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A Study on Investors' Awareness towards Postal Saving Schemes

Chandan U A*1, Dr. Veerashetty G Rathod*2

1* NES Institute of Advanced Studies, 2*Sahyadri Commerce and Management College

1* chandanuttarkar.20@gmail.com, 2*dishaveeru@gmail.com

ABSTRACT:

Saving is the common feature of all human beings but differs in mode of saving. Saving practices of people differs from one another on the basis of certain personal and social factors and especially to cope with the uncertain commitments in future, people save money as a part of their income. In modern India people have number of options for investment and savings. Post office Saving Schemes is one of the traditional methods of savings which is well known for safe, secured and risk free return. As it is a financial institute authorized by Department of Economic Affairs and Ministry of Finance, Government of India, the fund invested in Post office is engaged with progressive direction of usage and plays a significant role in the economic development of a country. From past it was observed, due to lack of investment options majority of the investors preferred Post office Saving Schemes rather than other alternatives. It offers variety of schemes by concentrating saving behavior and investment requirement of each group of people in the society. But as per bird view of some approach, increase in variety of investment option affected diminishing investment in Post office Saving Schemes. The present study has been intended to highlight the various Postal Saving Schemes, the awareness level of investors and their perception towards these schemes.

Keywords: Post Office, Investment, Saving Schemes, Awareness level, Investors' perception.

1 Introduction:

Post office is a customer service facility system which works under Ministry of Communication, Government of India. It provides the services of accepting and delivering letters, parcels, money orders etc and acts as intermediary network between the people to connect with each other. As India is a developing country, concentrating on economic and financial sector, Government of India introduced financial services in Post offices to overcome the problems of risk that people were facing in other financial institutions. It started to work as a finance agency under the authority of Ministry of Finance. In addition to savings and deposits, post office started to lend money for needy people with reasonable rate of interest. Safe and secured return for amount invested is the main component which attracted a large number of investors towards Postal saving schemes. By covering major portion of investors, Post office has widened its financial services and launched many more saving schemes by considering each and every class of people and their financial position. In current scenario the fund invested in Post office spread around different developmental activities of a country and

plays a significant role in economic growth.

Now in this competitive world due to large number of financial alternatives it is much important to educate the people and create awareness about the existing financial products in detail. It makes the investors to prefer a suitable scheme for their financial requirements and also helps to attract new investors and to retain existing customers. By considering these aspects present study has been undertaken to look a view on different Postal saving schemes and to analyze the level of awareness among the investors about these schemes.

Investment:

Investment is the usage of fund to get a return in terms of profit or income. People invest money to meet future commitment. There are various modes of investment alternatives based on the level of risk, rate of return and other factors. Some mode of investment gives guaranteed return and some investment options are based on market value. It appreciates the value of fund invested over time. The different investment options in India are investing on gold, real estate, stocks, mutual funds, bonds etc.

Savings Schemes:

In simple words Savings is a part of income over expenditure. It is the excess amount of income saved after spending all expenditures and deposited in some schemes for the purpose of safety and security with minimum rate of return. Here people enjoy guaranteed return and tax benefit with low level of risk. There are various financial institutions who are concentrating on savings of people. Post office is one of the leading mode of small saving schemes which is authorized by government of India.

The different saving schemes offered by Post office are as follows.

❖ **Post Office Saving Bank Account (POSB):**

It is same as same as S.B account of Banks. An individual can open a SB account with a minimum deposit of Rs 500 and there is no maximum limit. The interest rate is 4% p.a. Interest being Rs 10,000 for a financial year is exempt from tax.

❖ **National Savings Recurring Deposit Account (R.D):**

R.D account can be started with a minimum deposit of Rs 100 without maximum limit. Current interest rate for this account is 6.7%. Maturity period is 5 years and if investor needs money before maturity period, he can

withdraw the amount after 3 years from the date of opening an account. Tax benefit is not applicable for this account but loan facility is provided.

❖ **National Saving Time Deposit Account (T.D):**

In this account amount can be deposited with a lock in period of fixed time i.e 1 year, 2 years, 3 years and 5 years and after maturity it can be continued for another tenure. Minimum amount of investment is Rs 1000 and rate of interest being 6.9% to 7.5% based on maturity period. Tax benefit is qualified for this investment under sec 80C.

