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FINANCIAL SERVICES FROM INDIAN POST OFFICE: A STUDY

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Abstract
India Post, which controls the postal chain of the country, also provides several deposit avenues for investors, commonly known as post office saving schemes. These schemes were introduced to provide investment avenues and inculcate savings discipline among Indians from across economic classes. Every post office provides these savings schemes to enable individuals from across India to apply and enroll easily. Most post office investment schemes qualify for tax exemption under section 80C. This article covers the different post office savings schemes, benefits of post office schemes in detail, comparative study of interest rate and the taxability on different savings schemes. The study found that, Post office saving scheme is best when comparing to other financial services available in the market. The study also found that, investors who prefer a no-risk investment portfolio along with substantial return generation can opt for these postal schemes.
Key Words: *Financial Services, Post Office.*

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I. INTRODUCTION

Indian post offers a plethora of investment schemes for a variety of investors, including individuals, a girl child. All the post office investment schemes guarantee returns as the Government of India backs it. Moreover, the post office investment schemes offer tax benefits up to Rs. 1.5 lakhs upon investment. India Post, which controls the postal chain of the country, also provides several deposit avenues for investors, commonly known as post office saving schemes. These schemes were introduced to provide investment avenues and inculcate savings discipline among Indians from across economic classes. Every post office provides these savings schemes to enable individuals from across India to apply and enroll easily.

The department of post is under the ministry of communication in the country. The post office provides various financial services to the customer. The main vision and mission of this is building the most accessible, affordable and trusted bank for common man with spearheading financial inclusion by removing barriers and reducing cost for accessing banking services. Postal network is the very powerful tool for boosting financial inclusion. About 1.5 billion people in the world avail financial services through post office. Indian post office also provides the successful financial services.

II. OBJECTIVES OF THE STUDY

1. To study the various financial services provided by the post office.
2. To study the different post office savings schemes.
3. To study the benefits of investing in post office investment schemes.
4. To study comparative study of interest rate on different savings schemes.

III. RESEARCH METHODOLOGY

The study is based on secondary data. The required data has been extracted from the various sources like annual reports of post office, research journals, periodicals, magazines, newspapers articles, government publications and the authenticated websites.

IV. REVIEW OF LITERATURE

- **Mr. Naveen. M, Mr. D. Shanmugavadivel (2021)** the article entitled "A study of customer satisfaction in post office saving schemes with special reference in Coimbatore city". The present study has been undertaken to analyze whether the postal saving schemes have gained importance among the rural and urban people investors and it aims at bringing the urban and rural people attitude towards post office saving schemes with special reference in Coimbatore district.

- **Dakshayini Rasadurai, Dr. M. Raguraman (2020)** the article entitled "A Study on Investors' Behaviour towards Post Office Saving Schemes -With Special Reference to Kandili Sub Post Office, Vellore District". The study aims to examine the investor behavior towards post office saving schemes. The primary data are collected through questionnaire from 80 investors of Kandili sub post office and the secondary data are collected from the various research papers and websites. The study found that, high level of awareness and satisfaction on post office savings schemes and low level of satisfaction on loan facilities, prompt payment and employee support. The study reported that post office saving scheme is best when comparing to other financial services available in the market.
- **Aswathy Prasad and Dr. A.S Ambily (2020)** the article entitled "A study on consumer perception towards post office saving schemes". The paper focuses on the attitude and preference of people investing in post office savings schemes in Mavelikara taluk of Alappuzha district. The data collected for the study is from primary as well as secondary sources. Data is collected from 60 respondents. The study found that, though nine different post offices savings schemes exist, it is also found that only two schemes are working efficiently as they are most preferred by the investors. Therefore, sufficient promotional and propaganda are to be introduced to popularize other schemes. The post office saving schemes faces stiff competition from banking and non- banking financial institutions. It needs more programmers to become popular. The post office should provide more facilities to the investors.
- **Mohinder Singh (June 2018)** the article entitled "Investors perception towards post office saving schemes-A case study of Himachal Pradesh" discusses about the investors behavior towards the savings schemes. The study was conducted from a sample of 140 respondents mainly from three districts of Himachal Pradesh. The study found that, the post office saving schemes face stiff competition from banking and non-banking financial institutions. The study concludes by saying that common people in hill areas mainly mobilize their savings in post office saving schemes than formal banking forms. The research methodology used for the study is descriptive and explorative in nature.

