.29	115.13	87,228.37	-1.02	53,574.82	-17.40

Note: 1.NSC: National Saving certificates.KVP: KisanVikasPatra

Sources: Annual reports, Dept of Posts India, for 2014-15,2015-16, 2016-17 and 2017-18

The investment has concession under 80C Of IT Act 1961 from 1-4-2007, and TDS on interest if it is more than Rs.10,000/-. The number of SCSS accounts in 2012-13 is 10,85,831, it has increased to 11,23,387 in 2016-17 (Table no.2) and outstanding balance in this accounts has increased marginally during the last five years, it was Rs.24,092.82 crores in 2012-13 and it has increased to Rs.29,453.39 crores in 2016-17. As per the data, certainly this scheme is one of the important scheme to senior citizens of the country by the Indian Postal Dept.

7)National saving Scheme Certificates:

The five years NSC (VIII issue) is one of the well-known and popular saving scheme of the Indian postal Dept. An adult can purchase the certificate for himself or on behalf of minor or by minor. Interest rate is 8% compounded annually but payable on maturity. The deposit, and the interest accruing annually on it, qualifies for tax rebate under sec.80C of IT Act .Minimum investment should be Rs.100/- and no limit to maximum.The outstanding balance in this Saving bank schemes in Indian Post offices has been increasing except one year in the last five years. It was Rs.64,708.96 crores in 2012-13, it has increased to Rs.88,128.35 crores in 2015-16 and it has slightly decreased to Rs.87,228.37 crores in 2016-17.No doubt this scheme is still one of the good scheme to investors.

8) Kisan Vikas Patra:

This is another important scheme of Indian post offices. An adult can purchase the certificate for himself or on behalf of minor or by two adults. Interest rate is 7.7% from 1.10.2018 and compounded annually. The amount invested in this certificate doubles in 112 months (9 years and 4 months), the minimum amount to be invested should be Rs.1000/- and no maximum limit. The certificates can be transferred from one person to another and one post office to another. Though it is one of the important schemes of the postal department, the investment in this scheme has been decreasing year after year. The outstanding balance in this scheme in 2012-13 was Rs.1,28,378.43 crores. It has decreased to Rs.84,844.47 crores in 2014-15 and further to Rs.53,574.82 crores in 2016-17. (Table no.4)

9) Sukanya Samridhi account:

This scheme is for girl child. This scheme is launched as a part of 'Beti Bachao Beti Padhao' campaign. A legal guardian or natural guardian can open one account in the name of one girl child and maximum two in two girls name. The account can be opened till the age of ten years. The minimum deposit amount is Rs.1000/- and the maximum amount is Rs.1,50,000/- in a financial year. Rate of interest is 8.5% per annum with effect from 1.10.2018 calculated on yearly basis. Partial withdrawal when girl child attains the age of 18 and full withdrawal and account can be closed at the age of 21. This scheme is implemented in the year 2014-15 to encourage girl children. In 2014-15 the number of accounts opened in the post office under this scheme is 24,86,005, it has increased to 99,19,137 in 2016-17 (Table no.3) the outstanding balance in this scheme was Rs.5,21.69 crores in 2014-15 and it has increased to Rs.13,824.29 crores in 2016-17 (Table No.4). It indicates that this saving scheme is becoming very popular and useful to girl child parents and girl children in the country.

V. Conclusion:

Different saving schemes and financial services from the post offices are definitely tough competitors to present commercial banks and financial institutions in India. Some of the postal saving schemes are highly popular, attractive and feel safe among the people of the country. Post office saving schemes are instrumental in implementing some of the important government schemes like Mahatma Gandhi National Rural Employment Guarantee Act, Sukanya Samridhi Yojana etc. Thus, these schemes are functioning in different dimensions, at one end for financial inclusion, encouraging saving habits of the people etc and at another end supports in implementing different government schemes.

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