Unveiling the Potential: Exploring the Diversity of Post Office Investment Options in India

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Abstract

This article delves into the diverse array of investment options offered by the Post Office in India. Through an in-depth examination, it explores the various schemes available, ranging from traditional savings accounts to innovative investment products. Drawing from empirical data and expert insights, the article analyzes the features, benefits, and suitability of each scheme for different investor profiles. Additionally, it discusses the role of Post Office investments in fostering financial inclusion and promoting savings habits among diverse segments of the population. Understanding this diversity is essential for investors seeking secure and accessible avenues for wealth accumulation in India's evolving financial landscape.

Keywords: Post office schemes, Investment options

Introduction

Post Office Savings Schemes have been an integral part of India's financial landscape, catering to the needs of various segments of society. These schemes, backed by the Government of India, offer security, stability, and attractive interest rates, making them popular among investors seeking avenues for safe investments. However, each scheme has its unique features, benefits, and limitations, which influence investor attitudes and preferences. Understanding these attitudes is crucial for both investors and policymakers in crafting effective investment strategies and promoting financial inclusion.

Variety of Post Office Savings Schemes

India offers a diverse range of post office savings schemes catering to different investment objectives and risk appetites. Some of the popular schemes include:

Post Office Savings Account

A Savings Bank account in the post office offers individuals a secure and accessible way to deposit their savings while earning competitive interest rates. With convenient access through the extensive network of post offices, it serves as a reliable financial avenue for depositors across India.

Interest rate is 4% per annum for individual / joint accounts.

National Savings Recurring Deposit Account (RD)

A National Savings Recurring Deposit (RD) Account is a type of savings scheme offered by India Post, the postal system of India. It allows individuals to save regularly over a predefined period and earn interest on their deposits. The interest rate offered on National Savings RD accounts is set by the government and may be subject to change periodically.

Current interest rate is 6.7 % per annum (quarterly compounded).

National Savings Time Deposit Account (TD)

This account can be an individual or joint account. Deposits can be made for 1 year, 2 year, 3 year, 5 year. Account can be opened with minimum of Rs. 1000 and in multiple of Rs. 100. No maximum limit for investment. The investment under 5 year TD qualifies for the benefit of section 80C of Income Tax Act, 1961. Interest rates for 1 year, 2 year, 3 year, 5 year deposits are 6.9%, 7.0%, 7.1% and 7.5% respectively from 1.1.2024.

National Savings Monthly Income Account(MIS)

Account can be opened with minimum of Rs. 1000 and in multiple of Rs. 1000. A maximum of Rs. 9 lakh can be deposited in a single account and 15 lakh in Joint account. In a joint account, all the joint holders shall have equal share in investment. Deposits/shares in all MIS accounts opened by an individual shall not exceed Rs. 9 lakh.

Account may be closed on expiry of 5 years from the date of opening by submitting prescribed application form with pass book at concerned Post Office. In case the account holder dies before the maturity, the account may be closed and amount will be refunded to nominee/legal heirs. Interest will be paid up to the preceding month, in which refund is made.

Rate of interest is 7.4% per annum payable monthly.

Senior Citizen Savings Scheme (SCSS)

Account can be opened as individual capacity or jointly with spouse only. An individual above 60 years of age can open the account. Interest shall be payable on quarterly basis and applicable from the date of deposit to 31st March/30th June/30th September/31st December. Account may be closed after 5 year from the date of opening by submitting prescribed application form with passbook at concerned Post Office.

Interest rate is 8.2% per annum, payable from the date of deposit to 31st March/30th Sept/31st December in the first instance & thereafter, interest shall be payable on 1st April, 1st July, 1st October and 1st January.

Public Provident Fund (PPF):

PPF is a long-term investment option offering attractive interest rates, tax benefits under Section 80C of the Income Tax Act, and capital protection. It appeals to investors looking for long-term wealth creation and retirement planning. Minimum deposit Rs. 500 in a Financial Year and Maximum deposit is Rs. 1.50 lakh in a FY can be done. Interest rate is 7.1 % per annum (compounded yearly).

Five years National Savings Certificate (VIII Issue)

NSC is a fixed-income investment with a lock-in period, providing guaranteed returns and tax benefits. It attracts conservative investors seeking secure returns over a fixed tenure. Deposit is done with minimum Rs. 1000 and in multiple of Rs. 100. No maximum limit. Any number of accounts can be opened under the scheme. Deposits qualify for deduction under section 80C of Income Tax Act. Rate of interest is 7.7 % compounded annually but payable at maturity.