V. POST OFFICE SAVINGS ACCOUNT

The post office savings account is one of the schemes that the post office offers. This post office savings scheme is available throughout India. Furthermore, the post office savings account offers a fixed interest rate on the deposit amount. Hence, the post office saving scheme is suitable for individuals seeking to earn fixed returns from their investments. One can open a savings account in post office with as low as Rs. 20. This post office saving scheme is quite popular in the rural parts of India. The Central Government decides the rate of interest for the post office savings account. Often, the rates are similar to the bank savings account. The post office saving account as an interest rate of around 4%, and the interest is calculated every month. Also, as per the Income Tax regulations, interest amount less than Rs. 50,000 per annum is tax-free in the hands of the depositor. Furthermore, depositors can withdraw the deposits anytime they wish. However, they have to maintain a minimum balance of Rs. 50 in a generic account and Rs. 500 if they have a cheque facility. Also, the post office savings account can be easily transferred from one post office to the other.

VI. POST OFFICE RECURRING DEPOSIT ACCOUNT (RD)

Five year post office recurring deposit account allows investors to save on a monthly basis. The interest is compounded on a quarterly basis. This post office small savings scheme has a total of 60 monthly installments. Post office RD is suitable for individuals who wish to save through regular monthly deposits. The post office savings interest rate for this scheme is 5.8% per annum. Investors can estimate their returns from RD investments using RD calculator. The minimum amount of investment is Rs. 10, with no cap on the maximum amount. All resident Indian nationals above the age of 18 years can open an account with the post office. Also, minors who are ten years old can open and operate the account jointly with their guardian. Furthermore, parents or guardians can open the account on behalf of their minor children. One cannot prematurely withdraw their post office RD investments. However, in case of emergencies, one can break the RD. This comes with a penalty of INR 1 for every INR 100 investment. The RD account has a minimum lock-in period of three months. Also, if the premature withdrawal is made before three months, no interest is given. The depositors will only get back their principal amount.

VII. POST OFFICE TIME DEPOSIT ACCOUNT (TD)

Post office time deposit account is one of the most popular post office savings schemes. The interest rates are determined by the finance ministry every quarter. The rates are based on the yield of government securities and spread over the government sector yield. Investments in a post office fixed deposit account have a minimum requirement of INR 1,000. One can open a TD account for any of the following tenures; one year, two years, three years and five years. Also, depositors can opt for reinvestment of the interest. However, this option is not available for one year TD. Additionally, one can also choose to redirect the interest to a five-year recurring deposit scheme. Time deposits can also be transferred from one post office to the other. Also upon maturity, if the depositor doesn't withdraw, then the amount will be reinvested for the initial tenure of the deposit at the new applicable interest rates. Investments in the post office fixed deposits qualify for a tax deduction in section 80C of the Income Tax Act. Investors can claim tax benefits up to INR 1.5 lakhs per annum. They can claim the tax benefit when they file income tax returns.

VIII. POST OFFICE MONTHLY INCOME SCHEME ACCOUNT (MIS)

Post office monthly income scheme account is a low-risk investment scheme that offers regular monthly income to the depositors in interest payments. The Government of India backs POMIS. The interest rates are announced every quarter. The current rate of interest is 6.60% (for January- March 2021 quarter). POMIS has a lock-in period of five years. Upon maturity, the depositor can choose to either withdraw or reinvest the entire amount into the scheme. The minimum amount for POMIS is INR 1,500, and the maximum limit is INR 4,50,000 per individual. However, for joint holding, the maximum limit is INR 9,00,000. Also, one can transfer their POMIS account from one post office to another. Furthermore, this post office savings scheme allows premature withdrawals post one year of account opening. However, these premature withdrawals have penalties. Senior Citizen Savings Scheme (SCSS). Senior Citizens Savings Scheme (SCSS) is a post office savings scheme suitable for senior citizens. The Government of India backs it. The post office saving scheme offers regular income as well as safety for depositors. The regular income is in the form of interest payments. The interest is calculated every quarter and credited to the investor's account. The interest rates are revised every quarter. The SCSS interest rate for the current quarter is 7.40% (January - March 2021). The minimum investment amount is INR 1,000 and a maximum of INR 15,00,000. This post office savings scheme has a five year lock-in period. Additionally, investors have an option to extend the scheme duration for another three years. Investments into SCSS qualify for tax exemption under Section 80C. However, the interest income is taxable. Also, TDS is deducted if the interest is more than INR 50,000. Furthermore, SCSS allows investors to withdraw their investments prematurely. However, these withdrawals are subject to certain penalties. The penalty varies on the basis of the tenure of the account. Only after one year of account opening, the investors can prematurely withdraw their investments. For withdrawals within two years, a penalty of 1.5% on the investment amount is charged. Also, for withdrawals after two years of account opening, the penalty is 1% on the deposit amount. In case of death of the depositor before the account maturity, the account shall be closed. The proceeds from the account will be given to their nominee or heir.

