



# A STUDY ON INVESTORS' AWARENESS TOWARDS POST-OFFICE SAVINGS SCHEME

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## ABSTRACT

*Saving is a habit inherent to all human beings, although the ways of saving are different. The motivations vary, but prudence, social pressure, and ambition to consume in the future are the key drivers to encourage people to save. Postal Savings Funds play an important role in financing public debt. In some countries the fund is mediated by a variety of policy-oriented financial institutions with the goals of development, return on profits directly from savers in the community. This survey explores investor attitudes towards the Postal Savings Scheme. Post offices have played an important role in connecting the entire country and have also provided banking functions. However, over time its role has changed, and it has become one of the best investment options. In this paper, we explored the factors and investor perceptions that influence postal savings plans in India. Primary data was collected from 100 people over 18 years of age living in India through well-structured surveys. We found that 75.58% of investors have low awareness of the postal system and 24.42% of investors have high awareness of the postal system.*

**KEYWORDS:** *Economy, Investors' Awareness, Post-Office Savings*

## INTRODUCTION

The scene dates back to the 1900s. There only lay a few banks and that too, in big cities and towns. The poor common Indian man finds himself in a fit, unable to travel the long distance to make a savings deposit for an amount, as expensive as his journey to and fro. What could he even do, in a society with no habit of little savings besides that of silver and gold? The government too lacks capital for the basic development needs.

The only solution back then was? Post Office savings.

To encourage savings to raise money for military and administrative establishments, the institution of efficient 'communication' had now transitioned into a critical 'financial' institution in the early 21st century. Financial services of the Post Office form a profitable business today although they were started as a supplementary income generation system. These services include Savings bank, Money Order, Postal order and Postal Life Insurance. This helps the Postal Department produce income to the extent of nearly 45% of its budget revenue.

After independence, in 1947, it was felt that more of an impetus has to be given to the savings movement and the National Savings Organisation NSO (now NSI) was created in 1948. The words of the then Prime Minister, Pandit Jawaharlal Nehru signify the crucial role envisaged for the national savings movement in the context of domestic savings as a force for national development.

"I attach great importance to the movement of National Savings. It is important not only because we want people to save and to apply these savings for our development plans, but also because it reaches a large number of people. It is not enough merely to make appeals. There must be organization behind it also so as to reach every village. Every person who participates in this campaign and adds to the savings not only helps in the fulfilment of our Second Five Year Plan but also becomes in a sense a sharer in it. I wish this campaign every success... "

Postal Savings schemes today make up a large part of Indian depositors' financial portfolios, backed by their nationwide accessibility, no risk and return requirements relatively high. Small account holders, poor and uneducated people of all ages and walks of life too, find it a little easier to deal with India Post Service as it comes with a State Guarantee for depositors' funds, while money-making professionals can also benefit from an advantageous interest on their investment. A network of 1.55 lakh post offices in the country, the largest in the world, of which more than 1.39 lakh are in the rural areas are indicative of this commitment.

When postal financial services and Postal savings are running an agency agreements for separate savings banks or postal private financial institutions, it is the synergy between the postal and financial operations that



makes them uniquely efficient. An attempt has been made through this study to identify various post office savings schemes and its awareness level among various depositors.

### PROBLEM OF SAVINGS IN INDIA

While saving for a rainy day or retirement is important for individuals, savings are important for the economy too, for the pool of domestic savings equals low-cost funds available for investment. For the economy to grow at a higher rate, it needs more investments and investment needs funding.

Domestic savings reduce the cost of borrowing for public and private investments. A falling savings rate could lead to Indian companies borrowing more from overseas markets, raising India's external debt (which rose to \$543 billion in 2018-19 from \$475 billion in 2014-15).

There are many problems encountered by the investors in India:

1. Low per capita income: The per-capita income is a crude indicator of the prosperity of a country. The lack of education, healthcare, and employment opportunities lowers the income level of the citizens, which results in low per capita income of the country.
2. Lack of public sector undertakings: One of the causes of poor performance of public sector enterprises in India had been lack of managerial efficiency and effectiveness. Most managers cannot take operational decisions quickly.
3. Demonstration effect in urban India: The demonstration effect is seen as "corruptor of values in places that have strong cultural influence and strict social norms." they bring with them the image of wealth either purposefully or unintentionally.

Thus, the Indian economy's growth critically depends on the savings of its people.