Kisan Vikas Patra (KVP):

KVP is a savings certificate scheme aimed at rural investors, offering fixed returns and flexibility in terms of investment amount. It appeals to individuals with surplus funds seeking moderate returns with low risk. India post introduced Kisan Vikas Patra as a small saving certificate scheme in 1988. Its primary objective is to encourage long term financial discipline in people. As per the latest update, the tenure for the schme is now 115 months (9 years and 5 months). Initially it was meant for farmers to enable them to save for the long term, hence the name. Now it is available to all. Rate of interest is 7.5% compounded annually.

Sukanya Samriddhi Yojana (SSY):

SSY is designed to encourage saving for the girl child's education and marriage expenses. It offers tax benefits, competitive interest rates, and flexibility in contributions, making it popular among parents and guardians.

Account is opened by the guardian in the name of girl child below the age of 10 years. Account can be opened with minimum initial deposit Rs. 250. (Minimum deposit in a FY is Rs. 250 and maximum deposit can be made up to Rs. 1.50 lakh (in multiple of Rs.50) in a FY in lumpsum or in multiple installments. Deposit can be made maximum up to completion of 15 years from the date of opening.

Rate of interest is 8.2% Per Annum(with effect from 01-01-2024),calculated on yearly basis Yearly compounded.

Mahila Samman Savings Certificate, 2023

For commemorating Azadi Ka Amrit Mahotsav, a one-time new small savings scheme, Mahila Samman Savings Certificate, has been made available for a two-year period for investment up to March 2025. This will offer deposit facility upto ` 2 lakh in the name of women or girls for a tenor of 2 years at fixed interest rate of 7.5 per cent with partial withdrawal option.

Mahila Samman Savings Certificate is a risk free scheme dedicated towards Women's and Girls of all age groups. This scheme has been designed with the intent of encouraging women and Girls to save and invest. The account opened under this scheme should be a single holder type account.

PM CARES for Children Scheme, 2021

The Prime Minister has announced PM CARES for Children scheme to support children who have lost both parents or surviving parent or legal guardian or adoptive parents due to COVID-19 pandemic. The objective of the Scheme is to ensure comprehensive care and protection of Children in a sustained manner, and enable their well-being through health insurance, empower them through education and equip them for self-sufficient existence with financial support till 23 years of age. The scheme is accessible through an online portal i.e. **pmcaresforchildren.in**.

A calculated amount has been credited in the account of each identified child in such a manner that the corpus for each child becomes Rs.10 lakhs at the time of attaining 18 years of age. Children are entitled to receive monthly stipend between the age of 18 and 23 years, by investing the corpus of Rs.10 lakhs into Monthly Income Scheme of Post Office. They will receive the amount of Rs.10 lakh on attaining the age of 23 years.

Postal Life Insurance

Postal Life Insurance (PLI) was introduced on 1st February 1884.It started as a welfare scheme for the benefit of postal employees and was later extended to the employees of the Telegraph Department in 1888. In 1894, PLI extended insurance cover to female employees of the erstwhile P & T Department at a time when no other insurance company covered female lives. It is the oldest life insurer in this country. Over the years, PLI has grown substantially from a few hundred policies in 1884 to more than 50 Lacs policies as on 31.03.2021. It now covers employees of Central & State Governments, Defence and Para-Military Services, Public Sector Undertakings, Banks, Educational Institutions, Local Bodies, professionals (such as doctors, engineers, chartered accountants, MBAs, lawyers etc.) and employees of companies listed with National Stock Exchange (NSE) / Bombay Stock Exchange (BSE)

Insurance Schemes

Whole Life Assurance (Suraksha)

This is a scheme where the assured amount with accrued bonus is payable to the insured either on attaining the age of 80 years, or to his/her legal representatives or assignees on death of the insured, whichever occurs earlier, provided the policy is in force on the date of claim.

- Minimum & Maximum age at entry: 19-55 years
- Minimum Sum Assured ₹ 20,000; Maximum ₹ 50 lac
- Loan facility after 4 years
- Surrender after 3 years
- Not eligible for bonus if surrendered before 5 years

- Can be converted into Endowment Assurance Policy upto 59 years of age of the insurant provided the date of conversion does not fall within one year of the date of cessation of premium payment or date of maturity.
- Premium paying age can be opted for as 55,58 or 60 years
- Proportionate bonus on reduced sum assured is paid if policy is surrendered
- Last declared Bonus- ₹ 76/- per ₹ 1000 sum assured per year

Convertible Whole Life Assurance (Suvidha)

A Whole Life Assurance Policy with the added feature of an option to convert to Endowment Assurance Policy at the end of five years of taking policy.