IX. PUBLIC PROVIDENT FUND ACCOUNT (PPF)

Public provident fund is a post office savings scheme launched by the National Savings Institute in 1968. The scheme guarantees returns as the Government of India backs it. For the current quarter (January 2021-March 2021), the PPF interest rate is 7.1%. The Ministry of Finance revises the PPF interest rates every quarter. The scheme pays interest annually on 31st March. However, the interest is calculated every month on the minimum balance from 5th to 30th of every month. PPF investments have a fixed tenure of 15 years. Once invested, the investment is locked-in for tenure of 15 years. However, investors can do partial withdrawal of their investments. Investors can withdraw at the end of 5 years. They can withdraw only 50% of the balance of the preceding year or end of 4th year. Investors can opt for premature closure of their PPF account with a penalty of 1%. However, the premature closure of PPF accounts is only allowed in certain conditions. One can also take a loan against their PPF investments between the 3rd and 5th year, and the terms of the loan are subject to change from time to time. Investment in PPF is eligible for tax rebate under Section 80C of the Income Tax Act, 1961. Investment up to INR 1.5 lakhs can be claimed as tax benefits. Investors can claim the tax deduction while filing their income tax returns. Moreover, the interest and maturity amount is entirely tax-free as PPF falls under the EEE (Exempt - Exempt) category.

X. NATIONAL SAVINGS CERTIFICATES (NSC)

National savings certificate is a small savings scheme that encourages savings among low income and mid-income groups. This post office scheme is a Government of India initiative, and hence the returns are guaranteed. The interest for the current quarter (January 2021-March 2021) is 6.8%. This fixed income savings scheme has tenure of 5 years. Hence the lock-in period is also five years. The interest is automatically reinvested back into the scheme. The investors will receive the investment and interest amount upon maturity. Investors can invest in NSC with an amount as low as INR 100. Only eligible investors can invest in NSC. Resident Indians are the only categories who are eligible to invest in NSC. HUFs, NRIs and trusts cannot invest in NSC. One cannot withdraw their NSC investment prematurely except in case of death of the investor. However, one can always take a loan against their NSC investment. Investment in NSC is eligible for tax deduction under section 80C of the Income Tax Act, 1961. Investors can claim up to INR 1.5 lakhs as tax benefits while filing their income tax returns. The interest that is reinvested is eligible for a tax deduction as well. No TDS is applicable on interest. However, the investors have to pay income tax on the interest income at the end of 5 years.

XI. KISAN VIKAS PATRA (KVP)

Kisan vikas patra is a small savings scheme introduced for farmers. However, the scheme is extended to all residents of India. This post office savings plan guarantees income in the form of interest. The scheme pays a fixed interest of 6.9% (January 2021-March 2021) per annum. The interest rates are revised every quarter—investment in this scheme doubles in 124 months (10 years and two months). Investors can invest with an amount as low as INR 1,000 in this scheme. And there is no limit on the maximum amount that one can invest. Indian citizens aged 18 years and above can invest in KVP schemes at any local post office. Investments beyond INR 50,000 require a PAN card as proof. And for investments beyond INR 10 lakhs, investors have to submit income proofs. The scheme has a lock-in period of 30 months, and investors cannot withdraw their investments during this time period. However, post the lock-in period, investors can withdraw their investments in intervals of 6 months. Investment in KVP is not eligible for tax deduction. Moreover, the interest income is taxable too.

