

COMPARISON BETWEEN SUKANYA SAMRIDHI YOJNA (SSY) AND PUBLIC PROVIDENT FUND (PPF)

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Abstract: *The Central government has launched plenty of schemes to fortify nation's economic development and to provide financial security to its citizens. This paper reflects the comparison between the most popular schemes i.e. Sukanya Samridhi Yojna and the Public Provident Fund account by highlighting the differences and the similarities. The paper starts with the brief introduction of both the schemes along with their date of launch. The paper is concluded with the choice of the scheme depending upon the factors like return, lock in period, motive behind the scheme, etc. These schemes were launched to provide financial aid in the form of financial security for education, marriage, medical and other contingencies.*

Key Words: SSY, PPF, KYC, RD, Interest rate, Returns.

1. INTRODUCTION:

The key to wealth creation lies in the habit of saving a small amount periodically and systematically. The most popular scheme i.e. Sukanya Samridhi Yojna (SSY) and the old scheme i.e. Public Provident Fund (PPF) can be useful instruments for securing the future goals. The SSY is a tax-free small savings scheme only for the girl child officially launched on 22nd January, 2015. It was initiated by Prime Minister Narendra Modi as a financial aid for girl's parents to create the awareness of benefits of savings and hence be able to afford in future their child's education and marriage with financial security and independence. Majority of people are of the view that this scheme is like "old wine in a new bottle" and have started equating it with popular old PPF¹. The PPF scheme is a tax-free savings avenue that was introduced by the Ministry of Finance in India in the year 1968. It is a popular long term investment option guaranteed by Government of India which offers safety with attractive rate of interest and returns that are fully exempted from Tax.

2. OBJECTIVES OF THE STUDY:

- To understand the basic concept of PPF and SSY
- To understand the basic investment objective
- To highlight the points of differences between the schemes
- To draw out the similarities between the schemes

3. PUBLIC PROVIDENT FUND (PPF)

It is a tax-cum-saving scheme in India, launched by the National Savings Institute of the Ministry of Finance in 1968. The scheme is fully guaranteed by the Central Government which was initially started with the primary goal of retirement security to self employed individuals and workers in the unorganized sector. Moreover, balance in PPF account is not subject to attachment under any order or decree of court² and individuals by investing in this scheme can earn a higher tax-free return which makes it better than the return offered by banks on fixed deposits and RD's.

4. SUKANYA SAMRIDHI YOJANA (SSY)

The SSY is as girl child prosperity scheme under Beti Bachao Beti padhao program of Prime Minister Narendra Modi. The progress of the scheme can be judged from the fact that it has well been accepted by the people in pursuit of the financial security and independence to the girl child as well their parents and guardians. The scheme encourages parents to build a pool of money for the future education and marriage for their female child. The account can be opened anytime from the birth of a girl child till she attains 10 years of age. Only one account is allowed per girl child and parents can open a maximum of two accounts for each of their children with exception allowed for twins and triplets. This scheme provides the flexibility in transferring the account anywhere in India.

5. COMPARISON BETWEEN PPF AND SSY SCHEME:

5.1 Objective

The primary objective of SSY is to promote the welfare and the upliftment of the girl child and provide equality in the society while the primary objective of saving in the PPF account is to avail tax benefits on deposits, guaranteed returns on investment and tax-free withdrawal on maturity.

5.2 Account Opening

The SSY account can be opened in authorized commercial bank branches and post offices whereas PPF account can be opened in post offices, nationalized banks like SBI, PNB etc. and private banks like ICICI bank.

5.3 Age Limit

Account can be opened for any girl child in India unless she has attained an age of 10 years. But there is relaxation for those girls born on or after 02.12.2003, only in case if their account is opened by 01 December 2015.³ As such, there is no minimum or maximum age limit in PPF. Even a new born baby can have a PPF account under its name with guardian as the operator of the account. Once the account holder turns an adult, the account would be managed and operated by the account holder and not by the guardian.

5.4 Documentation

For SSY, account opening application form, girl child's birth certificate, depositor's (Guardian/parent) KYC are required but in case of PPF account opening form, nomination form, passport size photo, pan card copy, KYC are needed.