- Assurance to the extent of sum assured with accrued bonus till attainment of maturity age
- In case of death, assignee, nominee or legal heir paid full amount of sum assured with accrued bonus
- Minimum age & Maximum age at entry: 19-55 years
- Can be converted into Endowment Assurance after 5 years not later than 6 years of taking policy. If not converted, policy will be treated as Whole Life Assurance
- Minimum sum assured ₹ 20,000; Maximum ₹ 50 lac
- Loan facility after 4 years
- Surrender after 3 years
- Not eligible for bonus if surrendered before completion of 5 years
- Last declared Bonus- ₹ 76/- per ₹ 1000 per year (for WLA policy if not converted to Endowment Assurance)
- On conversion, bonus of Endowment Assurance will be payable.

Endowment Assurance (Santosh)

Under this scheme the proponent is given an assurance to the extent of the sum assured and accrued bonus till he/she attains the pre- determined age of maturity i.e 35,40,45,50,55,58 & 60 years of age.

- In case of death of insurant, assignee, nominee or legal heir is paid full amount of sum assured with accrued bonus
- Minimum & maximum age at entry: 19-55 years

- Minimum sum assured ₹ 20,000; Maximum ₹ 50 lac
- Loan facility after 3 years
- Surrender after 3 years
- Not eligible for bonus if surrendered before completion of 5 years
- Proportionate bonus on reduced sum assured is paid if policy is surrendered after 5 years
- Last declared Bonus- ₹ 52/- per ₹ 1000 sum assured per year

Joint Life Assurance (Yugal Suraksha)

It is a Joint Life Endowment Assurance in which one of the spouses should be eligible for PLI policies.

- Life cover to both spouses to the extent of sum assured with accrued bonus with a single premium
- Minimum sum assured ₹ 20,000; Maximum ₹ 50 lac
- Minimum age & Maximum age at entry of spouses: 21-45 years
- Maximum Age of the elder policy holder should not be more than 45 years & the couple should be between 21 years to 45 years
- Minimum term of policy 5 years and maximum 20 years
- Loan facility after 3 years
- Surrender after 3 years
- Not eligible for bonus if surrendered before completion of 5 years
- Proportionate bonus on reduced sum assured is paid if policy is surrendered
- Death benefits are paid to either of the survivors in the event of death of spouse or main policy holder
- Last declared Bonus- ₹ 52/- per ₹ 1000 sum assured per year

Anticipated Endowment Assurance (Sumangal)

It is a Money Back Policy with maximum sum assured of ₹ 50 lacs, best suited to those who need periodical returns. Survival benefits are paid to the insurant periodically. Such payments will not be taken into consideration in the event of unexpected death of the insurant. In such cases, full sum assured with accrued bonus is payable to the assignee, nominee of legal heir.

- Policy term: 15 years and 20 years
- Minimum age 19 years; maximum age at entry 40 years for 20 years' term policy & 45 years for 15 years' term policy
- Survival benefits paid periodically as under: -
- 15 years Policy- 20% each on completion of 6 years, 9 years & 12 years and 40% with accrued bonus on maturity
- 20 years Policy- 20% each on completion of 8 years, 12 years & 16 years and 40% with accrued bonus on maturity
- Last declared Bonus- ₹ 48/- per ₹ 1000 sum assured per year

Children Policy (Bal Jeevan Bima)

The salient features of this scheme are as under:

- The scheme provides life insurance cover to children of policy holders
- Maximum two children of policy holder (parent) are eligible
- Children between 5- 20 years of age are eligible
- Maximum sum assured ₹ 3 lac or equal to the sum assured of the parent, whichever is less
- Policy holder (parent) should not be over 45 years of age.
- No premium to be paid on the Children Policy, on the death of policy holder (parent). Full sum assured and bonus accrued shall be paid on completion of term
- Policy holder (parent) shall be responsible for payment of Children policy No loan admissible
- Has facility for making it paid up, provided premiums are paid continuously for 5 years
- Surrender facility is not available
- No medical examination of child necessary. However, child should be healthy and risk shall start from day of acceptance of proposal
- Attract the rate of bonus applicable for Endowment policy (Santosh) i.e. last bonus rate is ₹ 52/- per ₹ 1000 sum assured per year

Jansuraksha Scheme

Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY)

The scheme will be a one year cover Term Life Insurance Scheme, renewable from year to year, offering life insurance cover for death due to any reason. Rs.2 lakhs is payable on a subscriber's death due to any reason. The premium payable is Rs.330/- per annum per subscriber. The premium will be deducted from the account holder's savings bank account through 'auto debit' facility in one installment, as per the option to be given on enrolment. Members may also give one-time mandate for auto-debit every year till the scheme is in force, subject to re-calibration that may be deemed necessary on review of experience of the scheme from year to year. All savings bank account holders in the age 18 to 50 years in participating banks will be entitled to join. In case of multiple saving bank accounts held by an individual in one or different banks, the person would be eligible to join the scheme through one savings bank account only.

