CHAPTER – V
CLASSIFICATION OF FINANCIAL SERVICES IN INDIA POST OFFICES
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5.1. Financial Services

The Financial service offered by Post office includes Savings and Postal Life Insurance (PLI) / Rules Postal Life Insurance (RPLI). The Post Office small savings scheme provides a secure, risk free and attractive investment option for the small investors and offers the savings products across its 155000 Post offices.

The Post office savings bank is the oldest and by far the largest banking system in the country, serving the investment need of both urban and rural clientele. These services are offered as a agency service for the Ministry of Finance, Government of India. Several products on offer serve various investment requirements of the customers.

1. Savings Bank account (SB) : Serves the need of regular deposits and withdrawals. Cheque facility is also available.

2. Recurring Deposit account (RD) : Offers a monthly investment option with a handsome return at the end of five years with option to extend the account period insurance cover facility is also available with some conditions.

3. Monthly Income Scheme (MIS) : Offers a fixed investment option for five years with monthly interest payment facility. The facility of automatic credit of interest to SB account available.

4. Public Provident Fund (PPF): Offers intermittent deposit subject to certain limits for at 15 years period coupled with income tax exemptions subject to certain conditions on the investment. Loan and withdrawal facilities also available.

5. Time Deposit (TD) : Fixed deposit option for periods ranging from one, two three to five years with facility to draw yearly interest offered at compounded rates. Automatic credit facility of interest to SB account.
6. Senior Citizens Savings Scheme (SCSS): Offers fixed investment option for senior citizens for a period of five years which can be extended, at a higher rate of interest that are paid in quarterly installments.


   Post Office also offers also offers insurance product through Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) scheme with low premium and high bonus.

5.2. Postal Life Insurance (PLI)

**Eligibility:** All Government Servants and employees of Government aided institutions with certain conditions.

- Whole Life Assurance (Suraksha)
- Endowment Assurance (Santhosh)
- Convertible Whole Life Assurance (Suvidha)
- Joint Life Insurance (Yugalasuraksha)
- Anticipated Endowment Assurance (Sumangala)
- Children’s Policy

5.3. Rural Postal Life Insurance (RPLI)

**Eligibility:** For people residing in rural areas

- Whole Life Insurance (Grama Suraksha)
- Endowment Assurance (Grama Santhosh)
- Convertible Whole Life (Grama Suvidha)
- 10 year Rural PLI (Grama Priya)
- Children Policy
Besides its own products, department of India Post also provide new pension scheme to the citizens of the country.

**Retail Services**

Through its vast network of Post Offices across the country, India Post offers the facility to collect consumer bills for service industries like telephone electricity mobile phone users etc for Government and private organizations through Retail Post. Post Offices also sell forms for public bodies across counter of Post Office. Besides this, facility of reservation of Railway Tickets through computerized passenger reservation system terminals has been commenced from 7.10.2007 in selected Post Offices. Retail Post leverages the vast network of Post Offices for sale of provider for various utility services and it is in a position to offer the retail services to the customers of any agency. Some of the agency services that Rural Post Offers are as follows.

- Telephone revenue collection
- E-Ticketing for Road Transport Corporation and Airlines
- Sale of UPSC forms, University applications, etc
- Sale of Passport application forms
- Sale of Gold Coins, Forex Services
- Sale of SIM and recharge coupons
- Sale of India Telephone cards
- E-Ticketing of Railway tickets

The Heads of Circle have also been empowered to provide various area specific business packages under Retail Post in their Circles.

**5.4. SAVINGS BANK ACCOUNT (SB)**

- Any number of accounts can be opened but not more than one account in one office.
- A joint account can be opened in addition to single account, NREGS account and pension account in same post office.
- An account may be opened by (a) single adult or two adults jointly (b) a guardian on behalf of the minor or person of unsound mind and (c) a minor who has attained the age of 10 years in his own name.

- A single account holder may retain maximum balance upto Rs. 1 Lakh and in joint accounts upto Rs. 2 Lakh. For the purpose of maximum balance, the depositor’s share in the balance of a joint account(s) shall be taken as one half or one third of such balance according as the account is held by two or three adults.