5.5 Frequency & Maximum and Minimum Contribution

In an SSY Account, a minimum of Rs. 1,000 has to be deposited every year and the maximum limit is Rs.1.5 lakh with no limit on number of deposits in a financial year. But in case of PPF, one can deposit a minimum of Rs. 500 in a financial year with the same maximum limit of Rs. 1.5 lakh but subject to maximum in 12 instalments.

5.6 Interest Rate

The interest rate in SSY scheme has been fixed at 8.4% for financial year 2017-18 slightly higher than that in PPF that offers 7.9% interest rate effective from 1 April 2017.

5.7 Tenure

The normal tenure of the SSY account is upto the age of 21 years of the girl and if she desires to continue the account further, holder will not get any interest after the maturity period as per updated rules.⁴ But in PPF, original duration is 15 years. Thereafter, on submission of request application by the holder, it can be extended for 1 or more blocks of 5 years each.

5.8 Nomination Facility

In SSY, there could be no nominations for the account; however, the nominee is required in case of death of the girl child before maturity of the account. In contrast to it, the PPF facilitates nominations of one or more person to receive the accumulated amount standing to the account holder's credit in case of death. However no nomination is possible in case of minor account.

5.9 Premature Withdrawal

The SSY account holder can withdraw up to 50% of the total deposits for fulfilling the purpose of marriage or higher education of his/her girl child. It also allows partial withdrawal only after the girl reaches the age of 18. However, in PPF, pre-mature withdrawals can be made from the start of the seventh financial year. The maximum amount that can be withdrawn pre-maturely is equal to 50% of the amount that stood in the account at the end of 4th year preceding the year in which the amount is withdrawn or the end of the preceding year whichever is lower.

5.10 Closure of Account

The SSY account can be prematurely closed under two circumstances i.e. death of the account holder and the other is that parent or guardian is unable to continue the account. However, premature closure of PPF account is permitted after completion of 5 years for medical treatment of family members and for higher education of account holder. However, premature closure attracts an interest rate penalty of 1%.

5.11 Transfer of Account

SSY account can be transferred from post office to other post office free of charge but transfer from post office to bank or vice versa shall attract a charge of Rs 100 and that too is permitted only once in a year.

Whereas, the PPF account can be transferred to other branches / other banks or Post Offices and vice versa upon request by the subscriber and that too free of charge.

5.12 Loan Facility

No loan can be taken against the investments made under SSY account but in PPF loan facility is available from 3rd financial year up to 5th financial year. Also once one becomes eligible for withdrawals, no loans would be permitted. Further, inactive or discontinued accounts are not eligible for loan facility.

5.13 Multiple Accounts

In SSY scheme, a depositor may open and operate only one account in the name of same girl child under this scheme with the exception that the natural or legal guardian can open two or three accounts if twin girls are born in second birth or triplets are born in the first birth itself.⁵ While in case of PPF, only one account is allowed.

6. SIMILARITIES:

6.1 Penalty

If the minimum deposit is not made in any financial year i.e. Rs 1000 in SSY account and Rs 500 in PPF account then penalty of Rs 50 is levied to reactivate the account.

6.2 Tax benefits

The contribution made in the SSY and PPF accounts are eligible for tax exemption under Sec 80c of Income Tax Act 1961 subject to the maximum amount Rs 150000 per financial year.

6.3 Maturity amount

The amount received after the completion of the tenure of the account is exempted from Income Tax in both SSY and PPF accounts.

6.4 Mode of deposit

The subscriber can make deposits either by Cash, Cheque, Demand Draft or Online transfer in both SSY and PPF accounts.

6.5 Interest Earned

The interest earned in both SSY and PPF accounts is compounded yearly and both carry floating interest.⁶

7. CONCLUSION:

The choice between SSY and PPF should be based on more flexibility and higher returns. Both are similar schemes in nature as they provide tax exemption under Section 80C. The SSY could be a good alternative if investors are comfortable at locking their investments at higher returns for a long period of time. Both these schemes are most popular since they both are backed by the central government but the SSY is more attractive than the PPF as it offers a higher interest rate. However, SSY scheme is restricted to only a girl child which is not in case of PPF. Therefore, it depends on the person's gender, age and objective to make a choice between these two avenues.

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