XII. SUKANYA SAMRIDDHI ACCOUNTS (SSA)

Sukanya samriddhi yojana is a Government of India initiative that supports the ‘Beti Bachao, Beti Padhao’ campaign. This post office savings scheme was launched in 2015 to promote girl child education and marriage. It is a fixed income scheme that guarantees returns in the form of interest. For the current quarter (January 2021 - March 2021), the interest rate is 7.6%. The interest is revised on a quarterly basis. To estimate the returns that one can earn from this scheme, they can use the Sukanya Samriddhi Yojana Calculator. Parents or guardians of a girl child can invest in this scheme on behalf of the girl before 10. Only resident Indians can invest in this scheme. The scheme matures when the girl turns the age of 21. The scheme allows investments only until the age of 15. The minimum investment is INR 250, and the maximum investment is INR 1,50,000 per annum. The scheme allows only one account per girl child and two accounts per family. In the case of twins, the number of accounts allowed is three. No premature withdrawals are allowed until the scheme matures. However, the few exceptions are when the girl unfortunately dies or is fighting a life-threatening disease. At the age of 18, 50% of the amount can be withdrawn for the purpose of higher education. Investment in SSY qualifies for tax exemption under Section 80C of the Income Tax Act, 1961. Investors can claim a tax benefit up to INR 1.5 lakhs per annum. They can claim the tax benefit when they file an income tax return. Moreover, the interest and maturity amount is also free from tax as this scheme falls under the EEE category.

Table 1: Comparative Study of Interest Rate and Taxability on Different Savings Schemes

Sl. No.	Products	Basic details	Interest rates per annum
1	**Savings Account**	❖ Minimum deposit amount of Rs. 500. ❖ Minimum withdrawal limit of Rs. 50. ❖ Interest amount credited at the end of every financial year.	4%
2	**Recurring Deposit**	❖ Minimum deposit amount of Rs. 500 and in multiples of Rs. 10 thereof. ❖ Lock-in period of 5 years. Premature withdrawal is allowed only after 3 years. ❖ RD account can be extended for another 5 years at the time of maturity. ❖ Loan (against RD) facility is available.	5.8% (compounded quarterly)
3	**Time Deposit (TD)**	❖ Minimum deposit amount of Rs. 1,000 and in multiples of Rs. 100 thereof. ❖ Interest payable annually but is calculated every quarter. ❖ Time deposit is available for 1, 2, 3 and 5 years. ❖ Extension of deposit is available but varies with each maturity. ❖ Premature withdrawal is allowed but comes with a penalty. ❖ The receipt of TD can be pledged as a security for borrowing.	1yr TD: 5.5% 2yr TD: 5.5% 3yr TD: 5.5% 5yr TD: 6.7%
4	**Monthly Income Scheme (MIS)**	❖ Minimum amount of Rs. 1,000 and in multiples of Rs. 100 thereof, maximum up to Rs. 4.5 lakh (in case of joint account Rs. 9 lakh maximum). ❖ Lock-in period of 5 years. ❖ Premature closure of account or withdrawal is allowed by there will be penalty up to 2% of principal amount will be deducted. ❖ Interest payable every month	6.60%
5	**Public Provident Fund (PPF)**	❖ Minimum amount of Rs. 500 and in multiples of Rs. 50 up to a maximum of Rs. 1.5 lakh in a financial year.	7.1% (compounded quarterly)