- No deposit is allowed for less than Rs. 5 No withdrawal shall be less in cheque accounts.

- Interest on deposits in an account shall be allowed for a calendar month on the lowest balance at credit of an account between the close of the tenth day and end of the month.

- No interest shall be allowed on any sum in excess of the maximum balance prescribed for an account.

- Nomination facility is available both in Single and joint accounts.

- NRIs and Power of Attorney holders are not eligible to open accounts.

- If no deposit / withdrawal has taken place in an account for continuous three years, the account becomes silent and no further transaction is allowed unless the account is revived.

- In case of silent accounts in which the maximum balance is before Rs.50 a service charge of Rs. 20 per year is debited and when the balance becomes zero or below zero, the account shall be treated as closed.

- A service charge for dishonored cheques @ Rs. 50 per cheque plus postage charge for returning the dishonored cheque or intimation to the depositor by post will be debited to the depositors accounts.
5.5. Recurring Deposit Accounts (RD)

- An account may be opened by (a) single adult or two adults jointly (b) a guardian on behalf of the minor or person of unsound mind and (c) a minor who has attained the age of 10 years in his own name.
- A depositor can have more than one account in his name or jointly with another.
- Maturity period of the account is 5 years but the account can be extended for a further period up to 5 years with or without further monthly deposits.
- If there are not more than 4 defaults in monthly deposits, the depositor may at his option extend the maturity period of the account by as many months as the number of defaults and deposit the defaulted instalments during the extended period after maturity.
- If there are more than 4 defaults, the account shall be treated as discontinued account and can be revived within a period of two months from the months of fifth default.
- The account can be revived only if all defaulted instalments along with interest upto the month in which the account is revived is paid in lump sum. After the period of revival is over, no further deposit is allowed in such account.
- Interest at the rate notified from time to time for every defaulted instalment for each month of default shall also be charged.
- The rebate is also admissible for deposits in advance for 6 months or more.
- The depositor may prematurely close the account after three years of the date of opening provided the interest at the ate applicable to the Post Office Savings Account shall be payable on such premature closure of account.
- Where the account has not become a discontinue account, withdrawal not exceeding 50% of the deposits made in the account may be allowed after the account has been in operation for at least one year and 12 monthly deposits have been made in the account.
- Only one withdrawal is allowed during the currency of the account.
• Interest as notified from time to time shall be payable by the depositor on the amount of withdrawal.

• NRIs and Power of Attorney holders are not eligible to open accounts.

5.6. Time Deposit Accounts (TD)

• There are four kinds of accounts, namely 1-year account, 2-year account, 3-year account and 5-year account in which a deposit can be made for a period of one year, two years, three years and five years respectively.

• An account may be opened by (a) single adult or two adults jointly (b) a guardian on behalf of the minor or person of unsound mind and (c) a minor who has attained the age of 10 years in his own name.

• A depositor can have more than one account in his name or jointly with another either in the same post office or in different post offices.

• There shall be one deposit in the account. The deposit shall be in multiple of Rs. 200.

• There is no maximum limit of deposit in an account. The deposit shall carry interest at the rate prescribed from time to time and such interest shall be payable to the depositor at the end of each year during the period of deposit.

• Premature withdrawal of the deposit may be allowed subject to the conditions : (a) no deposit shall be withdrawn before expiry of 6 months from the date of deposit (b) when the deposit is withdrawn after 6 months but before the expiry of one year from the date of deposit, no interest shall be payable to the depositor (c) where a deposit in case of 2-year, 3-year and 5-year account is withdrawn after expiry of one year, interest on such deposits will be payable for the completed years and months falling in the period commencing on the date of deposit and ending with the date of withdrawal and such interest shall be specified for deposit of 1 year, 2
years or 3 years as the case may be (d) any interest already paid on the deposit shall be recovered from the amount of repayment and interest payable.

- NRIs and Power of Attorney holders are not eligible to open accounts.
- Post maturity interest for a deposit not withdrawn on maturity is admissible at the rate applicable to savings accounts for a maximum period of 2 years from the date of maturity.

