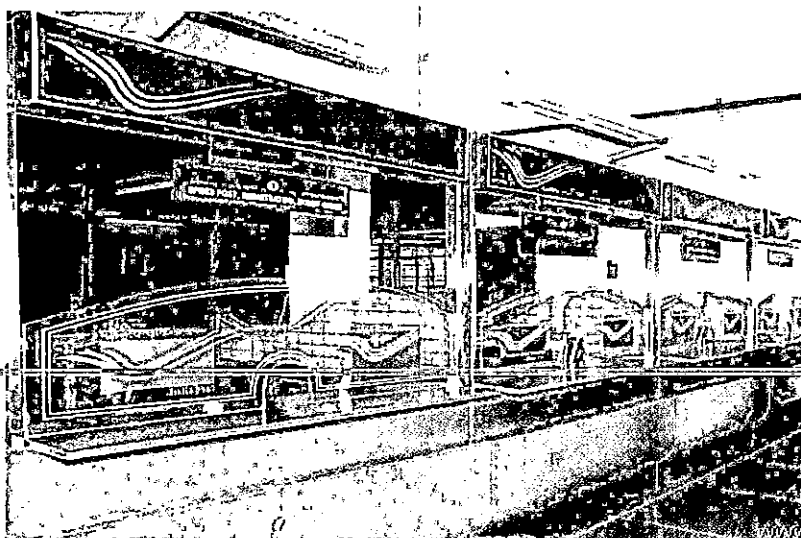


CONFIDENTIAL

**Report of the Expert Group on Review of
Rates of Agency Charges Payable to
Department of Posts for Operation of Small
Savings Schemes.**



**May, 2011
NEW DELHI**

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**Report of the Expert Group on Rates of Agency Charges payable to
Department of Posts for Operation of Small Savings Schemes.**

1 Terms of Reference of the Expert Group:

1.1 Ministry of Finance, Department of Economic Affairs, (DEA) vide O.M. No. F.No. 10/1/2008-NS-II dated 9th April, 2010 constituted an Expert Group to examine remuneration to Department of Posts for agency charges/ remuneration relating to Small Savings Scheme and other connected issues. The composition of Expert Group is as follows:

- | | | |
|---|---|------------------|
| a) Additional Chief Adviser (Cost),
Department of Expenditure | - | Chairman |
| b) Joint Secretary & FA, Department of Posts,
Ministry of Communications & IT | - | Member |
| c) Dy. Director General (Financial Services), Department of Posts | - | Member |
| d) Advisor, Economic Division, Department of Economic Affairs | - | Member |
| e) Director, National Savings Institute, Nagpur | - | Member |
| f) Commissioner Small Savings and State Lotteries,
Finance Department, Government of Maharashtra | - | Member |
| g) Secretary, Finance Department, Government of Uttar Pradesh | - | Member |
| h) Principal Secretary, Finance Department, Government of
West Bengal | - | Member |
| i) Deputy Secretary (Budget), Department of Economic Affairs | - | Member Secretary |

1.2 The Terms of Reference (ToR) assigned to the Expert Group are as under:

- (i) To examine the basis of payment of remuneration in its whole perspective taking into account all cost elements including 'at source' commission payments to various categories of agents, SB pairing, computerization, accounts and audit, maintenance of silent accounts,' etc. and recommend a suitable formula to be

adopted for remunerating Department of Posts for their agency functions relating to small savings schemes. While doing so aspects of improving efficiency and optimizing costs, etc may also be factored in.

- (ii) To examine and recommend the formula for sharing the cost of management of small savings schemes between the Central Government and the State Governments.
- (iii) To recommend suitable measures for improving the efficiency of post offices relating to small savings work.
- (iv) To see and recommend if any power of relaxation of rules presently held by Ministry of Finance (Department of Economic Affairs) can be delegated to Department of Posts to save operational cost and to avoid delay in cases related to general public.
- (v) To examine the reasons for large number of irregularities, such as opening of irregular accounts and issue of NSCs and KVPs to the persons, firms, institutions, trust, etc, and to suggest remedial measures to curb such irregularities.
- (vi) Subsequently, vide O.M. no. 10/1/2008-NS-II dated 4th May 2010, the Expert Group has been further asked "to examine the request of Department of Posts for payment of remuneration on zero deposit/ zero balance Post Office Savings Accounts opened for the beneficiaries of MGNREGA and other social security schemes (IGNOAPS, IGNSPS and IGNDPS)".

1.3 The Expert Group called for data from the Department of Posts, Department of Economic Affairs, National Saving Institute and State Governments and held four meetings. The Group also visited Postal circle in Rajasthan, met the Agents and considered their representations. The same are dealt in subsequent paragraphs of this Report.

1.4 First meeting of the Expert Group was held on 26th April, 2010. The Terms of Reference and the questionnaire circulated for the study were discussed among the members present. The Questionnaire called for details from the Department of Posts, Department of Economic Affairs and National Savings Institute (NSI) on the terms of the reference. Information was called from Department of Posts on Annual transactions data of the Post

Offices for the latest available year, methodology to arrive at the cost, calculation of the rates with the supporting work sheets, computerization programme and its impact, detailed note on MGNREGA Saving Accounts, measures for improving productivity, proposals for delegation of additional powers, details of net collection of deposits, payments to Agents etc. Keeping in view the tasks to be completed and quantum of the work involved, the concerned organizations agreed to provide data/ information and their claim of Agency Charges by the 10th May 2010 and accordingly, action plan for submission of data were planned.

1.5 The Department of Posts arranged for a visit to one Head Post Office, two Sub Post Offices (one computerized and one non-computerized) and two Branch Post Offices in the Rajasthan Circle during June, 2010 to acquaint the Group with the functioning of the Saving Scheme and the Post Offices. During the visit, a Power Point presentation giving overview of the Rajasthan Postal Circle was made. The Group also visited Post Offices and site where MGNREGA programme was being carried out to gain first hand information of the work done at the ground level.

1.6 The Second meeting was held on 3rd September, 2010. The Members were apprised of the receipt of information/ data received from various departments/ offices. JS & FA, Department of Posts made a Power Point presentation covering salient points of the proposal submitted to Expert Group covering details of existing Remuneration, existing Cost, exercise being undertaken for collection of data from Head Post Office, Computerized Sub Post Offices and Non-computerized Sub Post Offices, additional collection of sample data to ascertain work and cost of Branch Post Offices, comparison of present cost elements with reference to the figures on the last Expert Group in 1994.

1.6.1 Department of Posts was requested to provide a detailed note on the cost of the services built in the calculation of rates submitted to the Expert Group. Extent of work/ services towards MGNREGA, number of MGNREGA account and other social security schemes as on 31st March 2009, estimated number of accounts in the near future in connection with additional Terms of Reference and other related data was called for.

1.6.2 NSI/ DEA were also requested to send a detailed note on existing Schemes, commission being paid to Agents, amount of mobilization and training of manpower of Postal staff for consideration of Department of Posts/ Expert Group.

1.7 The Expert Group convened the third meeting on 30th December 2010 to discuss at length data, analysis, observations, provisional findings/ recommendations. A copy of the draft report was handed over to each Member / representative present in the meeting. A brief presentation on the salient points of the Draft Report, namely, methodology adopted, parameters which formed basis to arrive at the cost was made. The presentation also covered other issues, such as, at source commission, sharing of the cost with State Governments, areas of improving efficiency and optimizing costs, delegation of powers of relaxation of rules to Department of Posts, irregularities noticed and suggestion on their remedial measures and payment of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Savings Accounts and other Social Security Schemes. In the course of discussion, it was decided that Department of Posts would submit the required data to arrive at Average Number of Transactions per Year per Account in respect of SB/MGNREGA and reply to other points discussed in the meeting. Other members were also requested to forward data/ information as well as comments/ suggestions on the draft report circulated in the meeting. Replies received from the members have been incorporated in this Report.

1.8 Visits as well as discussions with concerned Officers of Department of Posts were held in connection with the data submitted by the Department and clarifications from them, wherever necessary, have also been obtained.

1.9 The data/ information/ clarifications received from the concerned institutions namely, Department of Posts, Department of Economic Affairs, National Savings Institute formed the basis for calculation of the rates.

1.10 The Expert Group convened a meeting on 16th March 2011 to discuss and finalise recommendations. During the course of discussion, issues like, review of the cost in respect of Savings Bank Control Organization and payment mechanism in respect of zero balances of Social Security Schemes were deliberated and the succeeding paragraphs incorporate the

decision made thereon. After the conclusion of the meeting, the Expert Group forwarded a copy of the draft Report on 29th March 2011 to the members for discussion in the next meeting.

1.11 The Expert Group convened meeting on 5th May 2011 for finalization of and signing of the Report. The meeting notice circulated among the members requested them to send their comments, if any, on the draft Report well in advance. The comments of Department of Posts on the draft Report was received by the Expert Group on 2nd / 3rd May 2011, the details of which are dealt in this Report at appropriate places.

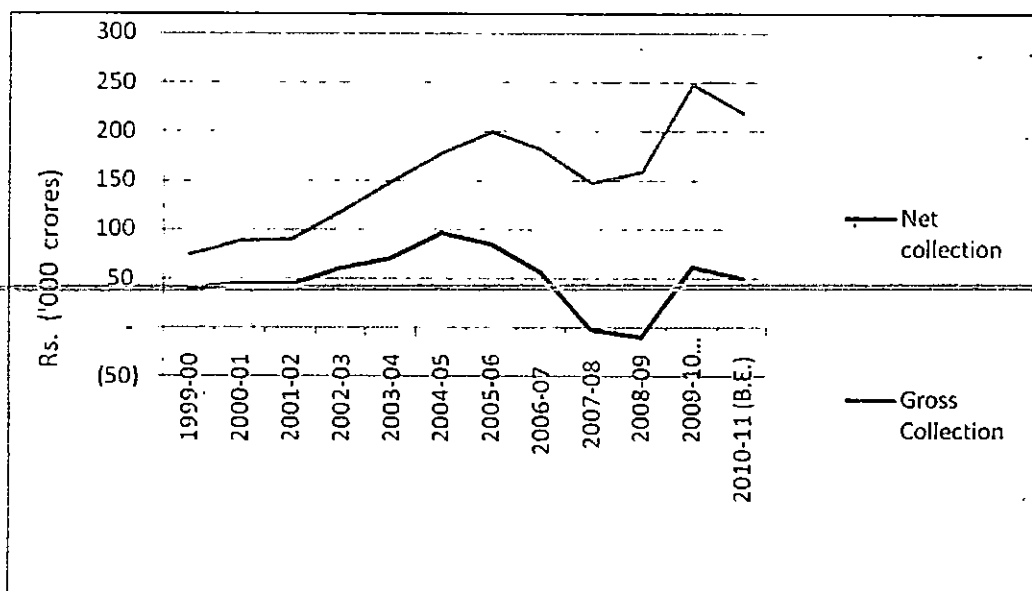
2. Small Savings Schemes

2.1. Post Office Savings Bank is included in the Union List vide item No.39 of 7th Schedule of the Constitution of India. Various Small Savings Schemes are framed by the Central Government under the Government Savings Bank Act, 1873 and the Government Savings Certificates Act, 1959. The Public Provident Fund Scheme has been framed under Public Provident Fund Act, 1968. For each scheme, statutory rules are framed indicating the rate of interest, maturity period etc. Deposit schemes for retiring government and public sector employees have been introduced as non-statutory schemes. Statement giving details of Small Schemes with rate of interest payable along with salient features is attached as **Annexure-I**.

2.2. Statement of Deposit Collection indicating Gross Deposits and Net Deposits during 1999-2000 to 2009-10 is given below. Gross Deposits represents original aggregate amount of deposits from different schemes in the year. Net Deposits equal the Gross Deposit minus the refunds to the depositors under different schemes in the year. Gross Deposit collection has increased from Rs 27,292 crore in 1993-94 to Rs 2,48,604 crore in 2009-10. The net amount rose from Rs 9,091 crore in 1993-94 to Rs 62,172 crore in 2009-10.

Rs. /crore				
S.No.	Year	Gross Collection	Net collection	Disbursement
1	1999 - 2000	75435	38571	36864
2	2000 - 2001	88468	45357	43111
3	2001 - 2002	90442	43908	46534
4	2002 - 2003	118118	60334	57784
5	2003 - 2004	148929	70859	78070
6	2004 - 2005	177731	96788	80942
7	2005 - 2006	200148	85086	115062
8	2006 - 2007	182181	57495	124686
9	2007 - 2008	147709	-1023	148731
10	2008 - 2009	158510	-9486	167996
11	2009 - 2010 (Preliminary)	248604	62172	186432
12	2010 - 2011 (B.E.)	218300	50000	168300

2.3. Graphical presentation of the Gross and Net collection of Deposits is depicted below:



3. Basis of Remuneration for Agency work so far

3.1. The Department of Posts (DoP) is being remunerated for the agency work relating to Small Savings Scheme and other connected work done through Post Offices. The Department of Posts has, so far, been remunerated for its agency work on the rates recommended by

various Committees formed by DEA at different times. Main recommendations of different Committees formed over the period of time are discussed in the succeeding paragraphs.

3.2. On the basis of award given by **Shri Rangachari**, the then Accountant General, Post & Telegraph, Rates for the years 1967-68 to 1970-71 were fixed. For remuneration beyond 1970-71, it was suggested that for every increase of Rs. One crore in the gross budget of Postal Wing due to increase in DA/HRA or revision in pay scale, the rate per transaction be increased by specified rates.

3.3. Rates for 1976-77 to 1980-81 were fixed by the Expert Group under the Chairmanship of **Shri S.M. Patankar**, the then Financial Adviser, BPE based on rates per transaction for Savings Bank and Saving Certificates. The rates from 1979-80 to 1985-86 were re-worked as per Patankar formula based on revised pay and allowances to provide for escalation.

3.4. In November, 1987, an Expert Group under the chairmanship of the then Chief Adviser (Cost) **Shri D. Rajagopalan** recommended rates per transaction for the year 1988-89. The Group also recommended that as the cost of SB/SC operations were linked up with the overall cost of operations of the Postal Department, an annual increase of 10% over the previous year's rates be provided to take care of the escalations. The rates were applicable for 5 years from 1.4.88 to 31.3.93.

4. Prevailing Rates of Remuneration

4.1. The prevailing rates of remuneration, as updated from year to year, are fixed on the basis of the formula given by the last Expert Group in November 1994, under the chairmanship of **Shri C. Ramaswamy**, the then Chief Adviser (Cost), with members from Department of Economic Affairs, Department of Posts and from few State Governments. The Expert Group recommended a change in the calculation of remuneration from "number of transactions" to "number of live accounts" as on 31st March every year and recommended escalation of 10% every year to be reviewed after implementation of Fifth Pay Commission's recommendations.

4.2. The Expert Group, constituted in November, 1994, had recommended the cost per transaction as Rs.9.45, taking 3.6 transactions per account per year in respect of savings deposits account, which includes Post Office Saving Account, Cumulative Time Deposit, Time Deposit, Fixed Deposit, Recurring Deposit, NSS, SCSS, PPF and Monthly Income Schemes etc. Per Account cost/ rate thus arrived at was Rs.34.02. Savings Certificates include National Savings Certificates, Social Security Certificates, IVP, KVP, etc. The rates in respect of savings certificates were Rs.3.40 per Certificate issued/ discharged in respect of IVPs (a non-documented instrument), and Rs.12.80 per Certificate issued/ discharged in respect of NSCs and KVPs (documented instruments). These rates were further recommended to be escalated @ 10%, annually, over the rate for the previous year. The recommendations were accepted by DEA with effect from 1.4.93 onwards. DOP, subsequently, presented a new set of data, according to which transactions per account were 4.8, in place of 3.6, recommended by the Group. Rate per account was, therefore, increased from Rs.34.02 to Rs.45.36 per account per year and accepted by DEA.

4.3. Up to the year 2000-2001, DEA remunerated DOP, based on the rates fixed as per recommendations of the Expert Group with 10% escalation every year. No review was carried out after implementation of Fifth Pay Commission in 1996. As against the recommendation of 10% escalation, DEA allowed different rate of escalation in rates from the year 2001-02 onwards. The rates of escalation adopted by DEA during the period from 1994-95 to 2010-11 are indicated in the **Table**.