### WHY DO PEOPLE SAVE?

1. It offers a peace of mind: Knowing that a person would have a certain amount accumulated for times of need, keeps their mind at ease. They can lead a stress-free life with the knowledge that they will not have to struggle if life takes an unexpected route.
2. Secured future: Savings can be the answer to a number of an individual's goals. People can secure their future, indulge in the best of things that life has to offer and live a fulfilling life.
3. It provides for children's education: With a considerable amount of savings, people can fuel their children's dreams and pay for the best schools and colleges across the world.
4. It gives family security in case of an unfortunate event: By saving in a disciplined manner, people can make sure that their family is well-provided for.

### HOW CAN WE INCREASE SAVINGS?

1. Limiting credit card usage: Credit cards may provide a temporary sense of relief, but the high rates of interest can deplete an individual's savings in no time. It helps to limit their debt and restrict credit card purchases to ensure that their savings are intact and growing.
2. Keep a track of expenses: If people find it difficult to save regularly, they should try to record and keep a track of their monthly expenditure. This will offer them a clear picture of where they can spend.
3. Create a budget for savings: It helps to devise a budget for each month. Individuals can create a plan at the beginning of the month and set limits for expense and targets for saving. This will let them focus on what is important and reduce the chances of over-spending.

### OBJECTIVES OF THE STUDY

1. Ascertain how individuals from different income and age groups are aware about the different types of Post-Office Savings schemes. Following are different parameter used to determine the awareness in society regarding these schemes, in the study conducted:

*Occupation:* How a student, businessman, investor, chartered accountant or other occupations knew about Post-Office Saving schemes.

*Age:* How people from different age groups ( i.e. below 18, 18-24, 25-30, 30-45, 45-65 and 65+) were aware about the Post-Office Savings Schemes.

*Monthly Income:* How people from different income backgrounds ( i.e. Below 10,000, 10,000-20,000, 20,000-30,000, 30,000-50,000 and above 50,000) were aware about the Post-Office Savings schemes.

*Different Post-Office Savings Scheme:* How aware people are of different Post-Office Savings schemes are they unaware, neutral, partly aware or highly aware about them.

2. Ascertain the source of awareness: If people were aware about the Post-Savings Schemes then how did they got to know about them .Whether it was through advertisements, through friends/relatives, through



agents, through Post-Office employees or through other sources. This was important to ascertain that what could be the best way to spread awareness about the Post-Savings scheme.

3. Understand the investors' preferred savings-scheme: Among the different types of post-savings schemes, which post-saving scheme do people prefer the most and which one the least.
4. Understand the motive behind investing in Post-Office Savings schemes - Which are the driving factors that drive investors to invest in Post-Office Savings schemes. Whether it is to meet their emergency needs, to meet family needs in the future, well-being of their children and future prodigies, regular return on investment, to reduce income tax burden, getting securities at old age for a better old life or for utilising the opportunities for investment.
5. Understand their level of satisfaction: How satisfied investors are if they have or regularly invest in different types of Post-Office Saving scheme. Are they highly dissatisfied, Not satisfied, Neutral, Satisfied or Highly Satisfied regarding their decision of investing.

## TYPES OF POST-OFFICE SAVINGS SCHEME

### *Post Office Savings Account*

It offers 4.0% interest per annum on individual/joint accounts. You must invest a sum of Rs minimum 500/- for opening an account with cash only.

The account may be opened by

- (i) a single adult
- (ii) Joint Account (Maximum 2 adults)
- (iii) Minor above 10 years of age
- (iv) A guardian on behalf of a minor/Person of unsound mind

### *National Savings Recurring Deposit Account*

Interest offered is 5.8 % per annum (quarterly compounded). The account can be opened in cash or through a cheque.

The minimum amount for opening of account is Rs 100/- per month or any amount in multiples of INR 10/-. No maximum limit for the balance that can be retained.

The account may be opened by

- (i) a single adult
- (ii) Joint Account (Maximum 3 adults)
- (iii) Minor above 10 years of age
- (iv) A guardian on behalf of a minor/Person of unsound mind

This account can be transferred from one post office to another. A nominee can be named during account opening and also later. Premature closure of National Savings Recurring Deposit Account is allowed after three years from the date of opening of the account .

There is no ceiling on the number of accounts that can be opened by one in any post office. One can avail of a loan up to 50% of the balance and this is allowed after one year of having operated this account.

### *Post Office Time Deposit Account (TD)*

You can open this account with a minimum sum of Rs 1000/- and in multiple of 100. Interest is payable annually through calculated quarterly. No additional interest is paid on the amount of interest that has become due for payment but not withdrawn by the account holder. The annual interest is credited to the savings account of the account holder.