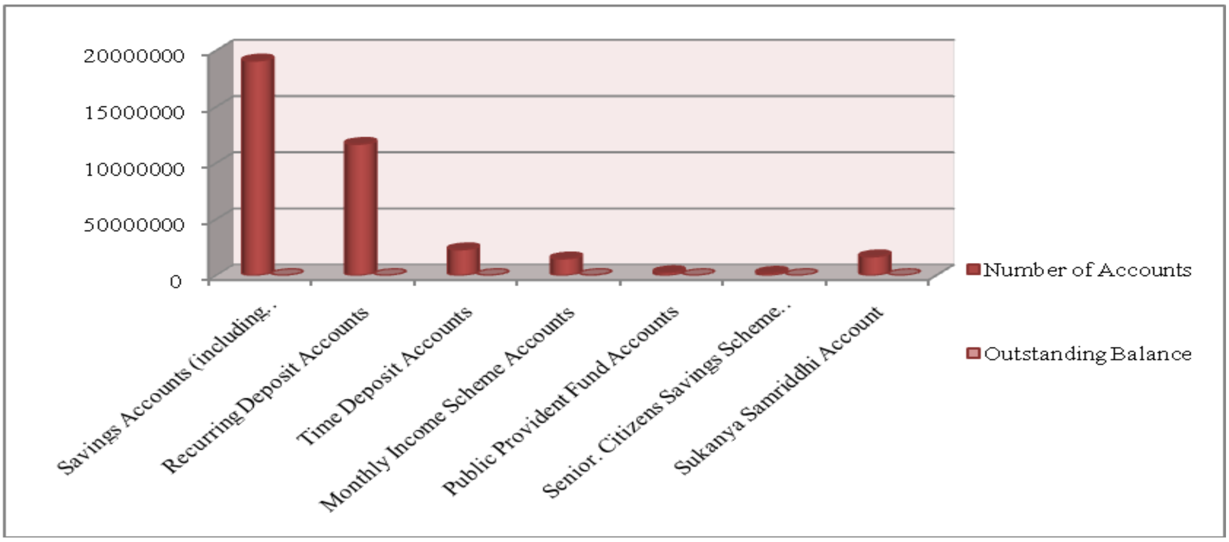
		❖ Interest is credited at the end of every financial year and the interest earned is tax free. ❖ Lock-in period or period of maturity is 15 years and interest is paid along with principal. ❖ There is an option to extend the account for another 5 years. ❖ Loan (against PPF) facility is available. ❖ Premature closure is available only after 5 years only in case of a genuine (listed) need. Penalty up to 1% of interest will be deducted. ❖ A subscriber is allowed once to withdraw before maturity but subject to certain conditions.	
6	**National Savings Certificate (NSC)**	❖ 5 years years NSC (VIII issue). ❖ Minimum amount of Rs. 1,000 and in multiples of Rs. 100 thereof with no maximum limit. ❖ Deposits qualify for deductions under section 80C. ❖ NSC can be pledged as collateral for loan with any banks and HFCs. ❖ NSC doesn't have the option of premature closure except in case of death of the depositor, or forfeiture of pledge or by the order of Court. ❖ Interest payable at maturity.	6.8% (compounded annually)
7	**Kisan Vikas Patra (KVP)**	❖ Minimum amount of Rs. 1,000 and in multiples of Rs. 100 thereof with no maximum limit. ❖ Amount to be invested for 10 years and 24 months (maturity period prescribed by the Ministry of Finance from time to time). ❖ Pledge of this certificate is allowed. ❖ Premature closure is available, subject to certain conditions.	6.9% (compounded annually)
8	**Sukanya Samriddhi Accounts (SSA)**	❖ Minimum amount of Rs 250 and in multiples of Rs 50 thereof. Maximum up to Rs 1.5 lakh in any financial year can be deposited. ❖ Account to be opened by the Guardian in the name of the girl child (aged less than 10 years). ❖ This account can be opened for a maximum of two girls in the family. ❖ Deposits can be made up to 15 years from the date of opening account. ❖ Interest earned is tax free. ❖ Premature closure is allowed but subject to certain conditions. ❖ Interest payable on a yearly basis.	7.6% (compounded annually)
9	**Senior Citizen Savings Scheme**	❖ It is for individual above 60 years of age. ❖ Minimum deposit Rs 1,000 and in multiples of Rs 1,000 up to a maximum of Rs 15 lakh. ❖ Premature closure is allowed subject to certain conditions. ❖ Interest payable every quarter	7.4%

Table 2: Savings Bank Scheme: Profile (As on 31.03.2020)

(In Crore)

Sl. No.	Name of the Schemes	Number of Accounts	Outstanding Balance
1	Savings Accounts (including MGNREGA with balance)	190981218	115420.62
2	Recurring Deposit Accounts	116874371	114226.51
3	Time Deposit Accounts	23067983	166089.96
4	Monthly Income Scheme Accounts	14951294	209167.98
5	Public Provident Fund Accounts	2697852	91538.32
6	Senior Citizens Savings Scheme (SCSS)	2178943	76037.31
7	Sukanya Samriddhi Account	16770858	50723.15
8	**Total**	**367522519**	**823203.85**