Rate of escalation adopted by DEA

Year	Escalation (%)
1994-95 to 2000-01	10.00
2001-02	6.61
2002-03	6.39
2003-04	2.36
2004-05	4.23
2005-06	3.88
2006-07	3.01
2007-08	3.00
2008-09	4.60
2009-10	5.00
2010-11	5.00

4.4. Year wise payment of remuneration paid to DOP on the rates fixed by DEA in 1993-94 and from 2004-05 to 2009-2010 are as under:

Payment of remuneration to DOP and the rates

Year	Amount (Rs. in crore)	Rates per Account / Certificate (Rs.)		
		SB	IVP	SC
1993-94	566	45.36	3.40	12.80
2004-05	1861	106.97	8.02	30.19
2005-06	2318	111.12	8.33	31.36
2006-07	2490	114.46	8.58	32.30
2007-08	2476	117.89	8.84	33.27
2008-09	2802	123.33	9.24	34.80
2009-10 (BE)	3089	129.49	9.70	36.54

4.5. In this context, it is also observed that the amount of remuneration to Department of Posts, on the basis of the revised rates for the year 1993-94 at Rs.566 crore represents a Compound Annual Growth Rate (CAGR) of 11.2% against the remuneration of Rs.3,089 crore during 2009-2010 (BE).

4.6. **Existing rates of remuneration payable to Public Sector Banks:** Two schemes, viz., (i) Public Provident Fund (PPF) and (ii) Senior Citizens Savings Scheme (SCSS) are being operated by the authorized Public Sector Banks and a few private banks also, with effect from 1st April 2006. No remuneration is payable to Banks from NSSF, as banks themselves preferred to opt choice of remuneration on turnover basis, which is being paid by RBI to Banks.

4.7. The rates prescribed by RBI for payment of Agency Commission to Bank with effect from 1.7.2005 for handling transactions under the Public Provident Scheme, 1968 and with effect from 1.4.2006 for handling transactions under the Senior Citizen Savings Scheme, 2004 were Rs.45 per transactions for receipts and 9 paise per Rs.100/- turnover for payments. Department of Economic Affairs (Budget Division) had accepted this rates prescribed by RBI. As regards payment of brokerage, Department of Economic Affairs is of the view since it has already been decided to follow only one channel of payment of remuneration to banks for handling transactions under PPF and SCSS schemes, and also that RBI would pay turnover

Commission at prescribed rates to Agency Banks for this purpose, Government is not required to make any other kind of payments to banks. However, Governments will reimburse to the banks the commission paid at source to Small Savings Agents for mobilization Deposits under the two Schemes.

5. Alternative Methods for Remuneration to the DOP

5.1. Department of Post is being presently paid remuneration on the basis of the recommendations made by the Expert Group constituted by Ministry of Finance in the year 1993-94. The Group had recommended a change in the calculation of remuneration from "Number of transactions" to "Number of live accounts" as on 31st March of every year with suitable yearly escalation.

5.2. The Expert Group constituted in 1994 had also examined other possible alternative methods of remuneration. Merits and demerits of each of such alternative considered are:

- (i) As a percentage of gross or net collection – Collections is influenced by the tax concessions offered by the Government on various saving schemes, as such this method was not considered appropriate as it can sometimes vitiate remuneration beyond the control of the Department of Posts;
- (ii) As a percentage of common expenses – With the existing method of accounting and booking of expenses, it is not possible to find actual expenditure incurred on various cost elements in respect of agency services, also, it does not provide any incentive for taking up additional work and improve the quality of service. As such it was not considered;
- (iii) Per Transaction rate basis – per transaction rate structure is not linked to the factors directly identifiable with the Small Savings Schemes, such as, number of accounts, certificates or amount of deposits etc. This was linked up in terms of 'Number of Accounts' and 'Number of certificates' as per the rate structure being presently followed for payments of remuneration.

- (iv) As Rs. per Savings Bank Account and Savings Certificates – This method of remuneration based on the “Numbers of Saving Bank Accounts and Saving Certificates” was considered to be transparent and can be related to efficiency considerations. This alternative was recommended.

5.3. **As Rate Per Savings Bank Account and Savings Certificates:** The Expert Group in 1994, after due examination, decided to link the remuneration to the “Number of Saving Bank Account and Saving Certificates” as, such a rate structure will be transparent and can be related to efficiency considerations, identifiable with the number of accounts / certificates and can provide a basis of comparison with rates payable to banks. The Expert Group then recommended different rates for Savings Bank account, Savings Certificate other than IVP and IVP certificate. The Expert Group in its Report had also suggested that future revisions in the rates can be with reference to the growth in expenses, Number of accounts/ certificates, related data and not necessarily with reference to the Number of transactions.

5.4. This method takes into account major elements of cost such as clerical time factor for Savings bank operations and the cost associated with performance of such activities. It considers expenses incurred by the Department of Posts as per the Demands for Grants with appropriate allocation to various activities including the agency functions. In this method, “Average Number of Transactions per account per year” is also an important element in

~~arriving at the overall cost for Savings Bank Account. Under this method, the time factors for~~
each activity of the Savings Bank and Savings Certificates are determined by Department of Posts from time to time, keeping in view, the changes brought about by improvements in methods and changes in procedures etc. Expert Group considered weighted average time factor as provided by Department of Posts.

5.5. Department of Posts suggested ‘a percentage of collection’ as an alternative method of remuneration. As the collection does not have any direct bearing on the efforts put in by the Post Offices. Further, collections are, as a matter of fact, influenced by the tax concessions offered by the Government. It was not considered appropriate as it can sometimes vitiate remuneration beyond the control of the Department of Posts.

5.6. Department of Posts also proposed an alternative method under which Number of Live Accounts could be calculated as total of No. of live accounts on the last working day of each month (divided by) 12 or sum of number of Live accounts as on 31st March and total no. of accounts closed in the financial year (opened and closed between 1st April to 31st March). 50% of the rate fixed for live accounts should be given for the no. of silent accounts as on 31st March or a service charge of Rs.150/- per year should be allowed to be charged from each silent account. The Expert Group recommends continuation of the present method of payment of remuneration on the basis of live accounts of SB.

5.7. **Benchmarking the remuneration payable to DoP:** Expert Group has examined the possibility of benchmarking the remuneration payable to the Department of Posts. One of the possible comparisons will be the remuneration payable/paid to the banks. As at present the nationalized banks are being compensated on the basis of turnover. However, this is being paid only in respect of Public Provident Fund and Senior Citizens Savings Scheme operated by Public Sector Bank or few private banks.

5.8. Difference in structure, core areas of operation by these two organizations, extensive difference in the level of automation/ uses of technology being in use in Banks and Post Offices are some of the factors which obviates any comparison between these two organizations. Department of Posts performs savings operations only as an agency service, and, the facility of fixation of interest rates thereby effecting mobilization is not available to it.

~~The main focus of the Department of Posts is towards postal services and the workforce is~~
geared to this area of function.

5.9. Expert Group, after due consideration of merits and demerits of different basis of remuneration, recommends that, the present basis of remuneration to Department of Posts on the basis of number of Live accounts at the end of year, may be continued.

6. **Computation of Rates per Saving Bank Account and Savings Certificate**

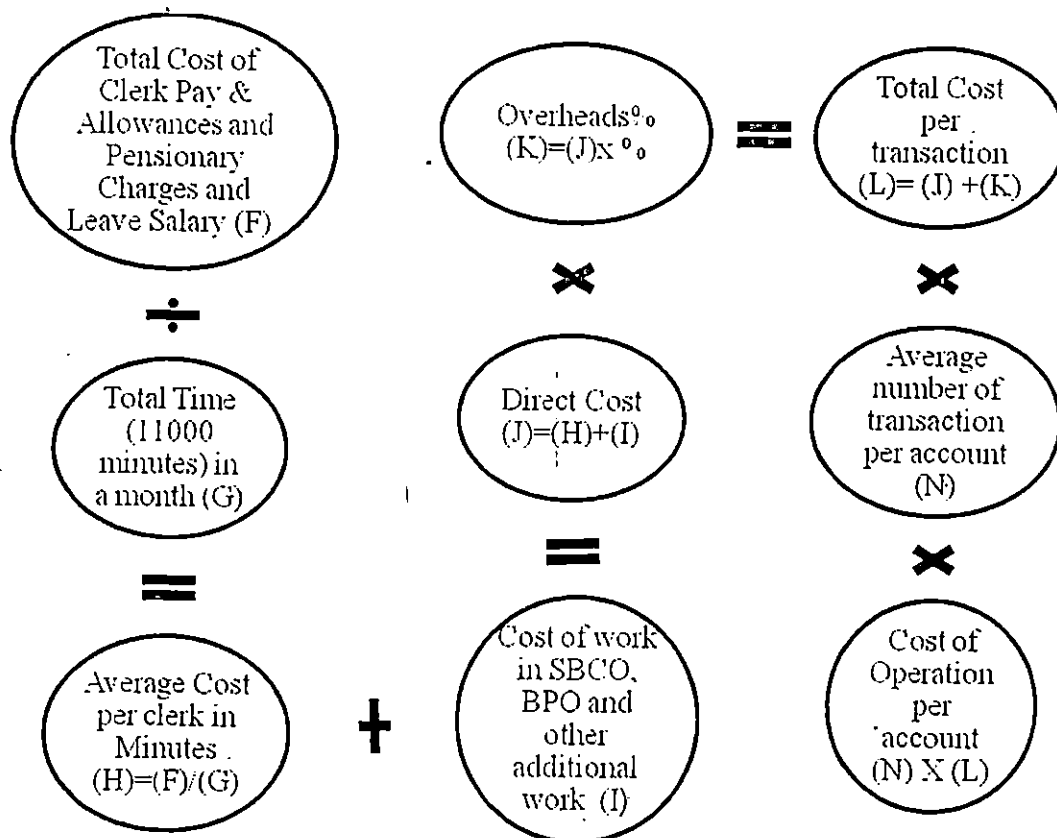
6.1. For computation of Rates per Saving Bank Account, Savings Certificate and Indira Vikas Patra data for the year 2008-09 and Expenditure as per the Demands for Grant for the year 2009-2010 has been considered. Department of Post also submitted their claim of the rates

for Savings Bank Account, Savings Certificate and IVP. Their claim has been analyzed and discussed in the following paragraphs.

6.2. The weighted average time factor for Savings Banks, Savings certificate and IVP is based on the data collected for the year 2008-09 and the average clerical cost per transaction based on the Demands for Grants of the Year 2009-10. The rates are computed by multiplying weighted average time per transaction with clerical cost and other cost of operations to arrive at average cost per transaction. In respect of SB, average cost per transaction is then multiplied by average number of transactions per account per year to arrive at the rate per SB account.

6.3. In the computation, Department of Posts computed average pay and allowances of Postal Assistants employed in the operation with 25% Supervisory Staff and 21% Group D. Pensionary charges as per Rules on the subject, alongwith, 11% towards leave salary contribution have also been considered. Following Graphic presentation indicates the elements of cost considered to arrive at the Total Cost per Transaction and cost of operation per account.

Total Cost per Transaction and cost of operation per Account.

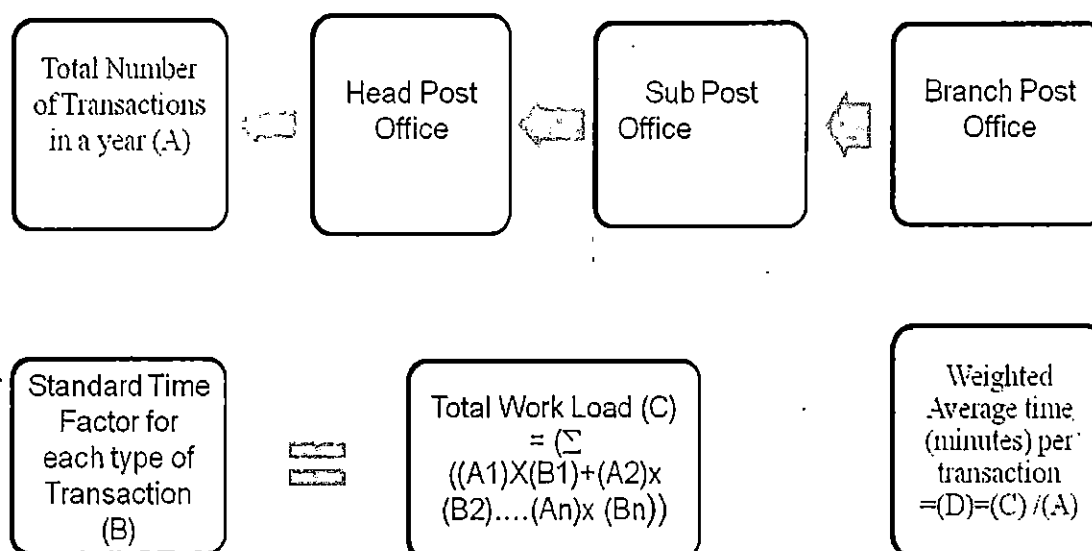


6.4. Department of Posts has claimed Rs. 4.27 per minute towards average clerical cost per transaction. While calculating clerical cost, Department of Posts worked out cost of allowances per Staff based on number of employees as on 1st March of 2009 as per Demands for Grants. Expert Group computed the cost of allowances per Staff based on average number of employees as on 1st March of 2009 and 1st March 2010 as per Demands for Grants. As against the claim of Rs. 4.27 per minute same has been computed as Rs. 4.17 per minute after considering the adjustment mentioned above and other discrepancies noticed while tabulating the data. Statement of cost of clerical minutes in the Post office is given at **Annexure II**.

6.5. The Expert Group called for details from the Department of Posts such as Annual transactions data of all the Post Offices for the latest available year, calculation of rates, supporting work sheets, extent of computerization and its impact, and detailed note on efforts on MGNREGA Saving Accounts etc.

6.6. **Average Time per transaction-** In the calculation of rates payable for Savings Banks / Savings Certificates, Time Factor for various transactions taken place at Head Post Offices, Sub Post Offices and Branch Post Offices are considered. Following Graphic presentation indicates methodology of calculation of Average Time per Transaction.

Average Time Per Transaction



6.7. Department of Posts submitted to the Expert Group, Time Factors for three groups namely, a) Computerized Head Post Offices including Branch Offices, b) Computerized Sub Post Offices including Branch Offices and c) Non computerized Sub-Post Offices including Branch Offices.

6.8. Department of Posts provided separate time factors for each type of transaction such as New Account Opened, Subsequent Withdrawal, Closure of Accounts, Received by Transfer, Paid by Transfer and Change of Nomination for different schemes namely Savings bank, NSS, PPF, TD, FD, RD, CTD, MIS and SCSS.

6.9. In addition to the time factors, an additional co-efficient of 25% for the transactions at Head Post Offices and computerized Sub Post Offices, co-efficient at 45% for SB, PPF, MIS and SCSS, at 35% for TD/FD and 30% for RD / CTD for non-computerized Sub Post Offices, are separately considered. As result of which Department of Posts revised weighted average time to 4.06 minutes per account which has been considered in the calculations.

6.10. In respect of Savings Certificates, Department of Posts claimed weighted average time per certificate as 8.46 minute which has been considered in the calculations.

6.11. Department of Posts intimated that IVP Scheme has been discontinued and IVP which were sold before discontinuance of the schemes are still being presented in Post Offices for their encashment. The weighted time factor of 3.6 minutes per certificate considered during the 1993-1994 has been suitably revised to 2.24 minutes per certificate by factoring the overall reduction in the time factor due to computerization of Post Offices.

6.12. In this context, it is observed that there is no change in the time factors from 1973-74 onwards in respect of transactions at the manual Sub Post Offices. In respect of work relating to SB and SC in the computerized Head Post Offices and Sub Post Offices Ad-hoc norms have been introduced with effect from February 2008. Norms for computerized SBCO work have not yet been formulated. Categorized details of different type of transactions under each Scheme at Post Offices are not readily available.

6.13. Comparative statements of current time factors schemes-wise vis-à-vis previously considered by the Expert Group in 1993-94 is given in **Annexure-III**. The computerization has resulted in substantial reduction in the time taken for processing various steps in the entire operations. Plan for computerization and modernisation of the remaining Post Offices would bring about considerable saving in the processing time.

6.14. Though the time factors for various transactions considered for computerized Post Offices reflect reduction in comparison to the corresponding time factors existed during manual operation, range of the reduction in time factors are varied for different operations are not in line with the inter-se relationship existed in the manual time factors among the schemes.

6.15. In case of MGNREGA, as no transfer of account from one Post Office is envisaged, time factor of 3.75 minutes per transaction has been considered based on the time factor as per ASCI study and on the pattern of transactions among Post Offices as per sample study.

6.16. Statement showing weighted average time per transaction in respect of Savings Bank and Savings Certificate based on the data for the year 2008-09 is given in **Annexure IV**. The computation of time factors for the post offices as a whole has resulted in substantial savings in time as compared to the weighted time factors considered by the previous Expert Group in 1994. These savings have been mainly on account of computerization of various activities in the HO's and SO's.

Average time per transaction in 2009-10

		SB	SC	IVP
Average weighted time as per 1993-94	Minutes	7.26	13.58	3.60
Average weighted time as per 2009-10	Minutes	4.06	8.46	2.24
Reduction in the time factor	Minutes	3.20	5.12	1.36
Savings in time (%)		44 %	38%	38%

6.17. Reconciliation of actual clerical time with overall clerical time standard would be useful in human resources planning. Member, Department of Economic Affairs, Budget, observed that the ongoing computerisation of remaining post offices would substantially bring down the existing time factor and needs review after three years. The Expert Group, after

examination of the claim, recommends that time factors may be reviewed and appropriate revision of the time factors duly reflecting the changes/ improvement in operation due to computerization may be introduced.