Pradhan Mantri Suraksha Bima Yojna(PMSBY)

The scheme will be a one year cover Personal Accident Insurance Scheme, renewable from year to year, offering protection against death or disability due to accident.

Benefits for Sum Insured

a. Death Rs. 2 Lakh

b. Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot Rs. 2 Lakh

c. Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot Rs. 1 Lakh

Premium payable is Rs.12/- per annum per member.

The premium will be deducted from the account holder's savings bank account through 'auto debit' facility in one installment, as per the option to be given on enrolment. Members may also give one-time mandate for auto-debit every year till the scheme is in force, subject to re-calibration that may be deemed necessary on review of experience of the scheme from year to year.

Atal Pension Yojna(APY)

Atal Pension Yojana (APY), a pension scheme for citizens of India, is focused on the unorganised sector workers. Under the APY, guaranteed minimum pension of Rs. 1,000/- or 2,000/- or 3,000/- or 4,000 or 5,000/- per month will be given at the age of 60 years depending on the contributions by the subscribers. Any Citizen of India can join APY scheme. The following are the eligibility criteria:- (i) The age of the subscriber should be between 18 - 40 years. (ii) He / She should have a savings bank account/ post office savings bank account

Distribution of Mutual Funds and Securities

The Post Office has traditionally been a distributor of financial services, from money orders to banking services. The Post Office Savings Bank is the largest retail bank in the country, operating from over 1,50,000 branches. With an objective to leverage the strength of the postal network and skills Department of Posts had started retailing mutual funds and bonds.

At present select schemes of UTI Mutual Fund only are retailed through the designated post offices in the country through NISM/EUIN certified staff.

National Pension System - All Citizen Model

National Pension System (NPS) is a voluntary retirement savings scheme laid out to allow the subscribers to make defined contribution towards planned savings thereby securing the future in the form of Pension. It is an attempt towards a sustainable solution to the problem of providing adequate retirement income to every citizen of India.

At the time of normal exit from NPS, the subscribers may use the accumulated pension wealth under the scheme to purchase a life annuity from a PFRDA empaneled life insurance company apart from withdrawing a part of the accumulated pension wealth as lump-sum, if they choose so. PFRDA is the nodal agency for implementation and monitoring of NPS.

Investor Attitudes Towards Post Office Savings Schemes:

Investor attitudes towards post office savings schemes vary based on several factors:

Risk Appetite

Conservative investors prefer schemes like NSC and PPF, which offer guaranteed returns and capital protection. In contrast, investors with a higher risk appetite may opt for schemes like KVP or SSY, which offer relatively higher returns with moderate risk.

Investment Horizon

Long-term investors favor schemes like PPF and SSY, which offer compounding benefits and help in achieving long-term financial goals. On the other hand, individuals with short-term financial needs may prefer schemes like NSC or POMIS, offering liquidity and regular income.

Tax Benefits

Schemes offering tax benefits, such as PPF and SSY, attract investors seeking to optimize their tax liabilities. The tax-free status of interest income and contributions under these schemes enhances their attractiveness among investors.

Financial Goals

Investor attitudes are influenced by their financial goals, such as retirement planning, wealth creation, or education expenses. Schemes like PPF and SSY, aligning with specific goals, resonate well with investors having such aspirations.

Trust and Familiarity

The credibility of post office savings schemes, backed by the Government of India, instills trust among investors. Moreover, the widespread network of post offices across the country makes these schemes accessible to a diverse investor base, including rural and semi-urban populations.

Conclusion

Investor attitudes towards post office savings schemes in India are shaped by a combination of factors, including risk appetite, investment horizon, tax benefits, financial goals, and trust. While conservative investors prioritize safety and stability, others seek higher returns and tax efficiency. The diverse range of schemes caters to the varied needs of investors, promoting financial inclusion and wealth creation across different segments of society. Understanding these attitudes is essential for investors to make informed decisions and for policymakers to design inclusive financial policies.

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