❖ **National Saving Monthly Income Scheme (MIS):**

MIS can be opened with a minimum deposit of Rs 1000 and the maximum limit is Rs 9 lakhs for individual and Rs 15 lakhs for joint account. It is fixed for at least 5 years and if amount is withdrawn before maturity period, a fixed percentage of amount will be deducted on principal amount based on time gap from account opening and balance amount is repayable. Rate of interest is 7.4% and interest is taxable.

❖ **Senior Citizen Saving Scheme Account (SCSS):**

People with age more than 60 years and the persons who have taken

voluntary retirement after the age of 55 years are eligible to deposit in this account. For retired defense employees the age restriction is 50 years. The minimum amount of investment is Rs 1000 and maximum limit is Rs 30 lakhs with 8.2% rate of interest. Account is fixed for 5 years and can be extended on the demand of investor for 3 more years. Before maturity period, in case of withdrawn within one year means no interest will be paid, in between one to two years – 1.5% of principal amount will be deducted and in between two to five years – 1% of the principal amount will be deducted and remaining amount will be repayable. Income of this account is taxable if interest being more than Rs 50,000 p.a, otherwise preferable for tax benefit under sec 80c.

❖ **Public Provident Fund (PPF):**

An individual can open PPF account by investing a minimum of Rs 500 and maximum of Rs 1,50,000 for a financial year. Rate of interest being 7.1% and is tax free amount. The maturity period is 15 years and in case of severe disease and for the purpose of higher education of investors' dependents amount can be withdrawn after 5 years excluding the financial year of account opening.

❖ **National Saving Certificate (VIII Issue) (NSC)**

These are certificates of deposit obtained by investing a minimum of Rs 1000 and there is no maximum limit. Time period of maturity is 5 years and rate of interest is 7.7%. These securities can be pledged in Post offices or authorized government institutions for loan facility. These deposits qualified for tax exempt under sec 80c.

❖ **Sukanya Samridhi Account (SSA)**

It is a special government scheme introduced in the year 2015. This scheme is to empower girl children in India. Parents or legal guardians of any girl child up to 10 years of age are eligible to open this account in the child's name. It has an interest rate of 8% and requires a minimum deposit of Rs 250 and a maximum investment limit of Rs 1.5 lakhs in one financial year. Each family can have two such SSA accounts. In the case of twins or triplets, the family can apply for more than two such accounts. There is no limit to the number of deposits that can be made. Once the child reaches 21 years of age, she is eligible to claim the maturity amount. Maturity of the account also differs as per the girl child's age on the date of enrolment. Thus, with a limit of up to

10 years of age, the maturity term will be accordingly extended from 21 years of age. Like, if the child was 5 years old on the date of enrolment, the year of maturity will be 21 years + 5 years, i.e., 26 years.

❖ **Kisan Vikas Patra (KVP):**

KVP certificates allow depositors to earn double the deposit amount in 9 years and 7 months with a annual compounding interest of 7.5%. Also, the deposit can be encashed only after 2.5 years against some restricted situations without any loss of payment. The minimum amount for this account is Rs 1000 and no maximum limit of deposit.

❖ **PM Cares for Children Schemes, 2021**

If a child has lost both parents or the last surviving parent due to the COVID-19 pandemic, an account will be opened in the child's name, and an upfront lumpsum payment will be made from the PM CARES fund. The deposit amount is Rs 10 lakhs, and the beneficiary receives a monthly stipend of 4000 each month until the age of 18. After which, they can earn interests as per the monthly income account scheme on that 10 lakhs until the age of 23.

❖ **Mahila Samman Savings Certificate, 2023:**

This account is eligible only for women. This account can be opened by investing a minimum amount of Rs 1000 and maximum of Rs 2 lakhs. The rate of interest being 7.5% compounded quarterly and paid at the time of maturity. Maturity period for the account is 2 years and before maturity depositor has an option to withdraw 40% of amount after one year of opening the account with a decreased interest rate of 5.5%.

2 Review of literature:

To plan a structure of the study and selected concept some literatures were reviewed.

Beriwala, R., et al. (2022). An attempt has been made to evaluate the level of awareness about postal saving schemes among the investors. The study concludes that Post offices is offering a variety of saving schemes by considering the saving requirements of different category of people in the society, but investors are not able to prefer a suitable plan for their financial needs due to lack of awareness. Majority of the respondents are familiar with saving account and recurring deposit account and invested in it. Post offices have to create awareness about all the products that they are providing to attract new

customers and to retain them for a long time.