6.18. **Average No. of Transactions:** Average number of transaction per account has been computed based on the statistical data collected by the Department of Posts. It is noticed that information relating to average number of transaction is not collected on yearly basis. To provide data to the Expert Group, Department of Posts conducted a separate exercise calling for data covering postal network of post offices consisting of HO, SO (computerized and Non-computerized) and Branch PO all over India. This took considerable time for the Department of Posts. Apart from time consuming, data collected from all the Circles (except, J&K and North East) are voluminous, ensuring accuracy of the reported figure by Department of Posts assumes significance in this method. Expert Group has relied upon data provided by the Department of Posts.

6.19. An analysis of the data has brought out steady growth in the number of accounts over previous report. Details are given in the Table below. Number of accounts have increased by 94% during the period from 1993-94 to 2008-09 and transactions in these accounts increased by 240%. The growth of accounts in Sub Post Offices is much higher than in the Head Post Offices showing increase in number and spread of accounts among SPOs.

Growth of number of Accounts

	1993-1994 Number of Accounts	% age w.r.t total number of accounts	2008-2009 Number of Accounts	% age w.r.t total number of accounts	% age of Incr/ Decr in number of accounts
S.B	42649679	40%	76363621	37%	79%
P.P.F	450128	0.42%	2148871	1%	377%
CTD/RD	57729276	54%	75126988	36%	30%
TD	1329662	1%	9649306	5%	626%
FD/MIS/NSS/SCSS	4301338	4 %	26681589	13%	520%
MGNREGA	--	--	16244139	8%	100%
Total	106460083	100%	206214514	100%	94%

Growth in Number of Transactions of SB/PPF/NSS/MIS/SCSS/ MGNREGA

(in Lakhs)

Office	1993-1994	Total (%)	2008-2009	Total (%)	Increase/ Decrease (%)
SB/PPF and other Schemes					
HPOs	558.23	14%	1208.69	9%	117%
SPOs	701.87	18%	3479.40	26%	396%
Total	1260.10	33%	4688.09	36%	272%
CTD & RD Other than Pay Roll Schemes					
HPOs	1019.22	26%	925.84	7%	-9%
SPOs	1216.62	31%	3604.37	27%	196%
Total	2235.84	58%	4530.21	34%	103%
TD & FD					
HPOs	14.61	0.38%	31.88	0 %	118%
SPOs	10.30	0.27%	110.22	1%	970%
Total	24.91	0.64%	142.10	1%	470%
CTD & RD under Pay Roll Savings Schemes					
HPOs	152.22	4%	1091.33	8%	617%
SPOs	201.79	5%	2725.71	21%	1251%
Total	354.01	9%	3817.04	29%	978%
Grand Total	3874.86		13177.44		240%

6.20. Opening of Savings Bank accounts for the beneficiaries under MGNREGA in the recent past is an important aspect requiring closer review. There is no separate classification of accounts opened under MGNREGA and the transactions, namely, deposit and withdrawals are accounted under SB Account. It is also important to note that system in vogue in respect of accounting of MGNREGA needs in depth review and thorough examination since there is separate mechanism for recording number of accounts opened and payment to Department of Posts for MGNREGA.

6.21. Department of Posts computed average number of transactions per account per year based on data for the year 2008-09 as per following computation, vide Department of Posts letter no. 3-22/2009-CTG(P)/TR dated 20th December, 2010 is tabulated below:

Category	HPO (nos. in crore)	Computerized SPO (nos. in crore)	Manual SPO (nos. in crore)	Total Transaction (nos. in crore)	Number of accounts (nos. in crore)	Average Number of Transactions per accounts
SB/PPF/NSS	6.59	9.90	10.43	26.92	7.77	3.47
TD/FD	0.32	0.61	0.49	1.42	0.94	1.5
RD/CTD	20.17	34.13	29.17	83.47	7.41	11.27
MIS/SCSS	5.50	8.30	6.17	19.96	2.60	7.68
Sub Total	32.58	52.94	46.26	131.77	18.72	
MGNREGA	-	-	-	-	1.60	
Grand Total	-	-	-	131.77	20.32	6.49

6.22. Further, on scrutiny of the statement attached with the said letter, it is noticed that average transactions per account per year has been arrived at as 6.49 taking into account the transactions of SB accounts of all schemes excluding MGNREGA transactions. If the MGNREGA transactions are considered, the average number of transaction per account would increase. Hence, Expert Group did not consider this computation.

6.23. Department of Posts also prepares an Annual Costing exercise compiling data and arrives at estimated cost of operation per service and the corresponding revenue. This exercise includes all the postal operations and Agency services. As the average number of transactions taken in this costing exercise is less than the All India average as mentioned above paragraph, Department of Posts clarified that Costing exercise takes into account number of transaction only in respect of Deposits and Withdrawals and other transaction such as Received by Transfer, Paid by Transfer, Change of nomination are excluded and Average number of transactions is not comparable.

6.24. Apart from the above, to assess percentage of work carried out in Branch Post office, Department of Posts, for the first time, had called for sample data from 11 HPOs of 4 different Circles along with Sub and Branch Post offices associated with these HPOs. Department of Posts initially computed the total number of transactions as 1,69,67,191 and submitted the average number of transactions per account as 5.21. Subsequently, Department

of Posts also clarified in letter dated 20th December 2010 "Average number of transactions in these 14 HOs and its associates SOs comes to 5.21 which cannot be taken as average of more than 700 HOs".

6.25. In view of the non availability of average number of transactions per account other than MGNREGA and deficiency mentioned in the above paragraphs, Expert Group in the meeting held on 16th March 2011 computed average number of transaction per account as 5.56 and discussed and adopted it in the meeting held on 16th March 2011. However, Department of Posts vide e-mail dated 2nd May 2011 and 4th May 2011 intimated errors in initial computation by them and re-worked out average number of transactions as 6.08. As the Department of Posts had earlier informed the Expert Group that sample data compiled are not representing the entire volume of work handled by the Post Offices throughout India in view of limited data, this issue was discussed with the Officers of the Department of Posts on 5th May 2001, including the inherent lacunae in the revised computation. Department of Posts, vide its letter dated 5th May 2011, clarified that taking into account the data of costing of the last three years, average transaction per account which works out to 5.56 may be considered.

6.26. The table given below indicates the Average number of transactions per account per year with reference to the All India data, Annual Costing compilation and Sample Study

		2006-07 Costing compilation	2007-08 Costing compilation	2008-09 Costing compilation	2008-09 sample study	2008-09 All India
Traffic (Number of Transactions)	(in lakhs)	10276.36	9520.25	10768.4	169.67	13177.43
No of live accounts (SB)	(in lakhs)	1645.96	1806.65	2050.32	32.55	2031.75
Average No of Transaction/ account/year		6.24	5.27	5.25	5.21	6.49

6.27. In view of the above foregoing observations, namely, difficulties observed in respect of All India data and sample study data, Department of Posts suggested that weighted average number of transactions of Annual Costing Exercise for the last 3 years from 2006-07 to 2008-09, which works out to about 5.56 transactions per account per year, may be considered. Expert Group recommends 5.56 as average number of transactions per year per

account for Savings Bank other than MGNREGA in view of the submission by Department of Posts.

6.28. As discussed in the meeting held on 30th December 2010, Department of Posts collected and forwarded an analysis of Average Number of Transaction per year per account for the years 2008-2009 and 2009-2010 in respect of Saving Bank (other than MGNREGA) and MGNREGA based on sample data collected from Alwar Head Post Office, Rajasthan Circle and Dumka Head Post Office and Deogarh Head Post Office, Jharkhand Circle. Detailed statement is given at **Annexure-V**. Summarized position of the data in respect of MGNREGA is given below:-

Transactions in respect of MGNREGA accounts

		2008-2009	2009-2010
A	Total Number of Transactions (Opening of new Accounts subsequent Deposits+Withdrawal+Closure of Accounts+RBT+ PBT+ Change of Nomination)	5359172	6033987
B	Total No. of SB live Accounts	801858	1045977
C	Average Number of Transactions	6.68	5.77

6.29. It is seen that average number of transactions for the year 2009-10 is less than the corresponding figure for the year 2008-09. Expert Group, therefore, recommends 6.23 (being the average of both the years) as Average number of transactions per year per account for MGNREGA. The adjustment towards compensation of MGNREGA from the Ministry of Rural Development is separately dealt in this Report.

6.30. The Expert Group had elaborately discussed the deficiencies/ drawbacks in arriving at reliable average number of transaction per account per year almost in all the meetings of the Group. Expert Group would like to observe that the position of data collection needs improvement and continuous concerted efforts are required to validate the data so generated. Such an effort would in the long run help Department of Posts to base its claim of cost of agency charges on strong fundamentals.

7. Work at Branch Post Offices

7.1. To assess the percentage of work carried out in Branch Post office, the Department of Posts had called for sample data from 11 HOs of 4 different Circles along with Sub and Branch Post offices associated with these HOs. The circles and the Head Post Offices considered in the sample exercise are as follows:

- Parktown, Madurai and Sirkali HO from Tamilnadu Circle.
- Alwar and Jaipur HO from Rajasthan Circle.
- Hissar, Karnal and Kurkshetra HO from Haryana Circle.
- Jamshedpur, Dhanbad and Daltonganj HO from Jharkhand Circle.

7.2. The results of this sample data showed that 7.35% of total no. of transactions was carried out in Branch Post offices. The cost of transactions at Branch office has been claimed at 4.18% of the direct cost of operation at H.O, S.O and SBCO as against 5% on ad-hoc considered by the Expert Group in 1994.

7.3. In line with the above methodology, Department of Posts claimed Rs.1.12 per transaction which has been adopted by the Expert Group in the computation of rates.

7.4. **Work being carried out by Savings Banks Control Organization:** The work performed at SBCO is audit in nature and mainly comprises of examination of list of transactions, checking of HO/ SO transactions, general checking of all warrants of payment etc.

7.5. Average weighted time of 2.05 minutes per transaction has been claimed as against 2.75 minutes per transaction considered by the previous Expert Group. It is observed that the time factors considered for these items of the work were fixed during the period from 1996 to 1998 and there is no review of these time factors since then. As against 2.05 minutes per transaction for SBCO work, the time factor for direct operation of the work is 4.06 minutes per transaction. In other words, Department of Posts claimed **Rs.8.75** per transaction for the work at SBCO/SBICO as against **Rs.18.45** per transaction for the direct work done at the level of Sub Post offices, Head Post offices including supervisory work done by HO and SO. The

cost claimed works out to about 47.4% of the cost of operation at HO / SO level, which appears to be on the higher side.

7.6. An analysis of the Salaries mentioned in the Demands for Grants is also an indicator of the level of activity performed by SBCO as it represents salaries of the staff working in SBCO. Information given in the Demands for Grants has been compared with Establishment of existing Post Offices.

Salaries in SBCO as per Demands for Grants

(Rs. in crore)

Particulars	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 RE	2010-11 BE
SBCO	60.11	61.57	85.29	100.67	90.67
Establishment Expenses of existing POs	2141.35	2270.24	3245.62	4184.15	3459.80
SBCO to existing POs (%)	2.81	2.71	2.63	2.41	2.62

7.7. It can be seen that work at SBCO corresponds to 3% of the cost of operation at HO/ SO level. In this connection, the Officers of Department of Posts informed the Expert Group that percentage of SBCO staff in the year 1993-94 were also at the present level. The previous Expert Group, had, in fact, then, considered only average times factors of 2.75 minutes for the cost in its recommendations. Therefore, in the meeting held on 16th March 2011, the Department of Posts requested that as against the initial claim of 2.05 minutes, 1.54 minutes after adjustment of the savings in the overall time factors may be considered. The Department, further, informed that the work of SBCO, though, undergone changes during the intervening period from the last Expert Group, the work is practically being carried out by deploying additional manpower as the work is time bound in nature, whose Salaries and Allowances are not being shown under the head "SBCO". In view of the above submission, Department of Posts informed that on an average seven persons are working in each SBCO. Expert Group considered this average number of SBCO staff normally working in a HPO for the 11 HOs to the number of Postal Assistants indicated as per the Sample Study conducted by the Department of Posts. The percentage works out to 15.68 %. Rs. 2.65 and Rs 2.45 per transaction in SB accounts other than MGNREGA, and MGNREGA, respectively is computed and considered as a part of direct cost.

7.8. Expert Group is of the view that there is urgent necessity to review the time factors presently in force in SBCO and the Department may take appropriate action.

7.9. **Cost for SB pairing, SB Internal check etc.** - Cost towards SB Internal Check Office, SB pairing office, SB Refreshers Course and other Schemes has been calculated on the basis of actual expenses as per the methodology adopted in the earlier study.

7.10. **Additional claim of 10% for other un-quantified work-** Department of Posts asked for 10% of direct cost towards certain items of work, which either have been introduced after the implementation of last Report or left over during the last review made in 1993-94. It is seen that subsequent to the issue of previous Report, there have been certain statutory requirements like deduction of TDS from Agents Commission/ senior citizen savings account and NSS-87 schemes, filing of return of TDS, issuance of TDS certificate on quarterly basis at DAP Offices and issuance of Receipts books to SAS agents, introduction of Anti-Money Laundering/ Combating of Financing of Terrorism Norms, Training to staff/audit inspection of AML /CFT, Record keeping of Customer Due Diligence/ Know Your Customer etc, to be complied with by the Department of Posts in the operation of Small Savings Schemes.

7.11. Expert Group observe that comparison of weighted average time for the work at Post Offices as per the sample study with overall average considered in the computation brought out following difference:-

(in minutes)

Average Weighted Time	Overall Average	Sample study
Head Post Offices	2.52	2.52
Computerized Sub Post Offices	3.62	3.06
Manual Sub Post Offices	5.63	6.66
Branch Post Offices with HO		3.06
Branch Post Offices with SO		2.06
Weighted average time of BO		4.26
Overall Weighted average time	4.06	3.87
Recommended by Expert Group	4.06	

7.12. As discussed in the meeting held on 30th December, 2010, Department of Posts had collected and analyzed the sample data for the year 2009-10 from Sansad Marg Post Office,

New Delhi. Based on analysis and also in view of the recent proposal introduced regarding Anti Money Laundering / Know Your Customer, the Department claimed that additional claim of 10% of direct cost is justifiable.

7.13. In the meeting held on 16th March, 2011, Department of Posts also informed that the Department is setting up a Compliance Division Cell headed by SAG level Officer and simultaneously proposes to enhance inspection at various levels. These measures would result in additional expenditure to the Department. Consideration of 10% towards un-quantified items works out to Rs 11.56 per SB Account other than MGNREGA (Rs 2.08 x 5.56) and Rs. 12.02 per MGNREGA (Rs 2.08 x 6.23). The amount payable on the basis of number of live accounts at the end of 31st March 2010 works out to Rs 307.89 crore,

7.14. Member, Department of Economics Affairs, Budget expressed that un-quantified work as identified by the Department of posts are very insignificant percentage of the overall work being done. Payment as percentage of the cost would spread to entire volume of accounts as the payment is being made on the number of live accounts. In this context, it is also relevant that most of the accounts do not come under the extra work claimed by the Department of Posts. Department of Post, subsequently, worked out the cost of additional un-quantified work in terms of overall of cost of SB transactions of Sansad Marg Post Office, which is more than 10%.

7.15. In view of the foregoing observations, Expert Group, after discussion, recommends 10% towards additional un-quantified items of work as claimed by the Department of Posts, keeping in view the need of the Post offices to comply with certain statutory requirements.

7.16. **Computerization Expenses-** Mechanization and modernization of Postal Services is an ongoing process and the Department of Posts had undertaken substantial computerization subsequent to the previous study. The computerization in the Post offices has been pursued since the 9th Plan. The Department is in the process of implementing approved 11th Plan Projects for computerization and networking of all departmental Post offices and Branch Post offices. Till date, 14415 departmental Post offices have been computerized. Around 9600 departmental Post offices are to be computerized by the end of this financial year, 2010-11, for which hardware orders have already been placed. The remaining (around 1500) departmental

Post offices are to be computerized in the next financial year. The computerization of Branch Post Offices (Extra Departmental Branch Post Offices) is also under consideration of the Department.