Source: Annual Reports of Post Office



XIII. BENEFITS OF INVESTING IN POST OFFICE INVESTMENT SCHEMES

- **Interest rates:** Interest rates of the post office schemes are in the range of 4% to 7.60%. These investments are also risk-free as the government backs them. Therefore, investors need not worry about their investments.
- **Hassle-free procedure and documentation:** Post Office saving schemes are easy to invest and enrol. The schemes have limited documentation and proper procedures. The investment options are suitable for both rural and urban investors. Also, the Government of India backs these investment options. Hence are safe.
- **Wide range of investment options:** The post office offers a wide range of investment options for investors to choose from. Every scheme is unique with its features and benefits. They are hence allowing the investors to choose the best option that suits their investment requirements.
- **Long term investment options:** The post office also offers long term investment options like PPF and SSY. These schemes are suitable for investors with a long term investment horizon. They help in good financial, retirement and pension planning.
- **Tax exemption:** Most post office investment schemes qualify for tax exemption under Section 80C. For example, schemes like SCSS, SSY and PPF. Also, for some schemes, the interest is tax-free as well.
- Risk-free and reliable: Regardless of any related parameters, all post office savings schemes are government-backed. Thus, they are considered risk-free investment options to park your funds.
- **Simple investment process:** Minimal documentation and simple application procedures offered by the post office provide you with easy enrolment to any of the saving schemes.
- **Long term investments:** Most of the post offices saving schemes are long term investments which can run up to 15 years. A long tenure such as with PPF allows an investor to accumulate sizeable fund over time. Thus, they can be considered as effective plans for financial security as well as retirement benefits.
- **Availability to investors across the economic strata:** Postal investments are designed to cover investors from every corner of the country and across different economic strata. With 1.55 lakh post office branches, from rural to urban, every Indian citizen can avail these schemes.
- **Tax benefits:** Tax efficiency is another highly acknowledged feature of post office saving scheme. Some of the schemes such as National Saving Certificates come with tax exemptions on deposit amount under Section 80C. Also, some schemes like Kisan Vikas Patra offer tax deductions on the earned interest.
- **Various types of product:** Indian post saving scheme options is spread across different types of savings and investment products to cater to various investors. The financial products are–savings deposit, recurring deposit, fixed deposit, monthly scheme, saving certificates, etc. Investors can choose from these options.
- **Attractive return generation:** The Ministry of Finance updates the interest rates of the post office saving scheme in every 3 months. Presently, the next interest review is due in March 2020. Nonetheless, the interest rate updates range between 4-9%, thus allowing investors to receive substantial returns.

XIV. FINDINGS OF THE STUDY

1. India Post's products and services will be the customer's first choice.
2. The post office saving schemes faces stiff competition from banking and non- banking financial institutions.
3. Post office saving scheme is best when comparing to other financial services available in the market.

4. Investors who prefer a no-risk investment portfolio along with substantial return generation can opt for these postal schemes.

XV. SUGGESTIONS

1. The post office should provide more facilities to the investors
2. Sustain its position as the largest postal network in the world touching the lives of every citizen in the country.
3. Provide mail parcel, money transfer, banking, insurance and retail services with speed and reliability.
4. Provide services to the customers on value-for-money basis.
5. In order to popularize the attractive saving schemes, post office must introduce promotion schemes such as advertising, etc. in radios and TV channels.
6. More awareness must be created among the people about all the schemes introduced.

XVI. CONCLUSION

The Post Office savings bank is the oldest and the largest banking system in India. Savings are vital factors for the growth and improvement of the economy of the country. In India, Post Office savings scheme provides a secure, risk free and attractive investment option for the small investors. Post office savings schemes are one of the modes for them to save their valuable earning. Post offices offer various saving schemes like Savings Bank Account, National Savings Certificate Account, Post Office Monthly Income Scheme, Senior Citizen Scheme, Recurring Deposit, Sukanya Samriddi Accounts etc. Investors who prefer a no-risk investment portfolio along with substantial return generation can opt for these postal schemes. Saving parkways like National Savings Certificates, Sukanya Samriddhi Accounts, and PPF come with attractive interest rate and zero financial risks. Also, the minimum investment amount is low and affordable; so investors from lower economic classes can also look forward to investing in these schemes. Post office ensures that the employees are proud to be its main strength and serve its customers with a human touch.

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