The interest rates are as follows:

| Period  | Rate  |
|---------|-------|
| 1yr.A/c | 5.5%  |
| 2yr.A/c | 5.5%  |
| 3yr.A/c | 5.5%  |
| 5yr.A/c | 6.7 % |

### *Post Office Monthly Income Scheme Account (MIS)*

One can invest up to a maximum of Rs 4.5 lakh in a single account and Rs 9 lakh in a joint account. The interest payable is 6.6 % per annum payable monthly. Maturity period is 5 years and the account can be prematurely en-cashed after one year but before 3 years at the discount of 2% of the deposit and after 3 years at the discount of 1% of the deposit. Remember, the word Discount here stands for the deduction from the deposit.



### **Senior Citizen Savings Scheme (SCSS)**

As the name suggests, any individual of the age of 60 years or more may open the account. An exception to this would be those individuals who are between 55-60 years of age and have taken Voluntary Retirement and have approached the Post Office to open this account within one month of receipt of retirement benefits and can invest an amount no bigger than those final emoluments.

One can deposit Rs 1000 or multiples thereof till Rs 15 lakh. Interest payable is 7.4 % per annum, payable from the date of deposit of 31st March/30th Sept/31st December in the first instance & thereafter, interest shall be payable on 31st March, 30th June, 30th Sept and 31st December.

### **15-Year Public Provident Fund Account (PPF)**

One can invest a sum of minimum Rs 500/- and a maximum sum of Rs 1,50,000/- in a given financial year, to be deposited in lump-sum or in instalments. Interest will be payable @ 7.1 % per annum (compounded yearly). PPF contributions are eligible for tax deductions under Section 80C of the Income Tax Act, 1961. The deduction limit for PPF deposits is now Rs.1.5 lakhs from FY 2014-15.

### **National Savings Certificates (VIII Issue) Account**

One can invest a sum of minimum Rs. 1000/- and in multiples of Rs. 100/- There is no cap on maximum amount allowed. The interest payable is 6.8 % compounded annually but payable at maturity. In this scheme, a sum of Rs 1000/- grows to Rs 1389.49 after 5 years.

### **Kisan Vikas Patra (KVP)**

The Kisan Vikas Patra (KVP) - initially designed specifically for farmers but now open to all - is a savings scheme that is available at India Post Offices in the form of certificates. Interest payable is 6.9 % compounded annually. Your investment doubles after a predetermined period of time (124 months in the currently available issue - i.e., 10 years and 4 months). Those investors who look for assured returns and are reluctant to take risks can invest in this scheme for the long term. One can invest a sum of minimum Rs. 1000/- and in multiples of Rs. 100/-. There is no upper limit on investment here.

### **Sukanya Samriddhi Account**

As the name suggests, it is for the bright future of the girl child. You can invest a minimum sum of Rs 25 0/- and up to Rs 1,50,000/- in a financial year. The rate of interest 7.6% pa which is in effect from 01-04-2020, is calculated on a yearly basis, and yearly compounded.

A legal Guardian/Natural Guardian can open an account in the name of a girl child. Only one account in the name of one girl child and a maximum of two accounts in the name of two different girl children are allowed. You can open the Sukanya Samriddhi Account in the name of the girl child until her age of 10 years only from the date of birth. The account matures on completion of 21 years from the date of opening of the account or the date of her marriage, whichever is earlier. Withdrawals allowed to meet the financial needs of the girl child's higher education and marriage as partial withdrawal when the girl child attains 18 years of age.

## **RESEARCH METHODOLOGY**

### **Design**

Descriptive research design was used for the study

### **Data base Design**

The population of the study consist of people in India. A total of 100 respondents constitutes the sample for this study. The data for this study has been collected by administering a self-structured questionnaire. Both primary data and secondary data were collected for the study.

### **Primary Data**

Primary data related to this study was collected by using a structured questionnaire.

### **Secondary Data**

Secondary data required for the study were collected from various books, journals, and other academic publications.

**Table 01: Preference of schemes of POSS scheme**

| Preferences                  | Percentage |
|------------------------------|------------|
| Post Office Saving Account   | 37         |
| Time Deposit                 | 17         |
| Recurring Deposit            | 23         |
| Monthly Income Scheme        | 7          |
| National Saving Scheme       | 2          |
| Public Provident Fund        | 3          |
| Senior Citizen Saving Scheme | 8          |
| Sukanya Samriddhi Accounts   | 3          |
| <b>Total</b>                 | <b>100</b> |

Source: Primary data

Table.01 shows that 37 percent prefer saving bank account, 23 percent prefer recurring deposit account, 17 percent prefer time deposit, 8 percent prefer senior citizen saving scheme and 7 percent monthly income

**Table 02: Satisfaction level of basic amenities in POSS**

| Factors                      | Percentage |
|------------------------------|------------|
| Parking facilities           | 32         |
| Infrastructure facilities    | 10         |
| Seating facilities           | 17         |
| Adequate facilities          | 3          |
| Localities                   | 33         |
| Adequate space in postoffice | 2          |
| Drinking facilities          | 3          |
| <b>Total</b>                 | <b>100</b> |

Source: Primary data

The level of satisfaction of the basic amenities available in POSS (Table 02) shows that majority are agreed positively.