7.17. Department of Posts has developed Sanchaypost application software for its savings bank operation, which is supported by CC PATRAM and V2SBCO software for control and reconciliation functions. Sanchaypost software helps in Account opening, subsequent deposit and withdrawal, MIS, cheque clearance, Interest calculation. The software helps in Issue and discharge of certificates and also helps in the calculation of Agent's commission. TDS deducted are being reported to IT office and certificates issued to Agents. This Sanchaypost software is functioning in around 11500 Post Offices. The Department incurs recurring expenditure on the maintenance of hard ware and software (such as paper, ribbon, Genset maintenance etc.) operational cost on consumables, staff training and skill up gradation. ~~The impact of computerization has also been felt in the improved productivity and~~ in some function there has been as much as 44% reduction in time factor

7.18. During the X Plan period, Department of Posts received Rs.710.47 crore for computerization and Networking of Post Offices out of which Rs.575.30 crore were utilized. Similarly during the XI Plan as against Rs. 516.75 crore for the years from 2007-08 to 2009-10, Rs. 437.36 crore were utilized. Department of Posts has sought approval of CCEA for IT Project Phase-II for an outlay of Rs. 1877 crore for implementation in financial years 2010-11, 2011-12 and 2012-13. The amount payable per account towards computerization works out to Rs 11.56 per SB account other than MGNREGA (Rs 2.08 x 5.56) and Rs. 12.02 per MGNREGA and Rs. 12.02 per MGNREGA (Rs 2.08 x 6.23). The amount payable on the basis of number of live accounts at the end of 31st March 2010 works out to Rs 307.89 crore.

7.19. Member, Department of Economic Affairs, Budget, clarified that the Plan expenses are met from General Budgetary Support and it is not intended to be recovered as a cost from the State Governments. Department of Posts stated that as per the present accounting policy, depreciation of capital asset in use is not charged as expenditure. The cost of services rendered should include depreciation as would normally be captured from the provision for depreciation. Expert Group observed that rate for the services rendered should normally

recover the total cost incurred in Plan and Non plan expenses. This step would reflect the financial operations of the Department of Posts in a more professional manner.

7.20. In view of the above given facts, Expert Group recommends 10% towards computerization expenses.

8. **Claim towards maintenance of Silent accounts**

8.1. Department of Posts submitted to the Expert Group that an account is to be treated as silent when there is neither deposit nor withdrawal in the account for a period of 3 complete financial years. In respect of silent accounts having balance below the stipulated minimum of Rs.50, a service charge of Rs.20 is deducted on the last working day of each financial year. The account holder is reminded through a notice to reactivate the account. If account holder fails to reactivate the account despite giving notice as above, service charge continues to be levied and the account holder is reminded through a notice every time. After deduction of service charge, if the balance becomes nil, the account stands automatically closed. The account holder is notified when the account is closed.

8.2. There were 2,33,49,324 silent accounts in the country as on 31.3.2009. Department maintains ledger cards. Account opening forms for revival of silent accounts are kept in stock. Lists of such accounts are prepared every year. Apart from space for safe custody of record, manpower is also used for record keeping and revival of account as and when it happens with fresh verification of CDD/ KYC norms. The account is revived from the date it becomes silent and interest is added in all such accounts for every year.

8.3. This matter was brought by the Department of Posts even before the Previous Expert Group too.

8.4. The contentions of the Department regarding the work associated with maintenance of silent accounts are factual. In this connection, it is observed that the existing method of computation of cost/ overheads with reference to the actual expenditure as per the Demands for Grants already takes into account the type of expenses mentioned above. Further, revival of silent accounts with associated work of calculation of interest etc is also taken care once the accounts become live and gets the same rate like any other live accounts.

8.5. In the meeting of Expert Group held on 30th December, 2010. Department of Posts once again requested that the work related to the silent accounts be compensated. They stated that these accounts may be treated at par with the live account for remuneration purpose as all the activities similar to live account are performed; all records are maintained except deposit and withdrawal. Department of Posts also stated that the expenditure against the service charge of Rs.20 deducted for each financial year for the account with minimum balance less than Rs.50 is incurred by way of sending intimation to the account holder through Registered Post. And there are no other means to cover the cost of the activities relating to maintenance of silent account. Also, there is no mechanism to recover such charges for dead account having minimum balance more than Rs.50. On the contrary PSU banks have minimum balance of Rs.500 for non-cheque facility and Rs.1000 for cheque facility below which they charge maintenance charges. Therefore, the remuneration for such accounts may be reviewed.

~~8.6. In view of the activity involved as per the justifications given by the Department,~~

Expert Group recommends payment of single transaction rate per silent accounts as at end of the financial year. For the year 2009-10, the rate payable is **Rs. 28.64** per Silent account as indicated in **Annexure-VI**.

8.7. **Overheads**-Department of Posts computed overheads for the expenditure at 18.20 % for Savings Banks and at 20.10% for Savings Certificates. On the basis of analysis of the expenditure given in the Demands for Grants, 17.85% has been adopted by the Expert Group in the computation of Rates.

Comparison of Receipts and Expenditure and other parameters over last study

8.8. **Receipts and Expenditure** - Revenue Receipts and Net Revenue Expenditure for the year 2009-2010 (RE) in comparison with 1993-94 showed a Compounded Annual Growth Rate (CAGR) of **9% and 12.4%**, respectively. As the expenditure of 2009-2010 includes payment of arrears on implementation of Sixth Pay Commission, increase after adjusting for the arrears is **11.3%**. Net revenue expenditure as per the 2010-2011(BE) showed a CAGR of **10.9%** with reference to 1993-94.

8.9. **Reduction of Employees** - Number of employees of DOP which were 597663 as on 1st March, 1994 were reduced to 484472 employees as on 1st March, 2010 indicating a Compounded Annual Reduction of 1.3% over the period. On further analysis, the reduction in respect of staff was 2% and in respect of extra departmental staff it was 0.8% annually.

8.10. **Increase in Saving Banks Accounts** - The increase in number of Saving Banks Accounts, including 1.62 crore MGNREGA Accounts, during the period from 1993-94 to 2009-2010 have shown CAGR of 4.2% and the number of transactions by about 7.9%. The number of transactions per account during this period has also increased to 5.56 per account per year from 3.64 in 1993-94 in respect of SB accounts other than MGNREGA.

8.11. **Impact of Sixth Pay Commission** - As per Appendix IX-A of Demands for Grants, Salary accounted in 2010-11(BE) has increased by about 44% in comparison to the pre-revised salary in 2007-08 (Actuals). The rates recommended duly takes into account increase in salary and allowances on account of implementation of Central Sixth Pay Commission.

8.12. **Expenditure as percentage to Net Revenue Expenses** - SB and SC receipts during 1993-94 represented about 30.3% of Postal Net Revenue expenditure.

9 **Recommended rates of Saving Bank Account, Saving Certificates and IVP.**

9.1 Expert Group considered different alternatives for remunerating the Department of Posts in its agency function in respect of Savings Banks, Savings Certificates and recommends payment of remuneration on the Number of live Savings Bank Accounts as on 31st March of every year and the number of Savings Certificates issued or discharged in the year. Rates recommended by the Expert Group is given in **Annexure VI** and the summarized below.

Recommended Rate per Account/ certificate for the year 2009-10

Particulars	Saving Bank other than MGNREGA	MGNREGA	SC	IVP
Present rate for the year 08-09 (Rs.)	123.33		34.80	9.24
Recommended rate (Rs.)	159.24	165.59	48.65	12.87
Increase in the Rate (%)	29.12		39.80	39.29

9.2 Expert Group recommends that Rate of Remuneration to Department of Posts per MGNREGA account per year should only include accounts wherein transactions occurred during the year. In the event of no transactions in any of the MGNREGA accounts already existing, those accounts should be excluded. Expert Group recommends that the amount payable on account of MGNREGA may be paid by Ministry of Rural Development.

9.3 The increase in the Recommended Rate with reference to the prevailing rate of 2008-09 works out to an increase of 29.12%, 39.80% and 39.29%, in respect of SB, SC and IVP respectively. The rate recommended for MGNREGA with reference to existing rate of Savings bank for the year 2008-09 works out to 34.3%.

9.4 Based on the information provided by Department of Posts, total amount of remuneration payable for the year 2009-10 works out to Rs.4327 crore with an increase of about 45% over the present remuneration. The increase is substantially due to the implementation of recommendation of Sixth Pay Commission. With reference to Net Working Expenses of Department of Posts for the year 2009-10, the remuneration payable works out to 35.7%. The remuneration payable will account for about 57.9% of the Gross Receipts.

9.5 **Escalation Formula:** MGNREGA accounts have registered increase in the recent years. Total amount of remuneration by the Department of Posts would increase substantially due to MGNREGA accounts. In view of the Growth in MGNREGA in the subsequent years, Expert Group is of the view that the benefit of higher revenue in the form of remuneration needs to be shared with DEA. As Salaries and allowances forms a major portion of expenditure, Expert Group, initially, observed that escalation on the basis of the annual increase in the All India Consumer Price Index Number for Industrial Workers (AICPIN) could be adopted for escalation purpose. However, in view of operational feasibility and ready availability of Dearness Allowance as notified by the Ministry of Finance, Expert Group recommends an escalation on the basis of the annual increase in the Dearness Allowance payable for the Central Government staff at the financial year over the previous year duly reduced by 1/3rd of the overall growth rate in the Total number of all Savings Accounts of all the Schemes during that period. Percentage DA at the end of the financial year 2009-10 will be

the Base for escalation purpose to be considered from 2010-11 onwards. A calculation sheet for arriving at escalation is given in **Annexure VII**.

9.6 The Expert Group recommends that in view of computerization envisaged under IT Project Phase-II, the rates payable for the Agency Services may be reviewed in 2014-15 after the completion of the Project and stabilization of the system.

9.7 The Expert Group also recommends that DoP should, in the mean time, undertake review of time factors and necessary changes in the existing time factors be introduced in the light of observations made in this Report as this will have effect of optimization of the time of staff and the consequent benefits of cost savings.

9.8 With regards to issues on efficiency and areas of cost reduction, Expert Group observes that the focus on banking services be increased in terms of technology and increase of manpower at managerial level.

10 At Source Commission

10.1 With reference to ToR assigned to Expert Group, the Rate of commission payable to Agents for different small savings schemes and the amount of commission paid during the last five years have been sought from DEA and meetings held with Agents during the visit. Rates of Commission payable for different small savings schemes and amount paid are summarized below.

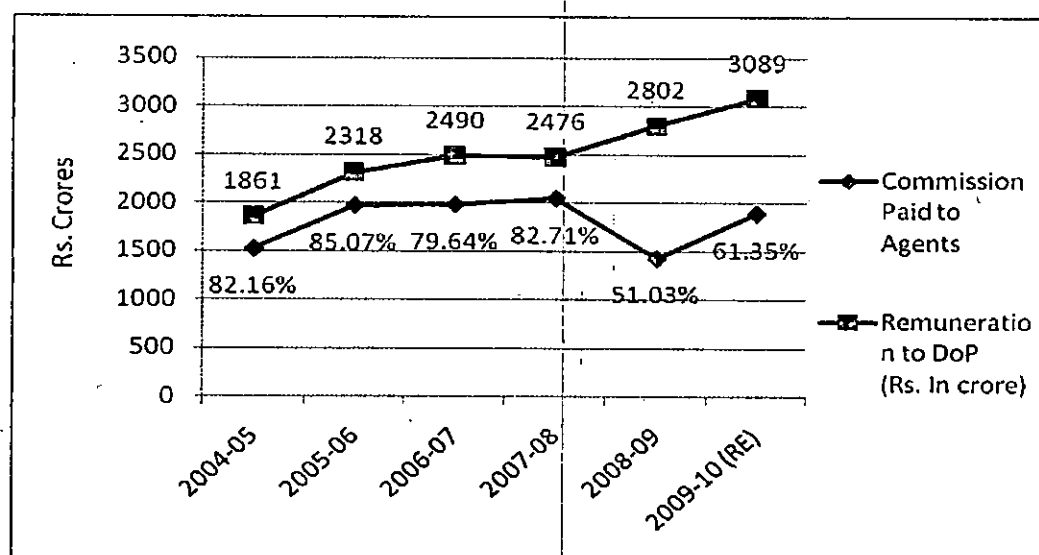
Rate of commission payable to Agents for different small savings schemes

S.No.	Category	Name of Scheme	Commission
1.	SAS Agents	1/2/3/5- Year Time Deposit	1%
		Monthly Income Account Scheme	1%
		Kisan Vikas Patra	1%
		NSCs (VIII-Issue)	1%
		Senior Citizens Savings Scheme	0.5%
		15- Year Public Provident Fund	1%
2.	MPKBY Agents	P.O. Recurring Deposit Account	4%
3.	Pay Roll Savings Group Leaders	5- year Recurring Deposit	2.5%
		2/3/5/ Year Time Deposits	1%
		6-Year NSCs (VIII Issue)	1%
		15-Year PPF Account	1%

Details of Commission paid at source to the Agents

Year	Amount of Agents Commission (Rs. In crore)	Remuneration paid to DoP (Rs. In crore)	Agent's Commission as % remuneration paid to DoP
2004-05	1529	1861	82
2005-06	1972	2318	85
2006-07	1983	2490	80
2007-08	2048	2476	83
2008-09	1430	2802	51
2009-10 (RE)	1895	3089	61

10.2 A Graphical presentation of Remuneration paid to Department of Post and the amount of commission paid to agents during the corresponding period is indicated below:-



10.3 The commission paid to Agents has increased from Rs.1529 crore in 2004-05 to Rs.1895 crore in 2009-10 (RE). This amount works about 61% of the amount of remuneration received by the Department of Posts in the year 2009-10 at the existing rates.

10.4 **Meeting with Agents at Rajasthan circle:-** Department of Posts, during June, 2010, arranged for a visit to some Post Offices in Rajasthan Circle and meeting with the postal commission agents. During the discussion, Rajasthan Postal Officers informed that a register

for each agent is being maintained which keeps records of the amounts collected, commission paid and TDS deducted and deposited to the Government. As per the information provided by Jaipur City Division, total amount collected during May, 2010 was to the tune of Rs.34.59 crore and the commission payable was about Rs.47.28 lakhs. After deduction of TDS, the net commission payable to the agents was Rs.42.50 lakhs. During the month of May, the highest commission paid to an Agent was Rs.1,50,895. The remuneration for first fifty agents was in the range of Rs.1,50,895- Rs.17,132 for the month of May 2010.

10.5 As per the discussion held, 90% of collection in Recurring Deposits is being routed through agents. Most of the amount is deposited in the last few days of the month. Therefore, it was requested by the officials of Department of Posts that if the deposits to RD account were distributed and restricted to 20th of the month, it would streamline the working at the post offices.

10.6 Some of the suggestions brought out by the agents were provision of micro finance and provision of loan on the basis of NSCs.

10.7 **Memorandum from Tamil Nadu Small Savings Agents Association** - Expert Group also received memorandum from Tamil Nadu Small Savings Agents Association with the individual copy being endorsed to the members of the Expert Group. In its memorandum, the Association has brought out many points for consideration by the Group. The comments of the members were invited.

10.8 Some of the points brought out in the memorandum are :

- a) Incentive to the small saving scheme at 1% more for few plans and half percent for other plans over and above the interest rate as offered by the nationalized banks and cooperative banks.
- b) Introduction of Benefit of protecting the agents through an insurance cover as available for Insurance agents by Life Insurance Corporation of India.
- c) Other suggestions are amendment of Rules and Regulations of Postal Department to avoid inconvenience to the depositors/ survivors and popularize postal savings schemes in general.

- d) Suggestions include cost savings measures like need for relook at the uniform pass book being in use, levy of fees, effective measure to introduce MICR facility etc.
- e) In order to utilize revenue in the small saving sector, Association also suggested usage of fund in other useful sectors as long term loans to the public at an interest rate of 0.5% lower than the interest rate of the banks in the categories namely, Loans for purchase of vehicles, Loans on pledging of NIC and KVB, Loans on pledging housing properties, Loans for constructing new houses, Personal loans and Loans for laying four way highways.

10.9 **Suggestion from Government of West Bengal - Government of West Bengal,**
in its submission to Expert Group, suggested :

- ~~a) Simplification of the receipt book of authorized agents, decrease in the~~
commissions to agents and supply and availability of sufficient Authorized Agents Receipt Books and Certificates and other stationeries with post offices and steps to avoid connivance between postal staff and agents.
- b) Rate of commission to agents has not been increased but gross collection has increased and the commission payment has increased. More agents have been recruited, hence, per capital income have not been increased like government employees.
- c) Commission to agents may be given on monthly basis instead of daily basis.
- d) To review the manner and procedure of selection of agents and also to review the appointing authority of agents in consultation with the State Governments.
- e) It is found that in case of fraud by the agent, the State Government is made liable for payment of compensation which is not fair. As all the payments are made through Postal Department, perhaps the State Government cannot be held liable for this and the State Government may be liable for only upto Rs.50,000/- which may be carried by an agent, in cash. Perhaps this point

may be considered to streamline the system and an insurance of more amounts for the agents may be done. So that the loss may be compensated.

