

5 reasons to start loving the EPFO

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'If you retain your account with the EPFO for 10 years, you get a life-long pension.'

Sanjay Kumar Singh reports on initiatives that may turn the EPFO into a more agile, customer-friendly organisation.



At
a

time when fintech players and banks are vying to offer faster services to their customers, reduce paperwork, and move processes online for greater convenience, government bodies like the Employees Provident Fund Organisation, EPFO, too have realised that they need to change with the times.

The EPFO, which has traditionally been perceived as stodgy, surprised long-time watchers with its customer-friendly initiatives in recent months.

1. No certificates required for advances

Earlier if you wanted a non-refundable advance from your EPF account, you had to produce a certificate to prove that your need was genuine.

If you needed money for medical treatment, you had to produce a doctor's certificate.

If you needed it to finance a child's marriage, you had to submit the wedding card as proof.

Now, all such requirements have been done away with.

"You can withdraw money by just making a self-declaration. This is in line with the central government's policy of relying on people's self-declaration as far as possible," says V P Joy, central provident fund commissioner, EPFO.

2. Housing initiative

The EPFO has now allowed subscribers to withdraw up to 90 per cent of their corpus for housing.

To avail themselves of this facility, subscribers will have to form a society, which must have at least 10 members.

"Whatever a member's accumulated savings, 90 per cent of those will be given upfront. For the balance he can take a loan. And the loan can be serviced through future installments coming into the EPFO," says Joy.

Explaining the rationale behind relaxing the rules for advances, Joy says earlier members would close their accounts prematurely, thereby jeopardising their social security.

"If you retain your account with the EPFO for 10 years, you get a life-long pension. If people know that they can get advances for crucial purposes, we hope it will curb the tendency to close their accounts prematurely," says Joy.

Financial sector experts offer a word of caution.

"One of the challenges with retirement savings in our country is that the corpus gets used up for other purposes. While the easier availability of this advance is welcome, people need to use it prudently for their financial security after retirement," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

3. Seeding Aadhaar

The EPFO is now seeding members' Aadhaar numbers into its system.

If you seed your Aadhaar number and bank account details into the EPFO system, you will be able to avail yourself of a number of online services.

Seeding can be done in four ways:

- By giving these details to your employer.
- By entering them on the EPFO Web site.
- Via the common service centres run by the ministry of communication and information technology, and
- At the EPFO offices, of which there are 260 across the country.

"Once people do the Aadhaar seeding, they will be able to submit all their applications online. Online services will begin from May. At present, all claim applications have to be filed at the EPFO offices," says Joy.

4. Composite claim settlement form

Earlier you had different forms for different types of claims and withdrawals. Now the EPFO has introduced a single composite claims form.

While the earlier forms used to run into two or three pages, the new one is of just one page.

Moreover, new IT systems are being put in place so that when people retire, they will get their provident fund cheque on the very same day.

While many EPFO offices are already offering this facility, others will begin to do so soon.

5. Real-time default management system

A new system has been put in place to curb delays by employers in depositing their contributions with the EPFO.

Earlier, employers would generate a *challan* from the EPFO system and credit the money separately (at a later date) through their bank accounts.

With this system, it would take the EPFO a lot of time to realise which employers had not made the deposits on time, and pursue them.

Now, it has put a new Electronic Challan cum Return (ECR) system in place.

"The 15th is the date for payment by employers. We now know by the 19th or 20th which employers have defaulted and can pursue them immediately," says Joy.

All this means that there will be less delay in depositing money in the employees' accounts.

The EPFO has also reduced the administrative fee it charges employers from 1.25 per cent earlier to 0.65 per cent.

On January 1 this year, it started a campaign to enrol more employees. So far it has added 6 million employees and aims to achieve the 10 million mark by June 30.

All these initiatives are likely to turn the EPFO into a more agile and customer-friendly organisation.

Despite the recent cut in the interest rate from 8.80 per cent to 8.65 per cent, what it offers is still among the highest on the fixed income side.

Do remember to port your EPF account when you move from one organisation to another, and avoid discontinuities in this retirement savings scheme.

A show of hands for customer-friendly initiatives:

- Self-certification will suffice if you need an advance from your EPF corpus for medical needs, housing, child's marriage or education.
- No need to provide a certificate.

- Form a housing society of at least 10 members and you can get an advance of up to 90 per cent of your accumulated corpus.
- Seed Aadhaar account and bank details with EPFO and you can make all applications online.
- New single composite claims form is shorter and simpler.

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