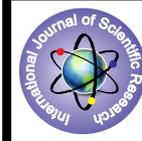


Impact of Implementation of Recommendations of Shyamala Gopinath Committee's Report: A Study in the light of Post Office Agents in India



Commerce

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ABSTRACT

There is no denying the fact that Indian postal service has been providing many facilities to the people who are desirous of investing their small savings in the schemes under the post offices. There are different small savings schemes existent in the post offices. These schemes have been gaining popularity amongst the large number of small investors in India. It provides social benefits to them. To attract the investors and implement the schemes, postal agents play a pivotal role. The efforts, dedication, commitment and sincerity of the postal agents deserve kudos as they do their work from dawn to dusk for making the potential investors conscious about the ins and outs of the different schemes. In return they get commission. But, presently, these postal agents are being severely affected because of scrapping/reducing postal agents' commission on different small savings scheme. The report of the committee headed by Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India, came just like a bolt from the blue to the post office agents. The said committee recommended to abolish or reduce post office agents' commission. In this perspective, an attempt has been made in this paper to highlight how the recommendations of the committee headed by Smt. Shyamala Gopinath, Deputy Governor, affected lakhs of post office agents.

Introduction

Needless to mention that Indian postal service has been providing many facilities to the people who are desirous of investing their small savings in the schemes under the post offices. Small savings schemes are an important source of household savings. These schemes have been gaining popularity amongst the large number of small investors in India. It provides social benefits to them. To attract the investors and implement the schemes, postal agents play a pivotal role. The efforts, dedication, commitment and sincerity of the postal agents deserve kudos as they do their work from dawn to dusk for making the potential investors conscious about the ins and outs of the different schemes. India is a country of 1.2 billion people and a major chunk of them do not get the light of education. In this perspective, the postal agents take the onus of making them literate and become able to build confidence in their minds. But, presently, these postal agents are being severely affected because of scrapping postal agents' commission. The report of the committee headed by Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India, came just like a bolt from the blue to the post office agents.

Objectives of the Study

The objectives of the study are stated below:

1. To discuss about postal service in independent India;
2. To highlight the facilities extended by post offices in India;
3. To throw light on recommendations of Shyamala Gopinath Committee's Report pertaining to Post Office Agents' Commission;
4. To analyze the impact of implementation of recommendations of Shyamala Gopinath Committee's Report on Post Office Agents in India;
5. To make suggestions and recommendation.

Methodology

The study is based on secondary data. The data/information have been collected from the report of Smt. Shyamala Gopinath Committee, newspapers, journals and relevant websites.

Postal service in Independent India

The Department of Posts is a government-operated postal system in India. Within India, it is generally referred to as "the post office". The postal service comes under the Department of Posts, which is a part of Ministry of Communications and Information Technology under the Government of India. Since Indian independence in 1947, the Indian postal service continues to function on a countrywide basis. As of 31st March 2011, the Indian Postal Service has 1,54,866 post offices, of which 1,39,040 (89.78%) are in rural areas and 15,826 (10.22%) are in urban areas. At the time of independence, there were 23,344 post offices, which were primarily in urban area. Thus the network has registered a seven-fold growth since independence in 1947, with the focus of the expansion primarily in rural areas. The De-

partment of Posts employ innumerable numbers of employees and lakhs of people are directly or indirectly associated with this department.

Facilities extended by post offices in India

Indian postal service provides many facilities. General or registered mail, parcel post, speed post, express post, e-post, and special courier service (known as EMS-speed post) are some of the facilities extended by Indian post offices.

They also offer a number of post office savings schemes. These are:

1. Kisan Vikas Patra (KVP), now it has been discontinued
2. Post Office Monthly Income Account Scheme
3. National Savings Certificate (VIII Issue)
4. National Savings Certificate (IX Issue)
5. 15-Year Public Provident Fund
6. 5-Year Post Office Recurring Deposit Account
7. Post Office Saving Account
8. Post Office Time Deposit Account
9. Senior Citizen Savings Scheme

Post Office Agents: Types

There are 3 types of agent viz., Mahila Pradhan Kshetriya Bachat Yojna (MPKBY) Agent, Standardized Agency System (SAS) Agent and Public Provident Fund (PPF) Agent. Under MPKBY, any unemployed adult woman may be an agent. For SAS and PPF, any unemployed adult Man/Woman may become an agent. Agents are paid commission for the schemes of Post Office from National Small Savings Fund (NSSF) on the basis of gross small savings collections.

The authorized Standardized Agency System (SAS) agents canvass investments like (a) One-Year Time Deposit, (b) Two-Year and 3-Year Time Deposit, (c) Five-Year Time Deposit, (d) Monthly Income Account Scheme, (e) Five/Six-Year National Savings Certificate (VIII Issue), (f) Ten-Year National Savings Certificate (IX Issue). Mahila Pradhan Kshetriya Bachat Yojna (MPKBY) Agent canvasses for Five-Year Recurring Deposit Account. PPF agent canvasses/secures investment in public provident fund. These agents get commission at the rate specified by the Government of India.