- f) It may also be considered whether the power of printing and distribution of AARSs and certificates may be given to Department of Posts instead of NSI as practically single-handed responsibility will give better result.
- g) Agents of our State are also demanding very frequently like Tamilnadu and they also want facilities like LIC agents.
- h) It may also be considered to release fund by Government of India to State Government due to bank collection on monthly basis like Postal collections.
- i) To consider whether State Cooperative Banks may be permitted to act as agents of NSC, KVP etc. and whether they can be permitted to accept deposit of PPF like SBI. It may also be considered whether other Banks/organisation may be permitted to act as selling agents of NSC, KVP etc. that is various Small Savings Schemes.
- j) Printing of NSC/KVP certificates, Passbooks and interest rates of all small savings schemes as suggested by the Tamil Nadu S.S. Agents Association may be considered.
- k) To consider whether State Cooperative Banks may be permitted to act as agents of NSC, KVP etc. and whether they can be permitted to accept deposit of PPF like SBI. It may also be considered whether other Banks/organisation may be permitted to act as selling agents of NSC, KVP etc. that is various Small Savings Schemes.

10.10 **Suggestion from Government of Maharashtra**, in its submission to Expert Group, suggested that

- a) Memorandum submitted by the Tamilnadu State Small Savings Agents Association regarding some changes in small savings schemes the following points may be considered.

- b) Limit of maximum balance in S.B. account should be increased from Rs.1,00,000/ & Rs.2,00,000/- to Rs.5,00,000/- & Rs.10,00,000/- so that maturity cheques of other scheme received from the Post Office could be possible to deposit in S.B. a/c and to convert deposits in other scheme.
- c) In case of premature closer of one year T.D. a/c, after six months but before one year No interest is paid. In this case interest should be paid at SB rate. And for 2/3/5 years T.D. a/c. if closed before maturity reduction should be 1% instead of 2%.
- d) In recurring deposit scheme existing default fee of Rs.2/- for a Rs.100/- a/c. may be reduced to Rs.1/-. Also on premature closer of R.D. a/c. after three years interest should be paid proportionately at the rate applied at the time of opening the a/c.
- ~~e) Senior Citizen Scheme 2004 interest payment is paid quarterly should be paid monthly. It shall be more beneficial to those who solely depend on interest income. Similarly limit of investment of Rs.1500000/- may be increased to Rs.2500000/- as retirement benefits have been increased in the Sixth Pay Commission.~~
- f) Public Provident Fund Scheme existing limit of investment Rs.70000/- may be increased to Rs.100000/- as exemption limit under sec.80-C of IT is Rs.100000/-.

10.11 Member from Government of Uttar Pradesh mentioned that the role of Agents in mobilization of deposits is essential in the given circumstances, but expressed that with due publicity and improvement through computerization there can be improvement in the system.

10.12 Department of Posts intimated that supply of AAR Books and certificates are monitored by NSI. Supply of other stationery is regularly monitored by postal divisional heads. Necessary steps to avoid connivance between postal officials and the agents are being taken.

10.13 Expert Group recommends that the suggestion of the Agents and the State Governments may please be reviewed by the Departments concerned and all possible measures may be initiated as per the procedures followed by the Department of Posts.

10.14 As regards the commission to Agents, Expert Group would like to observe that the Commission to Agents represents about 61% of the payment of remuneration to Department of Posts, which is significantly higher. There is a need to regulate the Terms of payment of commission. Department of Economic Affairs may review the existing pattern of charges in light of present market practice in other financial institutions, and appropriate changes, if any, may be brought in.

11 Sharing of cost with the State Governments

11.1 Expert group was informed that with regard to sharing the cost of management of small savings, at present the State Governments do not directly share the management cost and all the expenditure incurred for managing the small savings scheme are borne by the National Small Saving Fund (NSSF). However, State Governments share the net small saving collections in the ratio of 80:20 w.e.f. 1st April, 2007 with an option to avail 100% of net collections.

11.2 State Governments of West Bengal, Uttar Pradesh had also suggested that continuation of present system of sharing of expenditure by State Government and also submitted that State Government will not be able to take additional burden and requested for no increase in the cost.

11.3 State Governments have also suggested that Rates of interest paid by State Government may be reduced.

11.4 State Government of Uttar Pradesh expressed a view that the present system of remuneration is based on the live accounts existing at the financial years. It is seen that Department of Posts is interested in opening Number of Savings Bank accounts without any drive to get deposit of sizeable amount in the accounts opened. The Government of Uttar

Pradesh suggested that no change to the existing rates and instead Department of Posts may be paid incentive to facilitate increase amount of mobilization of deposits.

11.5 Government of West Bengal also submitted that the Government of India gives loan to State Governments on the basis of net collection and hence, if net collection is negative, the Government of India will not be able to take interest from State Government. Hence, during payment of commission to Department of Posts, net collection should be linked so that there is no loss in case of less net collection and sub-ordinate offices of Department of Posts are interested in net collection.

11.6 State Government of Maharashtra intimated that State Government is not willing to increase burden of CLA, so the existing ratio of CLA and rate of interest as 100:100 & 9.50% recommended by the XIII Finance Commission may be revised to 100:80 & 8.50% respectively.

11.7 Department of Economic Affairs provided analysis of Income and expenditure of NSSF which is reproduced below.

(In crore rupees)

Year	Interest Income	Interest Payments	Management Cost				Total
			Agency Charges to DoP	Agency Charges to Banks	Commission to Agents	Printing Cost	
2007-08	63318.74	62401.97	2476.36	0.0	2048.03	18.00	4542.39
2008-09	61957.86	52462.64	2802.46	0.0	1429.78	14.99	4247.23
2009-10	62169.59	72212.77	3132.77	0.0	2179.55	19.99	5332.31
2010-11 (RE)	62383.13	65970.00	3214.59	0.5	2400.00	22.00	5637.09
2011-12 (BE)	68184.41	69000.00	3517.70	0.5	2200.00	22.00	5740.20

11.8 Management cost as a percentage of Interest income and Interest payments of the above mentioned year is tabulated which indicated margin. As regulation of commission payment to Agents can further reduce costs, Expert Group recommends that Department of Economic Affairs may initiate requisite steps in this direction.

Year	Management Cost	
	As a Percentage of Interest Income	As a Percentage of Interest Payments
2007-08	7.17	7.28
2008-09	6.86	8.10
2009-10	8.58	7.38
2010-11 (RE)	9.04	8.54
2011-12 (BE)	8.42	8.32

11.9 With a view to compare costs of NSSF vis-a- vis Commercial Banks, an attempt was made to compare costs with Punjab National Bank (PNB) and State Bank of India (SBI). Based on the financial results for the Quarter/ Nine months ended 31st December 2010 and for the year ended 31-3-2010, available on the website of PNB and SB. Analysis of Operating Expenses as a percentage of Interest Earned and Interest Expended is given in **Annexure-VIIIA and Annexure-VIIIB**. It is seen that the percentage of Operating Expenses to Interest earned is about 22%-28% for the year ended 31st March, 2010 for PNB and SBI. Interest expended is about 37%-43% of the Operating Expenses for PNB and SBI. The costs of PNB and SBI are much higher in comparison with corresponding figures for NSSF and may not be strictly comparable since these banks performs and caters to all type of commercial banking services.

12 Areas of improving efficiency and optimizing costs

12.1 Government of West Bengal vide letter dated 13th September, 2010 suggested certain step to be taken for improvement in Postal services specially with regard to computerization of Post Offices, proper training of staff and increase in staff strength in Post Offices, simplification of the cheque issue system, reduction in cheque clearing time etc.. It also suggested grant of loan against Savings Certificates, introduction of pre-mature repayment with penalty on par with banks, increase in ceiling limit of deposits in respect of Savings Bank, MIS, PPF and SCSS schemes and introduction of new postal schemes like one year, two years and three years Recurring Deposits. It also suggested that investors' grievances should be resolved in a short time. It also suggested that Post Office banking hours should be at par with Banks and simplification of cash withdrawal system like banks and opening of ATMs.

12.2 Opening of ATMs, adoption of CBS and more computerization systems, issue of a single page certificate instead of passbook for Term Deposit accounts, adequate training about various Savings Bank Schemes to the Postal staff and their benefits to the investors, availing training facility of National Savings Institute, impart of basic knowledge of Savings Banks Schemes to the Postal staff undergoing training in Work Place Computer Training Centre, adequate supply of agents receipts books, streamlining the system of information being provided by the agents to enable proper identifications of the agents, delegation of power for issue of cheques etc are some of the suggestions made by the State Governments. In the event of any fraud/ irregularities brought to the notice of Postal authorities, Government of Uttar Pradesh suggested that investigation should be initiated and be completed in a time frame of 30 days and a inbuilt provision for recovery of amount from the agents at fault/ Postal official responsible be introduced for such irregularities.

~~12.3 Department of Posts informed that extensive training has been given to the staff to~~
work in the computerized environment.

12.4 Department of Posts also informed that Computerization of the Post Offices was initiated in a limited way in the VIII Plan and continued in IX and X Plan. Induction of technology was scaled up and introduced in a big way in the X Plan. Up to 31st March, 2009, a total of 12604 departmental Post Offices have been computerized. XI Plan proposal would cover remaining 10841 departmental Post Offices and 129533 Branch Post Offices.

12.5 New norms have been circulated for computerized post offices, namely Head Post Office and some Sub Post Offices resulting in reduction in weighted average time per transaction by about 40%.

12.6 Department of Posts is in the process of implementing approved XI Plan projects for computerization and networking of all departmental Post Offices and Branch Post Offices on a single integrated and modular platform connected to a National Data Centre. This infrastructure, so created, would enable them to provide state of the art ICT services including mobile remittance and Banking on a Core Banking Platform and provide inclusive banking to rural and remote areas.

12.7 The vast network of India Post, have already enabled it to become the preferred point of interface between Government and the members of public for delivery of social and economic welfare schemes of the Government. Introduction of modern ICT will help in timely and transparent delivery of social benefit schemes to the beneficiaries namely, MGNREGS, Indira Gandhi Old Age Pension Scheme.

12.8 Expert Group was given to understand that major applications currently used are LAN based solutions. Consequently, there is a need for communication between these applications and between the various Post Offices where data are residing in a distributed architecture (LAN based). There is a need for comprehensive IT solution based on WAN architecture with modules to take care of various functions of the Post Offices. The integrated solution would also provide for enterprise level accounts, finance and HR capabilities to consolidate information across all the operational SILOS as well as the Post Offices.

12.9 Department of Posts in its comment to the suggestion of the West Bengal Government intimated that instruction for reduction in cheque clearing time and delegation of cheque issue system are already implemented. It also intimated that post offices are being computerized in a phased manner subject to availability of funds and implementation of ATM will be after introduction of CBS which is under process. Recruitment to fill up the post is a continuous process and training is imparted to the staff periodically.

12.10 With regard to the working hours on par with banks, Department of Posts has expressed their view that Post Offices are not handling banking functions alone and the working hours are fixed keeping in view operational arrangement of each post officers. It also intimated that grievance of customers are handled promptly in post offices and regularly monitored.

12.11 It is also observed that with the growing importance MGNREGA accounts, it is essential that computerization may be completed as planned during the XII Plan period. Keeping in view the facility accruing to the public, Department of Posts may explore possibility of introducing ATMs facility to the depositors. This would address the demands of extension of banking hours in the post offices to certain extent. Department of Posts had also mentioned in the Annual Report for the year 2008-09, that 40000 Post Offices would be

brought under Core Banking solutions during the XI Plan Period. Pilot project would start in 100 post offices in the next financial year 2010-11.

12.12 The Expert Group observes that Post office apart from its conventional activities can also provide many other services like delivery of social benefit schemes, electronic money remittance, micro credit and insurance. With the emerging role of Post Offices in social and economic schemes, there is urgent need to connect rural post offices to an IP network. The proposed ERP solution may provide for an integrated HR Management System to manage employee data and other associated administrative activities in a more efficient manner. This would significantly reduce operating costs. As the Department of Posts is planning to rationalize administrative and financial management services through extensive computerization and networking of post offices, there is urgent need to look at the various works presently performed at different levels of Post Offices.

12.13 The Expert Group recommends that Department of Post may conduct exercise to review and reduce duplication of work at Head Offices, SBCO, Accounts and Administrative Section without compromising efficient functioning and proper internal check mechanism.

12.14 It is also necessary that with increasing work load, proper institutional arrangement of checks and balances be instituted and strengthened. Department of Posts may avail the facility of NSI on regular basis in the field of Training manpower, addressing the grievances of depositors and other measures of improving the quality of service.

12.15 Department of Posts submitted that user charges claimed by the Department of Posts for various services rendered such as Collection charges for out station cheques, issue of duplicate passbook, supply of copy of ledger card etc are quite nominal. They may be reviewed by the Department of Posts/ Ministry of Finance.

13 Delegation of powers of relaxation of rules to Department of Posts

13.1 Department of Posts had requested for delegation of certain powers to it for efficient operation on small saving schemes as DoP is handling the major customer base of small saving scheme with more than 23 crore accounts. The schemes are operated under the

statutory rules framed by Ministry of Finance under the power vested with it through Government Savings Bank Act 1873, Government Savings Certificate Act 1959 and PPF Act 1968.

13.2 Government of West Bengal expressed that the proposed delegation of powers of relaxation of rules to Department of Posts should be followed with appropriate re-delegation at divisional levels to facilitate redressal of customer grievances and improvement in investor's interest and small investors of rural areas do not suffer. It may also be considered the power of opening of PPF Account and selling of higher denominations of certificates may be extended to all the Post Offices. Recurring deposit may be opened throughout all the days in a month. Issue of duplicate certificates system may be streamlined so that investors may get it within 15 days. Department of Posts expressed that subject to administrative convenience, overall interest of the Department, proper discharge of the function, appropriate re-delegation to the subordinate level will be considered.

13.3 A tabular statement indicating type of cases, rules under which cases covered, proposed delegation by the Department of Posts with certain parameters and views of DEA is given below.

13.4 The proposal of the Department of Posts also clearly spelt out the parameters and the proposed action by them in the event of grant of approval. The DEA too examined and given concurring views with the Department of Posts. DEA also identified additional safeguard requirement in some cases. In the given situation, the Expert Group recommends that further requisite action as per the normal procedure may be initiated.

S. No	Type of Cases	Proposed delegation with parameters	Reasons for which delegation is sought	Comments of DEA
1	POSB/SC court cases	To implement judgment of court where legal opinion of Branch Law Secretariat of MOL is against filling further appeal in the next higher court and is in favour of implementation of the orders of court. (Parameters)	Prompt settlement of such cases will improve the efficiency reduce expenditure on contempt cases and create sense of security in the minds of postal staff which	These types of cases are being considered and approved within the same parameters as proposed by DOP. Therefore, the powers could be

		<ol style="list-style-type: none"> 1. Disciplinary action will be taken against the erring officials. 2. Agent Commission will be recovered if the investment was through agent. 3. Case will be decided by the officer not below the rank of Joint Secretary. 	will motivate them to work more sincerely.	<p>delegated to DOP as proposed by them.</p> <p>However, at times, implementation of court judgments involved huge financial implications running into crores of rupees. Therefore, an appropriate upper financial limit needs to be fixed beyond which the cases should be decided by DEA.</p>
2	Premature closures before lock-up period	<p>Power to allow premature closure before lock-up period in genuine cases where the invested amount at the time of premature closure is within Rs.5 lakhs. (Parameters)</p> <ol style="list-style-type: none"> 1. Agent Commission will be recovered if the investment was through agent. 2. Case will be decided by the officer not below the rank of Joint Secretary. 3. Interest or deduction will be allowed/ made as decided by MOF (DEA) in each scheme. 	In different schemes, different lock-up periods exists as per the rules of the respective schemes. Prompt settlement of such cases will reduce public grievances, improve the efficiency and made the schemes more attractive.	Pre-mature closure of cases under various schemes is presently allowed on extreme compassionate grounds or life threatening diseases. Powers could be delegated to DOP for premature closure as proposed by them only under the above circumstances.
3	Condonation of small irregularity with no financial implications	<p>DOP may be given power to condone these irregularities up to the amount of Rs.5 lakh in each case with the following parameters:-</p> <ol style="list-style-type: none"> 1. Disciplinary action will be taken against the erring officials. 2. Agent Commission will be recovered if the 	These types of cases are not found after 13.5.2005 amendment but old cases are still noticed.	The powers can be delegated to DOP as proposed by them.

		investment was through agent. 3. Case will be decided by the officer not below the rank of Joint Secretary.		
4.	Sanction of deceased claim cases where nomination is not registered and the balance is above Rs.1 lakh.	Following power may be delegated to DOP:- From above Rs.1 lakh and up to Rs.10 lakh balance at the time of death of depositor, DOP should be given power to sanction the claim case after obtaining affidavit duly attested by 1st Class Magistrate as being done in many banks in genuine cases with the condition that decision will be taken by the officer not below the rank of Joint Secretary.	Many claimants apply for relaxation of the production of Succession Certificate, the procedure for which is very long, expensive and cumbersome for middle class and lower middle class customers.	At present, postal authorities have been delegated powers to decide such cases up to Rs.1 lakh. Since these kind of cases have litigative consequences, the financial limit for delegation could be enhanced up to Rs.5 lakh.
5.	Regularization of irregularly issued certificates/opened accounts	DOP may be given the power to regularize such cases up to the basic investment of Rs.5 lakh in each case by adhering to the following parameters:- 1. Disciplinary action will be taken against the erring officials. 2. Agent Commission will be recovered if the investment was through agent. 3. Case will be decided by the officer not below the rank of Joint Secretary. 4. Rate of Interest will be allowed as per present policy of MOF (DEA) i.e. POSB rate of interest.	Due to frequent changes in the rules of NSC/ KVP and different provisions in different schemes rules, prior to 13.5.2005, many certificates were issued to Institutions/ Trusts of Banks/HUF etc. and some accounts were also opened in the names of firms / Trusts/ HUF or other ineligible people. As per rules of the schemes, if any case is noticed at a later stage, no interest is to be paid. On noticing such irregularities, the customers are requested to receive	The powers as proposed by DOP could be delegated.