5.7. Monthly Income Accounts (MIS)

- An account may be opened by (a) single adult or two adults jointly (b) a guardian on behalf of the minor or person of unsound mind and (c) a minor who has attained the age of 10 years in his own name.
- A deposit or depositors may open more than one account either in the same post office or in different post offices subject to limit of maximum investment in a single or joint account prescribed from time to time.
- For the purpose of maximum deposits, the deposits held by an individual in his single account together with his share in joint accounts should not exceed the limit fixed for single account. The depositor’s share in the joint account shall be taken as one half or one third of such balance according as the account is held by two adults or three adults.
- No final withdrawal will be permitted in the account before the expiry of 6 years from the date of opening.
- Premature closure of account is permitted at any time after expiry of one year from the date of opening of account subject to conditions (a) if the account is closed on or before expiry of three years of opening of account, an amount equal to 2% of the deposit shall be deducted (b) if the account is closed after expiry of three years from the date of opening of account, an amount equal to 1% of the deposit shall be deducted.
• The interest prescribed from time to time will be payable monthly on completion of a month from the date of deposit and if interest payable is not claimed, such interest will not earn any additional interest.

• On giving application, interest payable can be deposited in the savings account of the depositor held at the same post office.

• The amount deposited in the account in excess of the prescribed limit will be refunded with interest at the rate application to savings account.

• NRIIs and Power of Attorney holders are not eligible to open accounts.

• Post maturity interest for a deposit not withdrawn on maturity is admissible at the rate applicable to savings accounts for a maximum period of 2 years from the date of maturity.

5.8. Senior Citizens Savings Scheme Accounts (SCSS)

• An individual who attained the age of 60 years on the date of opening of the account can open the account. An individual who attained the age of 55 years or more but less than 60 years and who retired on superannuation or otherwise on the date of opening of account can also open the account within one month of the date of receipt of retirement benefits.

• The retired personnel of Defence Services (excluding Civilian Defence Employees) shall be eligible to open the account under the Scheme irrespective of the above ago limits subject to the fulfillment of other specified conditions.

• The joint account can be opened with the spouse only irrespective of the age of spouse.

• Both the spouses can open individual and / or joint account with each other with maximum deposit upto the limit prescribed from time to time.

• A depositor may open more than one account subject to the condition that deposit in all accounts should not exceed the prescribed limit.

• The amount if found deposited excess than the prescribed limit, the same will carry interest at the rate applicable from time to time to Post Office Savings Account.
• The interest applicable from time to time shall be payable quarterly on 31st March, 30th June, 30th September and 31st December. Interest payable if not claimed shall not any additional interest.

• The whole amount of investment in a joint account is attributed to the 1st applicant / depositor only.

• NRIs and Power of Attorney holders are not eligible to open accounts.

• Post maturity interest for a deposit not withdrawn on maturity is admissible at the rate applicable to savings accounts for a maximum period of 2 years from the date of maturity.

• Income Tax at source is deducted at the time of payment of interest unless a declaration is given in form 15 G or 15 H as applicable.

• Account can be transferred from one deposit office to another by paying the prescribed fee.

5.9. Public Provident Fund Accounts (PPF)

• Non – Resident Indians and Hindu Undivided Families (HUF) are not eligible to open an account under the Public Provident Fund Scheme.

• Any individual may, on his own behalf or on behalf of a minor, of whom he is the guardian, subscribe to the Public Provident Fund the amount prescribed from time to time.

• A subscriber may apply for transfer of his account from one “Accounts Office” to another “Account Office”.

• The subscription, which shall be in multiples of Rs. 5 may, for any year, be paid into the account in one lump sum or installments not exceeding twelve in a year.
• Interest at the rate, notified by the Central Government in the official gazette from time to time, shall be allowed for a calendar month on the lowest balance at credit of an account between the close of the fifth day and the end of the month and shall be credited to the account at the end of each year.

• Withdrawal facility is available at any time after the completion of five years from the end of the year of initial subscription.

• Loan facility is also available for which postmaster may be contacted.

• Subscription to PPF qualifies for deduction under Section 80C of Income Tax Act.