Recommendations of Shyamala Gopinath Committee's Report: Post Office Agents' Commission

As per recommendations of the 13th Finance Commission for comprehensive reforms in overall administration of National Small Savings Fund (NSSF), a committee was constituted by Ministry of Finance vide its Order No.5-2/2010-NS-II dated 8th July, 2010 to recommend on the reforms required in NSSF. The Committee chaired by Smt. Shyamala Gopinath, Deputy Gover-

nor, RBI submitted its report. The Report manifests many things with regard to NSSF. But discussion has been restricted here to "Post Office Agents' Commission in India" that is revealed in that report. The committee recommended in its "Report of the Committee on Comprehensive Review of National Small Savings Fund (NSSF)", either to reduce or completely abolish the commission paid to agents on various schemes. The view expressed by the Committee is that it adds to the overall cost of the schemes.

The Committee had recommended rationalization of commission rate structure in order to make the schemes more investor-centric than agent centric. As per recommendations of the Committee, the commissions to be paid to post office agents are as follows:

Name of the Savings Scheme	Commissions paid/payable to the Post Office Agents	
	Before submission of the recommendations of Shyamala Gopinath Committee	After submission of the recommendations of Shyamala Gopinath Committee
	Up to 30-11-2011	From 01-12-2012
MPKBY	4%	4%
PPF	1%	X
SCSS	0.5%	X
TD	1%	0.5%
MIS	1%	0.5%
NSC	1%	0.5%

Payment of commission on PPF and SCSS has been discontinued since 1st day of December 2011. The commission on MPKBY scheme has remained fixed as earlier. But the commission on TD, MIS and NSC has been reduced from 1% to 0.5%. Incentive, if any, paid by State/Union Territory Governments shall be reduced from commission paid by the Central Government.

Impact of implementation of recommendations of Shyamala Gopinath Committee's Report on Post Office Agents in India

Impact-I

Agents' communities are very much angry over small savings committee's recommendations. It is to be noted that there are 6.72 lakh small agents in the country. They maintain their family by earning commission on different schemes and for this they are to do a Herculean task of convincing customers. They make them understand about the different schemes, take timely payments from them, deposit in post offices, and maintain their records. They earn a minimal percentage of commission by rendering their services. Withdrawal or reduction of commission of post office agents on different schemes has made the agents give up their professions. This has affected about 6.72 lakh agents and their families in the country. They and their family members will be the most sufferers. About more than 90% of total small savings collection are mobilized through the efforts of Small Savings Agents. So this will result in losing huge amount of exchequer of our country.

Impact-II

Around 50% of our population is women. Many of them take this profession as a post office agent. Most of the rural women agents are destitute and widows with poor family background. They mainly depend on the agency commission for their livelihood. So the reduction/withdrawal of commission availed by the small savings agents specially belonging to women will impact on maintaining their family. On the one hand, our government is very much sympathetic and serious for the upliftment of the socio-economic conditions of women, and, on the other hand, the same government has been taking drastic action by scrapping or reducing postal agents' commission which will surely affect the lives of women engaged in this profession.

Impact-III

It is earlier mentioned that a major chunk of total savings collection are mobilized through their strenuous efforts of small

savings agents. They act as a liaison between postal department and the customers. They create awareness in the common public about the available schemes. A healthy and congenial relation is built up with the customers and this relation generates a sense of confidence in their minds. They give doorstep services to them. But their tireless efforts are not recognized and honoured. So the reduction/abolition of post office agent commission will demoralize them and the deposits in the small savings scheme will get reduced. This will put an adverse impact on India's economy and the country's development programmes, to some extent, will be halted.

Impact-IV

Average earnings of agents have come down sharply because of curtailment/abolition of agents' commission. If customers invest their small savings in chit fund business in anticipation of earning higher rate of interest, they may be deprived of getting back their invested money.

Impact-V

The dedicated, committed and disciplined post office agents are now getting engaged in chit fund companies as these companies are giving a lucrative commission to their agents. They are changing their earlier profession because of earning more for their livelihood. Cost of living is rising. Is it possible to maintain the members of the agents' families with this meagre percentage of post office agents' commission? So such situation compels them to take alternative profession. It needs to be mentioned that, in the recent past, such post office agents were not in favour of growth and expansion of chit fund businesses and they fought vehemently against such type of business. It is an irony that they are now changing their earlier profession and joining the chit fund companies as agent in a bid to earn much more commission than that of post office. It is a hard reality. None can deny it where the question of survival arises. Migration of committed post office agents from post office to chit fund business has helped that business grow, flourish and develop. This will not augur well in future.

Impact-VI

Customers are to face a plethora of problems while they want to withdraw their savings amount from post offices. They are being harassed. Insertion of new rules/regulations has compelled the process of withdrawal of amount invested in different savings scheme.

Impact-VII

Taking the advantages of complexities of post office relating to newly inserted rules/regulations, the chit fund companies are flourishing. It is not a good signal to our country.