			<p>principal amount only. This causes resentment to the depositors. This is also resulting in a steep increase in the number of court cases.</p> <p>Many courts (even the Supreme Court) have observed in many cases that when the money is used by the Government, then denial of interest is not justified.</p> <p>Postal staff has committed mistakes because rules are not properly framed under one notification and also face disciplinary action for such lapses but time taken for regularization of such cases is again causing hardship to public and increasing court cases. Delegation of this power will reduce the processing time thereby avoid many court cases, public grievances and also improve efficiency.</p>	

14 Types of irregularities noticed and suggestion on remedial measures

14.1 Department of Posts furnished a list of type of irregularities and a brief note on the safeguards introduced to avoid recurrence of such irregularities, a copy of which is reproduced below

Sl. No.	Type of irregularity	No. of cases and amount involved	Reasons for irregularities	Brief note on Safeguards introduced
1	Opening of accounts by ineligible persons	Rare cases in comparison to the number of accounts handled i.e more than 20 crore	After amendment of 13.5.2005, such cases are very rare. Cases of post 2005 are being noticed. No such irregularity is noticed in computerized offices as systems are now taking care of the eligibility criteria.	Staff is being given regular training on the latest changes and procedural manuals are also being updated and supplied to post offices to avoid such irregularities.
2	Irregular issue of certificates to ineligible holders.	Rare cases in comparison to the number of certificates issued in a year.	----do-----	----do-----
3	Investment above the prescribed limit in MIS	Very rare cases in comparison to the number of accounts handled	In MIS, main reason for such irregularity is non availability of clarity on the share of investment in joint accounts and status of the joint account in case of death of one of joint holders. Provisions of POSA Rules 1981 are applicable in MIS. There is no limit on number of MIS accounts to be opened. People often open such accounts on different dates in different post offices. In the absence of networking, it is difficult to detect such cases. It is very difficult to understand the rule position by general public/agents and counter staff.	Efforts are being made to educate the staff about the Rule so that they can further guide the public.

4	Frauds committed by agents	Rare cases.	In the recent past, many cases of account/certificate holders defrauded by agents are noticed. These agents used to flee away after committing frauds with number of account holders. All this is happening due to blind faith of the public in agents and they treat them as post office agents and used to keep their passbooks, certificates and blank signed forms to them. DOP is facing problems in handling court cases where agents have committed frauds. Courts are also putting blame on DOP for the frauds committed by agents by treating them as post office agents.	DOP has introduced separate account closure form, barred agents to act as messenger for withdrawal of money. Revised instructions are to be printed in passbooks to educate the public.

14.2 NSI in its comments to Expert Group submitted that Department of Posts should incorporate suitable internal checks in their system to detect the irregularities within six months of occurrence and not at the time of maturity.

14.3 Manpower in the Department of Posts which is deputed to handle savings bank work may be trained by National Savings Institute. The content of training, period, periodicity and other may be formulated by the department in consultation with NSI. NSI Quarterly Coordination Committee Meeting may be utilized for redressal of investors' grievances pertaining to availability of receipt books, correct issuance of certificates and opening of accounts etc.

14.4 Expert Group recommends that the Department of Posts must take all the necessary measures to give proper training to the staff, wide publicity of the scheme to bring awareness among the depositors, institute internal checks and control system to instantaneously detect such irregularities as and when occurs.

15 Payment of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Savings Accounts and other Social Security Schemes

15.1 National Rural Employment Guarantee Act came into force on 7th September, 2005 and its implementation was notified in a phased manner. The objective of that is to provide for the enhancement of livelihood, security of the households in rural areas of the country by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.

15.2 As per para 31 of the Schedule II of NREG Act, 2005, payment of NREGS Wages shall be made through the individual or joint savings accounts of the NREGS workers opened in Banks or Post Offices. A model Memorandum of Understanding has been developed by Ministry of Rural Development and Department of Posts, which has been circulated to all postal circles and State Governments to facilitate proper implementation of disbursement of ~~wage-through-Post-Offices-under-the-Act.~~ This mode of disbursement of NREGS wages through post offices was started with Andhra Pradesh Postal Circle in 2005.

15.3 Presently this scheme is operational in 19 Postal Circles of the country. As on 31st January, 2010, nearly 3.92 crore NREGS accounts have been opened in Post Offices and wages amounting to about Rs.6000 crore have been distributed through 98,811 Post Offices across the country. Department conducted study through ASCI, Hyderabad on MGNREGA and estimated on an average this account would have 10 transactions per year as compared to normal SB account which has 4 to 5 transactions per year.

15.4 In addition, disbursement of pensions under Central Government schemes like IGNOAPS, IGNWPS and IGNDPS is done through network of post offices. Disbursement of pension is done in two modes:

- i) **Pension amount is credited in the SB account** - Ministry of Finance vide Gazette Notification dated 13.10.2009 had allowed opening of 'Zero deposit, Zero balance' savings accounts for beneficiaries of IGNOAPS, IGNWPS and IGNDPS pensioners with the objective of facilitating the payment of pension under these schemes. 16 Circles are operating old age pension through SB accounts and number of SB accounts are 28,22,239 and the amount of pension disbursed during 2009-10 is Rs.688.87 crore.

- ii) **Through money orders-** 11 Circles are operating old age pension through Money orders. Numbers of money orders booked and amount of pension disbursed during 2009-10 were 27970193 and Rs.1051.10 crore, respectively. Number of transactions in IGNOAPS, IGNWPS and IGNDPS accounts are nearly 24 transactions per year.

15.5 Ministry of Finance vide letter no2/10/2008-NS-II dated 28.10.2009 intimated that no remuneration (commission or agency charges) will be payable to Department of Posts in respect of zero balance accounts like MGNREGS, Indira Gandhi National Old Age Pension Scheme, Indira Gandhi National Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme.

15.6 Department of Posts had arranged for a visit to one head Post Office, two sub post offices (one computerized and one non-computerized) and two branch post offices in the Rajasthan Circle during June, 2010. During the visit, a power point presentation of an overview of the work done at Rajasthan Postal Circle was made to Expert Group Members and other officers. The group had also visited post offices to gain first hand information of the work done at the ground level.

15.7 As per the data made available, in Rajasthan circle, number of live accounts of savings bank which was 23.72 lakhs in 2006-07 had substantially increased to 78.58 lakhs accounts in 2008-09 and 95.68 lakhs accounts in 2009-2010. The other accounts operated by various post offices in Rajasthan Circle have, however, shown static/ declining trend as tabulated below:

Category	2006-07	2007-08	2008-09	2009-2010
SB	2372038	2600422	7858371	9568013
Other types of accounts	6742369	6398355	6560313	6479437
Total	9114407	8998777	14418684	16047450

15.8 The main increase in the savings bank account is on account of the opening of MGNREGA accounts. The total number of MGNREGA accounts in the Rajasthan circle is 57,91,928 is included in SB account indicated above. During 2009-2010, the wages credited and disbursed are Rs.2056.57 crore and Rs.1962.59 crore respectively. It is also mentioned

that the wages were credited and disbursed on fortnightly basis. It was also explained during the visit that lot of administrative works are involved in maintaining record of wage payment and timely payment of wages. Account opening forms, withdrawal forms and many registers are being printed in large numbers for this work. It was mentioned that cash is sent to branch officers two times in a month through special arrangements. Incentive is also being paid to the staff for this occasional extra work. It was also mentioned that the volume of work in MGNREGA is in increasing trend and this requires substantial steps to strengthen the system.

15.9 For the country as a whole, as on 31st March, 2009, numbers of Saving Bank accounts are 20,64,78,355. Out of which, 1,62,44,139 number of accounts are opened under MGNREGA, about 8%.

15.10 Government of West Bengal has also remarked that Payment to Post Offices for MGNREGA accounts may be made by the Ministry of Rural Development by curtailing contingent expenditure/ publicity/ supervisor/ cost of fuel/ hiring charges of vehicles, etc. of MGNREGA programmes.

15.11 In the meeting held on 16th March 2011, Department of Posts requested to consider other prevailing social security schemes (IGNOAPS, IGNSPS and IGNDPS) having zero balance accounts at par with MGNREGA as per the Terms of Reference given to the Expert Group. Expert Group observes that at present there is no mechanism to categorise such accounts from the SB account. After deliberations in the meeting held on 16th March 2011, Expert Group recommends that similar pattern of payment be made in respect of other Social Security Schemes. However, before preferring the claim, Department of Posts may allot specific code for all the Social Security Schemes Accounts for their separate identification and to ensure that no duplication of numbers of accounts and payments thereof is made. A review of the rates may be made by the next study by which time actual data would be available.

15.12 The amount payable on account of MGNREGA may be paid by Ministry of Rural Development. Department of Economic Affairs may coordinate among these departments to facilitate adjustments by making necessary budgetary provisions, etc. The Expert Group would like to observe that such an arrangement would enable the Department of

Posts to get the due amount on such operations and no amount is debited on NSSF on operation of MGNREGA accounts.

16 Summary of Recommendations

16.1 The Expert Group, after due consideration of merits and demerits of different basis of remuneration recommends that the present basis of remuneration to Department of Posts on the basis of number of Live accounts at the end of year may be continued. (Paragraph 5.6 & 5.9).

16.2 In respect of Savings Bank account other than MGNREGA, Expert Group recommends weighted average time of 4.06 minutes per account. (Paragraph 6.9). ✓ IV

16.3 In respect of Savings Certificates, Expert Group recommends weighted average time per certificate as 8.46 minutes. (Paragraph 6.10). IV

16.4 In respect of IVP certificates, Expert Group recommends weighted average time per certificate as 2.24 minutes. (Paragraph 6.11). IV

16.5 Expert Group observes that though the time factors for various transactions considered for computerized Post Offices reflect reduction in comparison to the corresponding time factors existed during manual operation, range of the reduction in time factors are varied for different operations and not in line with the inter-se relationship existed in the manual time factors among the schemes (Paragraph 6.14).

16.6 In case of MGNREGA, Expert Group recommends weighted average time of 3.75 minutes per transaction. (Paragraph 6.15)

16.7 Average weighted time per transactions of SB, SC and IVP has shown savings in the range of about 38 % to 44% as compared to the weighted time factors considered by the previous Expert Group in 1994 (paragraph 6.16).

16.8 The Expert Group, after examination of the claim, recommends that time factors may be reviewed after three years and appropriate revision of the time factors duly reflecting ✓

the changes/ improvement in operation due to computerization may be introduced (Paragraph 6.17).

16.9 To provide data to the Expert Group, Department of Posts conducted a separate exercise calling for data covering postal network of post offices consisting of HO, SO (computerized and Non-computerized) and Branch PO all over India. This took considerable time for the Department of Posts. Apart from time consuming, data collected from all the Circles (except, J&K and North East) are voluminous, ensuring accuracy of the reported figure by Department of Posts assumes significance in this method. Expert Group has relied upon data provided by the Department of Posts (Paragraph 6.18).

16.10 Department of Posts computed Average number of Transactions per account per year as 6.49 on the basis of the data compiled on All India Basis. After scrutiny of the details submitted by the Department of Posts, Expert Group did not consider this computation. (Paragraph 6.21 and 6.22).

16.11 Department of Posts prepares an Annual Costing exercise to arrive at estimated cost of operation per service and the corresponding revenue. This exercise includes all the postal operations and Agency services. As there were difference in the Average number of transactions mentioned in the costing and on the All India Basis, Department of Posts mentioned that they are not comparable with the average number of transactions based on the actual data as it excludes certain type of transactions. (Paragraph 6.23).

16.12 Expert Group recommends 5.56 as Average number of transactions per year per account for Savings Bank other than MGNREGA. (Paragraphs 6.24 to 6.27).

16.13 Expert Group also recommends 6.23 as Average number of transactions per year per account for MGNREGA. (Paragraph 6.29).

16.14 The Expert Group had elaborately discussed the deficiencies/ drawbacks in arriving at reliable average number of transaction per account per year almost in all the meetings of the Group. Expert Group observes that the position of data collection needs improvement and continuous concerted efforts are required to validate the data so generated. (Paragraph 6.30).

16.15 Expert Group, for the work at Branch Post Offices, adopted the claim prepared by Department of Posts (Paragraph 7.3).

16.16 In view of the submission of Department of Posts, the Expert Group considered, the proportion of average number of SBCO staff normally working in HPOs to the number of Postal Assistants indicated as per the Sample Study for cost computation. (Paragraph 7.7)

16.17 Expert Group is of the view that there is urgent necessity to review the time factors presently in force in SBCO and Department of Posts may take appropriate action in this regard. (Paragraph 7.8)

16.18 Cost towards other payments like SB Internal Check Office, SB pairing office, SB Refreshers Course and other Schemes has been calculated on the basis of actual expenses as per the methodology adopted in the earlier study. (Paragraph 7.9)

16.19 With regard to the additional claim of 10% towards un-quantified items of work, Department of Posts collected and analyzed a sample data for the year 2009-10 from Sansad Marg Post Office, New Delhi. The Department also informed that in compliance with Prevention of Anti Money Laundering Act, it is setting up a Compliance Division Cell headed by SAG level Officer and simultaneously proposes to enhance inspection at various levels. Member, Department of Economics Affairs, Budget expressed that un-quantified work as identified by the Department of posts are very insignificant percentage of the overall work being done. Payment as percentage of the cost would spread to entire volume of accounts as the payment is being made on the number of live accounts. The Expert Group, after discussion, recommends 10% towards additional un-quantified items of work as claimed by the Department of Posts, keeping in view the need of the Post offices to comply with certain statutory requirements. (Paragraphs 7.12 to 7.15)

16.20 Department of Posts had undertaken substantial computerization subsequent to the previous study. The Department is in the process of implementing approved 11th Plan Projects for computerization and networking of all departmental Post offices and Branch Post offices. The impact of computerization has also been felt in the improved productivity and

there has been as much as 44% reduction in time factor. Member, Department of Economic Affairs, Budget, clarified that the Plan expenses are met from General Budgetary Support and it is not intended to be recovered as a cost from the State Governments. Expert Group observes that rate for the services rendered should normally recover the total cost incurred in Plan and Non plan expenses. In view of the above given facts, Expert Group recommends 10% towards computerization expenses. (Paragraphs 7.16 to 7.20)

16.21 Expert Group recommends payment of single transaction rate per Silent accounts as at end of the financial year. (Paragraph 8.6).

16.22 On the basis of the expenditure given in the Demands for Grants, 17.85% has been adopted as Overheads by the Expert Group in the computation of Rates: (Paragraph 8.7)

16.23 Revenue Receipts and Net Revenue Expenditure for the year 2009-2010 (RE) in comparison with 1993-94 showed a Compounded Annual Growth Rate (CAGR) of 9% and 12.4%, respectively. As the expenditure of 2009-2010 includes payment of arrears on implementation of Sixth Pay Commission, increase after adjusting for the arrears is 11.3%. (Paragraph 8.8)

16.24 Number of employees of DOP as on 1st March, 2010 indicated Compounded Annual Reduction of 1.3% over the period. (Paragraph 8.9)

16.25 Increase in number of SB accounts from 1993-94 to 2009-2010 have shown CAGR of 4.2% and the number of transactions by about 7.9%. The number of transactions per account has also increased to 5.56 per account per year from 3.64 in 1993-94. (Paragraph 8.10)

16.26 Salary accounted in 2010-11(BE) has increased by about 44% in comparison to the pre-revised salary in 2007-08 (Actuals). (Paragraph 8.11)

16.27 Rates recommended by the Expert Group is given below.

Particulars	Saving Bank other than MGNREGA	MGNREGA	SC	IVP
Present rate for the year 08-09 (Rs.)	123.33		34.80	9.24
Recommended rate for 2009-10 (Rs.)	159.24	165.59	48.65	12.87
Increase in the Rate (%)	29.10		39.80	39.29

16.28 In view of the fact that the transactions of MGNREGA do falls within the ambit of savings bank, Expert Group recommends that Rate of Remuneration to Department of Posts per account per year should include this account subject to the conditions that there should have been some transactions in these accounts during the year. In the event of no transactions in the accounts already existing, those accounts should be excluded. (Paragraph 9.1 and 9.2).