**Table 03: Reason for POSS better than other schemes**

| Reason                | Percentage |
|-----------------------|------------|
| Safety                | 27         |
| Attractive return     | 9          |
| Prompt payment        | 40         |
| Convenient to operate | 24         |
| <b>Total</b>          | <b>100</b> |

Source: Primary data

Post Office Saving Schemes provided various schemes in the rural areas to people for investing their money in post offices. Figure.1 presents that post office saving schemes are better than other options (75 percent) and reasons stated are given in Table 03.

## LIMITATIONS OF THE STUDY

1. Lack of enough samples: The research we conducted collected only up to 100 samples. A larger database would have allowed us to come to a more effective solution.
2. Less interaction in the survey used for the research: The Google Form which our team used for the research wasn't that interactive. It was appropriate for an investor or for an individual who has basic or deep knowledge about Post-Savings Scheme. However, for an individual who is ignorant about these schemes, the form would have been difficult for comprehension. Moreover, knowing about several types of Post-Saving Schemes can be confusing and make them doubt their financial knowledge.
3. Lack of people from the older age group - Our team consists of four students in their teens which limited our sample audience to the age group of the same. We were unable to collect data from individuals in their 60s who felt the direct effects of the absence and introduction of post-office savings.

## DECISION MAKING BEHAVIOUR OF INVESTORS

Investment means to put money in any endeavour for additional income. It seems to be fascinating to many individuals because through investment their involvement in taking decisions is possible. Individuals can practice decision making and thus they can judge their ability of taking correct decisions by analysing these results. Traditional finance theories assume that the investment markets and its members are sensible and realistic who



are interested in maximizing their riches. But, in many occasions lot of factors like feelings, past experiences and beliefs impact investment decisions and investors act in unexpected, illogical and unwise manner.

### **Information Search**

Information search means necessity of seeking advice from many resources before taking any decision of buying investment product. More informed investors can make better decisions, so they try to look for more market information to lower the uncertainty in investment choices.

### **Overconfidence bias**

In finance, bias is a tendency of the investor to make financial decision while he already has a faith and trust. If a person is overconfident, he overestimates his skills, knowledge, beliefs and judgements and show more confidence than needed in a situation. This overconfidence makes investors think that the investment decisions of other persons are caused by their emotions, perceptions, feelings and moods. But they take their own decisions a result of purposeful and sensible ideas. This attitude leads them to such a level that they find all the stuff in their support but opinions of others as illogical and insensible.

### **Rational Expectations Theory**

It is defined as a concept that investors take investment decisions which are supported by their rational viewpoints, the experience they have and the information in hand. This concept weakens the prevalent opinion that investor decisions are affected by policies of the government. These investors predict decisions that will be taken by the government in the future by comparing past performance of the authorities.

### **Economic expectations**

Economic expectations play a prominent role in investment decision making. These expectations are both about company's future earnings and country's overall economic conditions. Some well-known factors that affect financial decisions of investment are performance of the firm in previous years, anticipated increment of capital and bonus, dividend distribution plans and anticipated profits of the firm etc. The decisions of individual investors regarding firm's investment products are influenced by the economic and social features of investors i.e., sex, age, etc.

## **CONCLUSION**

Small savings are known to play an important role in the development of the Indian economy. Aware of this, there is a tremendous growth of postal authorities. As a result of this, it is very difficult for investors to choose a specific savings plan. With this in mind, the present study was conducted to track investor awareness of the Postal Savings Program, the factors that make investors prefer the Postal Savings Program. Based on the results of this study, various possible proposals have been put forward. If all proposals have been seriously considered by the authorities, it is hoped that investors of the Post Office will benefit more.

Amid falling interest rates and uncertain capital markets, small postal savings banks welcome investors to deposit their excess money and earn a decent return. Investor service is the cornerstone of small postal savings. It is very important that they retain existing investors and attract new investors. In this regard, the growth and profitability of postal service schemes depends largely on the service they provide to investors. The success of any savings depends on the ability of investors to meet their needs.

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