Impact-VIII

Collections from KVP (about 26%) and MIS (25%) have been drastically falling. A popular scheme "Kisan Vikas Patra" has been recently discontinued. Lesser collections of other different small savings schemes have been due to reduction/withdrawal of commission from different schemes. Agents' community has lost their enthusiasm and vigour to dedicate themselves in such profession. The interested investors

Impact-IX

It is mention worthy in this connection that 93% of our labour force are engaged in unorganized sector and 7% of them are in organized sector. The post office agents are deemed to be engaged in unorganized sector. Abysmal poverty and inadequacy/scarcity of employment opportunities have driven them to take this profession. It needs no description that small savings schemes are agent-driven. If the agents' community is severely affected, then the future of different small savings scheme will be in peril.

Impact-X

During the period from 2000 to 2012, Rs.82,000 crores went to the exchequer of our State i.e. West Bengal. If the small savings start falling, the revenue of this state will be declining.

Chit Fund Companies: Some Horrible Incidents making the common people panicky

The incidents relating to activities of Chit Fund Companies mentioned below are extracted from the web editions of the Times of India (www.timesofindia.indiatimes.com):

<p>Sivagangai cracker manufacturer alleges cheating by chit fund agent (Chennai, 03-01-2009): It was reported that a Sivakasi-based firecracker filed a complaint with the suburban commissioner saying a Nerkundram-based chit fund agent had bought material worth Rs.2.34 lakh from him and had absconded without paying.</p>
<p>Chit fund organizer goes missing. (Hyderabad, 20-06-2011): The Kushaiguda police booked a cheating case against a chit fund organizer who duped 76 persons to the tune of Rs.1.5 crore. The accused, Amrender, had been organizing chit fund business and about 100 people had invested money with him. However, he did not pay money to investors.</p>
<p>CID warns investors of dubious chit-fund companies (Hyderabad, 28-10-2004): After co-operative banks, it is the chit fund companies and multi-level marketing agencies, which are duping investors. They are collecting huge amounts on the pretext of offering huge rate of returns.</p>
<p>Women, daughters running chit fund consume acid (Trichy, 26-10-2012): A woman and her elder daughter who were running a chit fund, committed suicide by consuming acid in Pathur in Trichy as they were unable to repay their investors.</p>
<p>Rs.30 crore swindled from fishermen (Kozhikode, 25-10-2012): A special investigation team has been constituted to probe a chit funds fraud, in which around Rs.30 crore has been swindled by an agent from people living in the coastal areas of the district.</p>
<p>Couple held for cheating depositors (Chenna, 22-10-2012): A couple was arrested for running a chit fund that owed money to depositors. Police said Jeevandan and Easwari from Madhavaram were arrested for cheating depositors of 70 lakh.</p>
<p>Chit company MD held for duping customers Rs.35 crore (Vijayawada, 31-08-2012): A chit fund company has allegedly duped its customers to the tune of Rs.35 crore in the city.</p>
<p>Cops' wives embezzle chit fund, abscond (Mysore, 30-11-2010): In yet another case of taking gullible investors for a ride, wives of 2 police constables, who were running chit funds in partnership, have cheated scores of subscribers and made away with the money.</p>
<p>Couple held for duping people of Rs.50 lakh (Coimbatore, 21-10-2012): The City Crime Branch of the Coimbatore city police arrested a couple, who ran a chit fund firm in Ganapathy and duped people of Rs.50 lakh.</p>
<p>Investors cheated by chit fund company run by duo (Trichi, 16-10-2012): In another case of cheating, about 100 people approached the district collector demanding action to retrieve more than Rs.2 crore invested with a chit fund company.</p>

From the above reports, it manifests how the common people are cheated by the chit fund companies. Greed has no limit. The chit fund companies create such greed among the investors and they invest in those companies in order to get higher returns. In the long run, they become destitute. If they would invest their small savings in post office or banks, they would not be cheated.

Suggestions and Recommendation

On the basis of above deliberations, the following suggestions and recommendations are made:

- .. Agents' commission having been withdrawn from PPF and SCSS are required to be restored.
- .. 10% bonus on MIS scheme should be reintroduced.
- .. KVP, which has been withdrawn, is to be introduced.
- .. The interest on different small savings scheme of post office is to be enhanced. It will be either equal to or more than the interest given by the banks.
- .. Recommendations of Reddy Committee will have to be followed keeping in view of the interests of the post office agents.
- .. Agent's commission on MPKBY is to be enhanced from 4% to 5% and maternity benefit is to be given to the women engaged in this profession.
- .. The agents who are rendering services more than 15 years should be brought under pension scheme.
- .. Post office agents should be treated as workers (service providers) of unorganized sector and the benefits/facilities available for being a worker in that sector should be extended.
- .. Identity card should be issued by the government to the post office agents.
- .. SAS agents are to be given 20% cash reward and measures need to be taken to give cash reward to the MPKBY agents also.
- .. Requisite papers and forms should be available in each and every post office so that the agents can collect these from nearby post offices. So the postal departments need to supply requisite papers and forms to the post offices.
- .. The services to the customers need to be developed and there should have a uniform rules and regulations applicable to all post offices.

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