16.29 The increase in the recommended Rate with reference to the prevailing rate of 2008-09 works out to an increase of 29%, 40% and 39%, in respect of SB, SC and IVP respectively. The rate recommended for MGNREGA with reference to existing rate of SB for the year 2008-09 works out to 34%. Total amount of remuneration payable for 2009-10 works out to Rs. 4327 crore with an increase of about 45% over the present remuneration. The rates recommended duly takes into account increase in salary and allowances on account of implementation of Central Sixth Pay Commission. With reference to Net Working Expenses of Department of Posts, the remuneration payable works out to 35.7%. The remuneration payable will account for about 57.9% of the Gross Receipts. (Paragraphs 9.3 and 9.4)

16.30 Expert Group recommends an escalation on the basis of annual increase in the Dearness Allowance at the financial year over the previous year duly reduced by 1/3rd of the overall growth rate in the Total number of all Savings Accounts of all the Schemes during that period. (Paragraph 9.5)

16.31 Expert Group recommends that in view of computerization envisage under IT Project Phase-II, the rates payable for the Agency Services may be reviewed in 2014-15 after the completion of the Project and stabilization of the system. (Paragraph 9.6)

① 16.32 Expert Group also recommends that DoP should, in the mean time, undertake review of time factors and necessary changes in the existing time factors be introduced in the light of observations made in this Report. (Paragraph 9.7)

16.33 Expert Group recommends that the suggestions of the Agents and State Governments may please be reviewed by the Department of Posts and all possible measures may be initiated as per the procedures followed by the Department of Posts. (Paragraph 10.13)

16.34 As regards the commission to Agents, Expert Group would like to observe that the Commission to Agents represents about 61% of the payment of remuneration to Department of Posts, which is significantly higher. There is a need to regulate the Terms of payment of commission. Department of Economic Affairs may review the existing the pattern of charges in the light of present market practice in other financial institutions, and appropriate changes, if any, may be brought in. (Paragraph 10.14).

16.35 With regard to sharing of cost with State Government, Expert Group received data/ analysis from the Department of Economic Affairs. The result of analysis indicates that there exists margin. As regulation of commission payment to Agents can further reduce costs, Expert Group recommends that Department of Economic Affairs may initiate requisite steps in this direction. (Paragraph 11.7 and 11.8)

16.36 A comparison of the costs based on the financial results of PNB and SBI indicates that percentage of Operating Expenses to Interest earned is about 22%-28% for the year ended 31st March, 2010 for PNB and SBI. Interest expended is about 37%-43% of the Operating Expenses for PNB and SBI. The costs of these banks are much higher in comparison with corresponding figures for NSSF and may not be strictly comparable since these banks performs and caters to all type of commercial banking services. (Paragraph 11.9)

16.37 Expert Group observes that Post Office apart from its conventional activities can also provide many other services like delivery of social benefit schemes, electronic money remittance, micro credit and insurance. With the emerging role of post offices in social and economic schemes, there is urgent need to connect rural post offices to an IP network. Proposed ERP solution may provide for an integrated HR Management System to manage employee data, other associated administrative activities in a more efficient manner. As the Department is planning to rationalize administrative and financial management services through extensive computerization and networking of post offices, there is urgent need to look at the various work presently performed at different levels of Post Offices (Paragraph 12.12)

16.38 Expert Group recommends that Department of Posts may conduct exercise to review and reduce duplication of work at HO, SBCO, Accounts and Administrative Section without compromising efficient functioning and proper internal check mechanism. (Paragraph 12.13)

16.39 It is also necessary that with increasing work load, proper institutional arrangement of checks and balances be instituted and strengthened. Department of Posts may avail the facility of NSI on regular basis in the field of Training manpower, addressing the grievances of depositors and other measures of improving the quality of service. (Paragraph 12.14)

16.40 Department of Posts submitted that user charges claimed by the Department of Posts for various services rendered such as Collection charges for out station cheques, issue of duplicate passbook, supply of copy of ledger card etc are quite nominal. They may be reviewed by the Department of Posts/ Ministry of Finance. (Paragraph 12.15)

16.41 The proposal of the Department of Posts regarding delegation of certain powers, as a relaxation to the existing rules, spelt out the parameters and the proposed action by them in the event of grant of approval. DEA too examined and given concurring views with the Department of Posts. DEA also identified additional safeguard requirement in some cases. Suggestions received from State Governments have also been mentioned in the Report. In the given situation, the Expert Group recommends that further requisite as per the normal procedure may be initiated.(Paragraph 13.4)

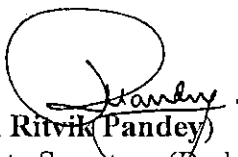
16.42 With regard to the irregularities and remedial measures to curb such irregularities, Expert Group recommends that the Department of Posts must take all the necessary measures to give proper training to the staff, wide publicity of the scheme to bring awareness among the depositors, institute internal checks and control system to instantaneously detect such irregularities as and when occurs. (Paragraph 14.4)

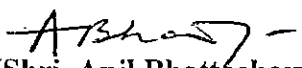
16.43 As per the ToR given to the Expert Group to examine payment of remuneration on zero deposit/ zero balance Post Office Savings Account opened for beneficiaries of Social Security Schemes (IGNOAPS, IGNSPS and IGNDPS), Expert Group observes that at present there is no mechanism to categorise such accounts from the SB account. Expert Group recommends similar pattern of payment in respect of other Social Security Schemes. However, before preferring the claim, Department of Posts may allot specific code for all the Social Security Schemes Accounts for their separate identification and to ensure that no duplication of numbers of accounts and payments thereof is made. (Para 15.11)


16.44 Expert Group recommends that the amount payable on account of MGNREGA may be paid by Ministry of Rural Development. DEA may coordinate among these departments to facilitate adjustments by making necessary budgetary provisions, etc. Expert Group would like to observe that such an arrangement would enable the DOP to get the due amount on such operations. (Paragraph-15.12)


16.45 Office of Chief Advisor Cost, in addition to the present study of Review of Rates payable for the Agency Services rendered by the Department of Posts, also conducted a number of studies for that Department in the past. Expert Group, in the course of the present study, had also occasion to closely study the system of accounting as well as methodology. Some of the significant points observed are (i) There should be in-built system for ready availability of quantitative data of all the services rendered (ii) periodical/ yearly determination of cost of services with proper allocation/ apportionment of expenses (iii) urgent necessity to improve capability and capacity building to make detailed analysis of the costs both inter circle and intra circle to bring out scope for improving efficiency and better productivity. It is suggested that Department of Posts may take up steps to avail services of qualified professionals at senior level. Expert Group recommends that Costing Division of the Department of Posts may be adequately staffed with experienced Officers from the Indian Cost Accounts Service. The model structure can be one Adviser, one Director/Joint Director, two Deputy /Assistant Directors with proper secretarial staff to assist in day to day working.

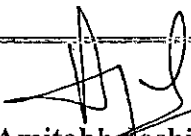
Acknowledgement – The Expert Group wishes to place on record its grateful thanks to the concerned officers of Department of Economic Affairs, Department of Posts, Office of Chief Adviser Cost, Department of Expenditure for the commendable assistance given in the deliberations of the Group.

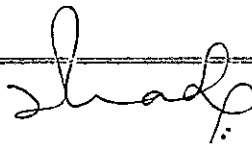

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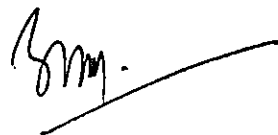

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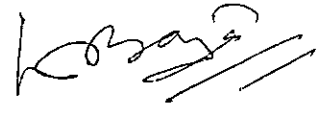

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New Delhi.
05.05.2011

**STATEMENT CONTAINING SMALL SAVINGS SCHEMES IN FORCE, RATES OF INTEREST, TAX BENEFITS AVAILABLE THERE ON AND
MAXIMUM CEILING LIMIT**

	Name of the Scheme	w.e.f. 1.3.2003		Maximum Ceiling Limit	
				Single Account	Joint Account
1	Post Office Savings Account @	3.50%	Simple (individual account)	Rs. 1.00 Lakh (in all a/cs taken together)	Rs. Two Lakh (in all a/cs taken together)
2	Post Office Recurring Deposit (5 Years) *	7.50 %	Compounded quarterly (maturity value is Rs. 728.90 for Rs. 10 denomination)	No limit.	No limit.
3	Post Office Monthly Income Scheme (6 years) *	8.00%	Payable monthly plus bonus at 5% of deposits at the end of six years	Rupees 4.50 Lakhs (in all a/cs taken together)	Rupees 9.00 Lakhs (in all a/cs taken together)
4	Post Office Time Deposit *		Compounded quarterly and payable annually	No limit.	No limit.
	(a) 1 Year Deposit	6.25%		:do:	:do:
	(b) 2 Year Deposit	6.50%		:do:	:do:
	(c) 3 Year Deposit	7.25%		:do:	:do:
	(d) 5 Year Deposit	7.50%		:do:	:do:
5	Senior Citizens Savings Scheme, 2004 (introduced w.e.f. 2nd August, 2004)	9.00%	Payable Quarterly	Rupees 15 lakh	
6	National Savings Certificate** VIIIth Issues (6-Years) Maturity value for Rs. 100 denomination	Rs.160.10		No limit.	No limit.
7	Deposit Scheme for Retiring Govt. Employees, 1989 @ (Discontinued w.e.f.10.7.2004)	7.00%	Payable half yearly	Maximum of Retirement benefits	
8	Deposit Scheme for Retiring Employees of Public Sector Companies, 1991@ (Discontinued w.e.f.10.7.2004)	7.00%	Payable half yearly	Maximum of Retirement benefits	
9	Kisan Vikas Patra	Amount doubles in 8 years & 7 months		No limit.	No limit.
10	Public Provident Fund Scheme @ (15-Years)	8.00%	Calculated on monthly balances at the end of the year	Rs. 70,000 in a financial year	Not permissible.

* Benefit under Section 80L of Income Tax Act available.

** Benefit under Section 88 & 80L of Income Tax Act available.

@ Interest completely tax free.

In case of PPF benefit under Section 88 of Income Tax Act is also available.

COST OF A CLERICAL MINUTE IN THE POST OFFICE FOR THE YEAR 2009-2010.

Designation & Scale of Pay	No. of staff	Average Pay & allowance (Rs.)	Total (Rs.)	Pensionary charges (Rs.)	Total (Rs.)
Supervisory Officers					
HSG I (6500-10500) (9300-34800) + Grade Pay 4600	3	31936	95807	4009	12026
BCR (5000-8000) (9300-34800) + Grade Pay 4200	18	25844	465186	2931	52751
TBOP (4500-7000) (5200-20200) + Grade Pay 2800	4	21720	86879	2435	9740
Postal Assistants					
TBOP (4500-7000) (5200-20200) + Grade Pay 2800	27	21720	586430	2435	65743
PA (4000-6000) (5200-20200) + Grade Pay 2400	73	10050	1394281	2080	151823
Group 'D' Staff					
BCR (3050-4590) (5200-20200) + Grade Pay 1900	5	14176	70880	1202	6011
TBOP (2650-4000) (4440-7440) + Grade Pay 1650	2	12431	24862	1046	2091
Group 'D' (2550-3200) (4440-7440) + Grade Pay 1300	14	10670	149386	839	11750
1.Total	146	'A'	2870711	'B'	311935
2.Pensionary Charges as at 'B' above			311935		
3.Leave Salary on 'A' above @	11%		315778		
4.Bonus per head @ Rs.	576		84096		
5.Allowances related to pay charges per head @ Rs.	679.42		99195		
6.Allowances not related to pay charges per head @ Rs.	343.58		50162		
7.Contingent charges per head @ Rs.	511.17		74631		
8.General & Common expenditure on 'A' above @	27.23		781695		
9.Total expenditure			4588203		
10.Total No. of minutes in a month			11000		
11.Cost per minute per Clerk		Rs.	4.17		

ANNEXURE -III

**Statement of Time Factors for different transactions in
Computerised Head Post Offices including Branch Offices**

Sl.	Type of Transactions	Present Time Factor (In minutes)	Expert group 1995 (In minutes)
	SB/NSS/PPF		
1	New Account Opened	8.75	16.65
2	Subsequent Deposit	2.5	6.38
3	Subsequent Withdrawal	3.13	9.81
4	Closure of Accounts	6.25	
5	Received By Transfer	11.25	16.65
6	Paid By Transfer	11.25	16.65
7	Change of Nomination	5.63	11.1
	TD/FD		
1	New Account Opened	8.75	13.5
2	Subsequent Deposit	2.5	5.4
3	Subsequent Withdrawal	3.13	8.78
4	Closure of Accounts	6.25	
5	Received By Transfer	11.25	10.8
6	Paid By Transfer	11.25	13.91
7	Change of Nomination	5.625	8.1
	RD/CTD		
1	New Account Opened	8.75	12.8
2	Subsequent Deposit	2.5	4.8
3	Subsequent Withdrawal	3.13	8.48
4	Closure of Accounts	6.25	11.2
5	Received By Transfer	11.25	12.8
6	Paid By Transfer	11.25	16.48
7	Change of Nomination	5.63	9.6
8	Opening of Bulk RD Account under PRSS/MPKBY	7.5	8
9	Subsequent deposit in Bulk in RD Account under PRSS/MPKBY	1.25	3.2
	MIS/SCSS		
1	New Account Opened	8.75	16.65
2	Subsequent Deposit	2.5	6.38
3	Subsequent Withdrawal	3.13	9.81
4	Closure of Accounts	6.25	
5	Received By Transfer	11.25	16.65
6	Paid By Transfer	11.25	16.65
7	Change of Nomination	5.63	11.1

**Statement of Time Factors for different transactions in
Computerised Sub Post Offices including Branch Offices**

Sl.	Type of Transactions	Present Time Factor (In minutes)	Expert group 1995 (In minutes)
SB/PPF/NSS			
1	New Account Opened	13.75	18.6
2	Subsequent Deposit	3.13	8.61
3	Subsequent Withdrawal	3.75	13.24
4	Closure of Accounts	10	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
TD/FD			
1	New Account Opened	13.75	17.23
2	Subsequent Deposit	3.13	8.71
3	Subsequent Withdrawal	3.75	12.85
4	Closure of Accounts	10	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
RD/CTD			
1	New Account Opened	13.75	15.68
2	Subsequent Deposit	3.13	5.5
3	Subsequent Withdrawal	3.75	11.69
4	Closure of Accounts	10	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
8	Opening of Bulk RD Account under PRSS/MPKBY	12.5	12.9
9	Subsequent deposit in Bulk in RD Account under PRSS/MPKBY	1.88	2.9
MIS/SCSS			
1	New Account Opened	13.75	18.6
2	Subsequent Deposit	3.13	8.61
3	Subsequent Withdrawal	3.75	13.24
4	Closure of Accounts	10	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	

**Statement of Time Factors for different transactions in
Non-computerised Sub Post Offices including Branch Offices**

Sl.	Type of Transactions	Present Time Factor (In minutes)	Expert group 1995 (In minutes)
	SB/PPF/NSS		
1	New Account Opened	18.05	18.6
2	Subsequent Deposit	4.98	8.61
3	Subsequent Withdrawal	8.61	13.24
4	Closure of Accounts	11.73	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
	TD/FD		
1	New Account Opened	18.50	17.23
2	Subsequent Deposit	6.03	8.71
3	Subsequent Withdrawal	9.41	12.85
4	Closure of Accounts	12.53	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
	RD/CTD		
1	New Account Opened	15.40	15.68
2	Subsequent Deposit	4.53	5.5
3	Subsequent Withdrawal	7.78	11.69
4	Closure of Accounts	10.90	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	
8	Opening of Bulk RD Account under PRSS/MPKBY	11.50	12.9
9	Subsequent deposit in Bulk in RD Account under PRSS/MPKBY	1.93	2.9
	MIS/SCSS		
1	New Account Opened	18.05	18.6
2	Subsequent Deposit	4.98	8.61
3	Subsequent Withdrawal	8.61	13.24
4	Closure of Accounts	11.73	
5	Received By Transfer	11.25	
6	Paid By Transfer	11.25	
7	Change of Nomination	5.63	

Weighted Average time per SB Transactions for 2008-09 in Head Post Offices including Branch Offices						
Sl.	Type of Transactions	No. of Transaction	Time Factor (In Minutes)	Co-Officient @ 25 %	Total Time Factor (In Minutes)	Total Time in Minutes
		(A)	(B)	(C)=(B)*25%	(D)= (B)+(C)	(E)=(A)*(D)
	SB,PPF, NSS					
1	New Account Opened	2684832	7	1.75	8.75	23492280
2	Subsequent Deposit	41681115	2	0.5	2.5	104202788
3	Subsequent Withdrawal	19986195	2.5	0.63	3.13	62556790
4	Closure of Accounts	344638	5	1.25	6.25	2153988
5	Received By Transfer	124190	9	2.25	11.25	1397138
6	Paid By Transfer	78683	9	2.25	11.25	885184
7	Change of Nomination	995854	4.5	1.13	5.63	5606658
	TD/FD					
1	New Account Opened	828687	7	1.75	8.75	7251011
2	Subsequent Deposit		2	0.5	2.5	0
3	Subsequent Withdrawal	904105	2.5	0.63	3.13	2829849
4	Closure of Accounts	982141	5	1.25	6.25	6138381
5	Received By Transfer	9458	9	2.25	11.25	106403
6	Paid By Transfer	10244	9	2.25	11.25	115245
7	Change of Nomination	454363	4.5	1.13	5.63	2558064
	RD/CTD					
1	New Account Opened	2723530	7	1.75	8.75	23830888
2	Subsequent Deposit	82175037	2	0.5	2.5	205437593
3	Subsequent Withdrawal	3166370	2.5	0.63	3.13	9910738
4	Closure of Accounts	2427649	5	1.25	6.25	15172806
5	Received By Transfer	86687	9	2.25	11.25	975229
6	Paid By Transfer	82110	9	2.25	11.25	923738
7	Change of Nomination	1922646	4.5	1.13	5.63	10824497
8	Opening of Bulk RD Account under PRSS/MPKBY	2528858	6	1.5	7.5	18966435
9	Subsequent deposit in Bulk in RD Account under PRSS/MPKBY	106603863	1	0.25	1.25	133254829
	MIS/SCSS					
1	New Account Opened	960600	7	1.75	8.75	8405250
2	Subsequent Deposit		2	0.5	2.5	0
3	Subsequent Withdrawal	52114273	2.5	0.63	3.13	163117674
4	Closure of Accounts	1075861	5	1.25	6.25	6724131
5	Received By Transfer	100162	9	2.25	11.25	1126823
6	Paid By Transfer	94073	9	2.25	11.25	1058321
7	Change of Nomination	627573	4.5	1.13	5.63	3533236
	Total	325773797				822555967
	Weighted Average time /transaction					2.52

Weighted Average time per SB Transactions for 2008-09 in Computerized Subpost Offices including BPOs							
Sl.	Type of Transactions	No. of Transaction	Time Factor (In Minutes) at HO	Time Factor (In Minutes)	Co-Officient @ 25 %	Total Time Factor (In Minutes)	Total Time in Minutes (i.e.3 x 7)
		(A)	(B)	(C)	$\{(D)=(B)+(C)) \times 25\%$	$(E)=\{(D)+(B)+(C)\}$	$(F)=(A) \times (E)$
	SB,PPF, NSS						
1	New Account Opened	6576832	4	7	2.75	13.75	90431440
2	Subsequent Deposit	58791182	0.5	2	0.63	3.13	184016400
3	Subsequent Withdrawal	30484942	0.5	2.5	0.75	3.75	114318533
4	Closure of Accounts	639382	3	5	2	10	6393820
5	Received By Transfer	66009	5	4	2.25	11.25	742601
6	Paid By Transfer	64779	5	4	2.25	11.25	728764
7	Change of Nomination	2367468	4.5	0	1.13	5.63	13328845
	TD/FD						
1	New Account Opened	1656061	4	7	2.75	13.75	22770839
2	Subsequent Deposit		0.5	2	0.63	3.13	0
3	Subsequent Withdrawal	1576967	0.5	2.5	0.75	3.75	5913626
4	Closure of Accounts	1948443	3	5	2	10	19484430
5	Received By Transfer	11165	5	4	2.25	11.25	125606
6	Paid By Transfer	13629	5	4	2.25	11.25	153326
7	Change of Nomination	873983	4.5	0	1.13	5.63	4920524
	RD/CTD						
1	New Account Opened	9307129	4	7	2.75	13.75	127973024
2	Subsequent Deposit	186995043	0.5	2	0.63	3.13	585294485
3	Subsequent Withdrawal	4384677	0.5	2.5	0.75	3.75	16442539
4	Closure of Accounts	5646908	3	5	2	10	56469080
5	Received By Transfer	193824	5	4	2.25	11.25	2180520
6	Paid By Transfer	178350	5	4	2.25	11.25	2006438
7	Change of Nomination	3313416	4.5	0	1.13	5.63	18654532
8	Opening of Bulk RD under PRSS/MPKBY	4557073	4	6	2.5	12.5	56963413
9	Subsequent deposit in Bulk in RD under PRSS/MPKBY	126737678	0.5	1	0.38	1.88	238266835
	MIS/SCSS						
1	New Account Opened	1760501	4	7	2.75	13.75	24206889
2	Subsequent Deposit		0.5	2	0.63	3.13	0
3	Subsequent Withdrawal	77329007	0.5	2.5	0.75	3.75	289983776
4	Closure of Accounts	2480009	3	5	2	10	24800090
5	Received By Transfer	156789	5	4	2.25	11.25	1763876
6	Paid By Transfer	165913	5	4	2.25	11.25	1866521
7	Change of Nomination	1102134	4.5	0	1.13	5.63	6205014
	Total	529379293					1916405786
	Weighted Average time /transaction						3.62

Weighted Average time per SB Transactions for 2008-09 in Non-computerized Subpost Offices including Branch Post Offices								
Sl.	Type of Transactions	No. of Transaction	Time Factor (In Minutes) at HO	Co-efficient for Ho @ 25%	Time Factor (In Minutes) At SO	Co-efficient for SO work @ 45% for SB/PPF/MIS/SCSS, 35 % for TD, 30 % for RD	Total Time Factor (In Minutes)	Total Time in Minutes
SB,PPF, NSS								
1	New Account Opened	7957147	4	1.00	9.00	4.05	18.05	143626503
2	Subsequent Deposit	53831541	0.5	0.13	3.00	1.35	4.98	268081074
3	Subsequent Withdrawal	38995781	0.5	0.13	5.5	2.48	8.61	335753674
4	Closure of Accounts	689309	3	0.75	5.5	2.48	11.73	8085595
5	Received By Transfer	156130	9	2.25	0	0	11.25	1756463
6	Paid By Transfer	60518	9	2.25	0	0	11.25	680828
7	Change of Nomination	2613933	4.5	1.13	0	0	5.63	14716443
TD/FD								
1	New Account Opened	1413273	4	1.00	10	3.5	18.50	26145551
2	Subsequent Deposit		0.5	0.13	4.00	1.4	6.03	0
3	Subsequent Withdrawal	1248128	0.5	0.13	6.5	2.28	9.41	11744884
4	Closure of Accounts	1516366	3	0.75	6.5	2.28	12.53	19000066
5	Received By Transfer	8685	9	2.25	0	0	11.25	97706
6	Paid By Transfer	7741	9	2.25	0	0	11.25	87086
7	Change of Nomination	746773	4.5	1.13	0	0	5.63	4204332
RD/CTD								
1	New Account Opened	7303561	4	1.00	8	2.4	15.40	112474839
2	Subsequent Deposit	170265416	0.5	0.13	3.00	0.9	4.53	771302334
3	Subsequent Withdrawal	5530146	0.5	0.13	5.50	1.65	7.78	43024536
4	Closure of Accounts	4684491	3	0.75	5.50	1.65	10.90	51060952
5	Received By Transfer	335089	9	2.25	0.00	0	11.25	3769751
6	Paid By Transfer	191997	9	2.25	0.00	0	11.25	2159966
7	Change of Nomination	3119139	4.5	1.13	0.00	0	5.63	17560753
8	Opening of Bulk RD under PRSS/MPKBY	3692219	4	1.00	5.00	1.5	11.50	42460519
9	Subsequent deposit in Bulk in RD under PRSS/MPKBY	96571464	0.50	0.13	1.00	0.3	1.93	186382926
MIS/SCSS								
1	New Account Opened	1057235	4	1.00	9.00	4.05	18.05	19083092
2	Subsequent Deposit		0.5	0.13	3.00	1.35	4.98	0
3	Subsequent Withdrawal	58129103	0.5	0.13	5.5	2.48	8.61	500491577
4	Closure of Accounts	1407842	3	0.75	5.5	2.48	11.73	16513987
5	Received By Transfer	148361	9	2.25	0	0	11.25	1669061
6	Paid By Transfer	151477	9	2.25	0	0	11.25	1704116
7	Change of Nomination	756703	4.5	1.13	0	0	5.63	4260238
	Total	462589568						2607898852
	Weighted Average time /transaction							5.64

ANNEXURE - IV Contd..

Weighted Average time per Savings Bank Transactions for the year 2008-09		
Sl.	Transactions at	Total Weighted Time (in minutes)
1	Computerized HPO including BPO	822,555,966.50
2	Computerized SPO including BPO	1,916,405,786.00
3	Non- computerized SPO including BPO	2,607,898,852.00
4	Grand Total	5,345,539,060.50
5	Average Weighted Time per Transaction	4.06

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Weighted Average time per Savings Bank Certificate for the year 2008-09						
Sl.		No. of Transactions	Time factor (In minutes)	Co-efficient 25 % for Computerized PO	Total time including co-efficient	Total Time (In minutes)
		(A)	(B)	(C)=(B)x 25%	(D)= (B)+(C)	(E)=(A)*(D)
1	No. of certificates issued at HO	7495222	5	1.25	6.25	46845138
2	No. of certificate Discharged at HO	11204699	5	1.25	6.25	70029369
3	No. of Certificate issued at Computerized SPO	10502019	5	1.25	6.25	65637619
4	No. of certificate discharged at Computerized SPO	13504918	5	1.25	6.25	84405738
5	For certificate issued by SPO-Work at Head Office		1	0.25	1.25	13127524
6	For certificate discharged by SPO-Work at Head Office		1	0.25	1.25	16881148
7	No. of Certificate issued at Non-Computerized SPO	8444364			9.8	82754767
8	No. of certificate discharged at Non-Computerized SPO	10576686			11.2	118458883
9	For certificate issued by SPO-Work at Head Office		1	0.25	1.25	10555455
10	For certificate discharged by SPO-Work at Head Office		1	0.25	1.25	13220858
11	Total Number of Certificates for the year	61727908				521916499
12	Weighted Average time per transaction per certificate					8.46
13	IVP -Weighted Average time per transaction					2.24

ANNEXURE -V

Average Number of Transactions Per MGNREGA Account based on Sample Data

		2008-09	2009-10
A	ALWAR HO, Rajasthan Circle	MGNREGA	
	No. of SB live Accounts	258357	308896
	No. of Transactions (Opening of new Acts subsequent Deposits+Withdrawal+ Closure of Actts+ RBT+ PBT+ Change of Nomination)	1745907	1401853
	Average Number of Transactions	6.76	4.54
B	DUMKA HO Jharkhand Circle		
	No. of SB live Accounts	347908	438553
	No. of Transactions (Opening of new Acts subsequent Deposits+Withdrawal+ Closure of Actts+ RBT+ PBT+ Change of Nomination)	2211491	2831601
	Average Number of Transactions	6.36	6.46
C	DEOGARH HO Jharkhand Circle		
	No. of SB live Accounts	195593	298528
	No. of Transactions (Opening of new Acts subsequent Deposits+Withdrawal+ Closure of Actts+ RBT+ PBT+ Change of Nomination)	1401774	1800533
	Average Number of Transactions	7.17	6.03
D	Total Number of Transactions (A+B+C)	5359172	6033987
	Total No. of SB live Accounts (A+B+C)	801858	1045977
	Average Number of Transactions	6.68	5.77
	Average Number of Transactions of 2008-09 and 2009-10		6.23

ANNEXURE - VI

Cost of Operation for the Agency Services rendered by Department of Posts for the year 2009-10

(In Rupees)

Sl.	Particulars	Saving Bank	MGNREGA	SC	IVP
1	Average weighted time (in minutes)	4.06	3.75	8.46	2.24
2	Clerical cost / minutes	4.17	4.17	4.17	4.17
3	Cost of work in Post offices (1 X 2)	16.93	15.64	35.29	9.34
4	Cost of work in SBCO (15.68% of 3)	2.65	2.45		
5	Cost of work at Branch Office	1.12	1.12		
6	Cost for other payments	0.07	0.07		
7	Direct Cost total (3 to 6)	20.77	19.28	35.29	9.34
8	Overhead @ 17.85% of 7	3.71	3.44	6.3	1.67
9	Additional cost for Unquantified item @ 10% of 7 ✓	2.08	1.93	3.53	0.93
10	Computerisation Expenses @ 10% of 7 ✓	2.08	1.93	3.53	0.93
11	Total Cost of Operation (7 to 10)	28.64	26.58	48.65	12.87
12	Average number of Transaction	5.56	6.23	1.00	1.00
13	Cost of operation per Account/ certificate (11) X (12)	159.24	165.59	48.65	12.87
14	No of tranactions for Silent Account	1.00			
15	Rate of remuneration / Silent account (11 X 14)	28.64			

Calculation of Escalation Formula

A Average of Dearness Allowance (DA)

1 Average Dearness Allowance for Base year (2009-10)	(x)
2 Average Dearness Allowance for Subsequent year	(y)
3 Change in Average Dearness Allowance % (say A)	$[(y)-(x)]/(x)*100$

B Growth in Total Number of all the Savings accounts of all the Schemes

1 Closing Number of Live Savings Banks accounts as on last date of Base year	(p)
2 Closing Number of Live Savings Banks accounts as on last date of Subsequent year	(q)
3 Growth in Total Number of Accounts (say B)	$[(q)-(p)]/(p)*100$

C Escalation Factor % (say C) Increase in DA (%) reduced by 1/3 of Growth %) $(A)-1/3*(B)$

D Rate of Remuneration for the Base year $(Rs. Per account/certificate)$

Savings Bank (say D)	159.24
MGNREGA (say E)	165.59
Savings Certificate (say F)	48.65
Indira Gandhi Vikas Patra (say G)	12.87

E Revised Rate of Remuneration for the subsequent year

Savings Bank Account	$(D)+[(D)*(C)]=(P)$
MGNREGA	$(E)+[(E)*(C)]=(Q)$
Savings Certificate	$(F)+[(F)*(C)]=(R)$
Indira Gandhi Vikas Patra	$(G)+[(G)*(C)]=(S)$

F Revised Rate for Silent Account

Recommended Rate per transaction for the base year (Rs.) (say T)	28.64
Escalation Factor (say C)	$(A)-1/3*(B)$
Revised Rate per transaction for the Subsequent year (Rs.) (say H)	$(T) * (C) = (H)$

ANNEXURE -VIII A

Analysis of operating cost as a percentage of Interest Income and Interest Expended for PNB

(Rs. in Lakhs)

Sl.		Quarter ended		Nine Months ended		Year ended
		31.12.2010	31.12.09	31.12.2010	31.12.09	31.03.2010
		Reviewed		Reviewed		Audited
1	Interest Earned	711,912	538,872	1,954,619	1,583,737	2,142,209
2	Interest Expended	391,583	317,644	1,076,786	983,434	1,294,402
3	Operating Expenses(Employees' cost and other Operating expenses)	171,061	124,193	469,738	366,183	476,192
4	Operating Expenses as a % of Interest earned	24.03%	23.05%	24.03%	23.12%	22.23%
5	Operating Expenses as a % of Interest expended	43.68%	39.10%	43.62%	37.24%	36.79%

Note: Based on Reviewed Financial Results of Punjab National Bank downloaded from the website of PNB

ANNEXURE -VIII B

Analysis of operating cost as a percentage of Interest Income and Interest Expended for SBI

(Rs. in Lakhs)

Sl.		Quarter ended		Nine Months ended		Year ended
		31.12.2010	31.12.09	31.12.2010	31.12.09	31.03.2010
		Reviewed		Reviewed		Audited
1	Interest Earned	2,141,279	1,777,969	5,967,301	5,302,833	7,099,392
2	Interest Expended	1,236,303	1,146,339	3,520,466	3,607,833	4,732,248
3	Operating Expenses(Employees' cost and other Operating expenses)	559,922	506,387	1,622,160	1,428,259	2,031,868
4	Operating Expenses as a % of Interest earned	26.15%	28.48%	27.18%	26.93%	28.62%
5	Operating Expenses as a % of Interest expended	45.29%	44.17%	46.08%	39.59%	42.94%

Note: Based on Reviewed Financial Results of Statebank Of India downloaded from the website of SBI