Rani, I., & NM, M. V. (2022). An attempt has been made with the objective of studying rural investors' awareness about postal saving schemes. From the study it is found that post office plays a significant role in increasing saving behavior of rural investors. They are satisfied with the rate of return on their investment by concentrating more on safe and secured authority. Government has to take initiatives to create awareness about the financial services to people especially in rural areas.

Jothilakshmi, E., & Santhi, P. (2019). A research work has been carried to know about the saving behavior of rural investors in Post office saving schemes. The study revealed that rural investors lack in awareness about the all financial services of post office and they opine the rate of interest in postal saving deposit is low compared to other financial institution, even though they invest in preferable saving schemes of Post office because of safety and nearby service for their residential area.

Aggarwal, R. (2012). A study is undertaken to analyse the factors which influences the investors to prefer postal saving schemes. Researcher found in the

study that majority of the respondents invests in post office due to government authorized body and for its safety and secured return. This is one of the oldest ways of savings for the people. Post office has to take certain developmental steps and introduce advanced technology in rendering the services to restructure its appearance which helps to fascinate its target customers.

3 Objectives of the study:

The following objectives were designed for this study.

- ❖ To give an overview regarding performance of Postal Saving Schemes.
- ❖ To evaluate the level of awareness about Postal Saving Schemes among the investors.

4 Research methodology:

The different concepts under Research Methodology are discussed as below.

Research Design:

For this research work a detailed empirical study has been undertaken by considering the nature of data and objectives made.

Sources of data:

Both Primary and Secondary sources are considered for the collection of data.

Primary data is collected from investor respondents by preparing a structured questionnaire and conducting a detailed survey.

Secondary data is collected from the different published and unpublished sources like websites, articles, journals, theses and literatures reviews etc.

Sampling details:

To cover respondents from this specific area and category, a multistage sampling and convenience sampling methods are used.

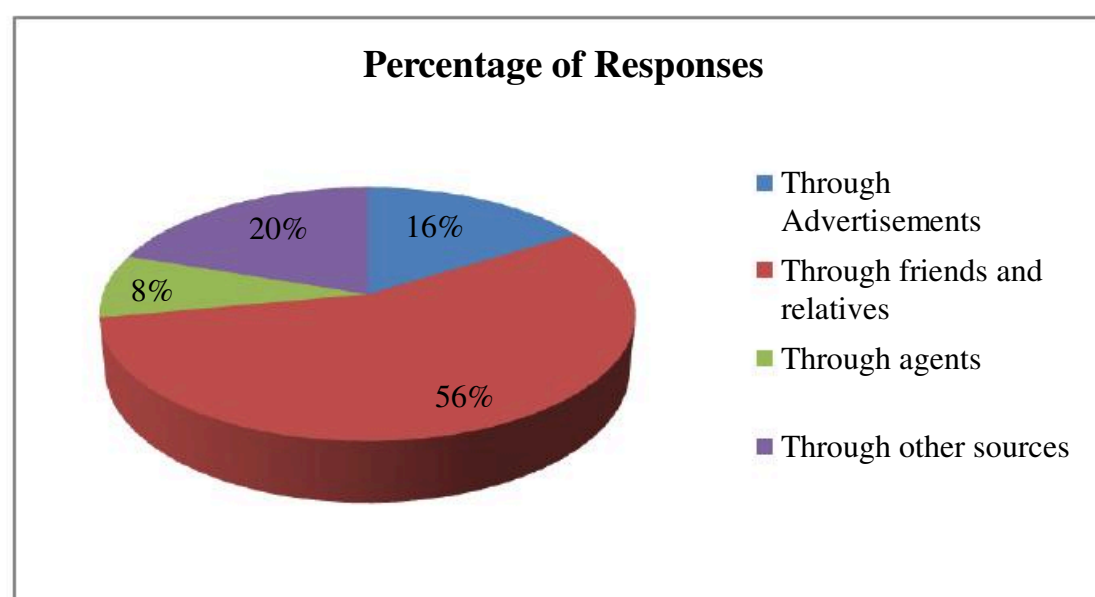
5 Limitation of the study:

- ❖ This study is confined to the post office saving schemes only.
- ❖ A sample size of 55 respondents has been used in the study.
- ❖ The sample of this study has been restricted to investors of Shivamogga city because of time and cost constraint.
- ❖ The study is purely based on the information supplied by the respondents and post office employees.

6 Analysis of data:

1. Table showing the different sources from which respondents come to know about Post Office Saving Schemes

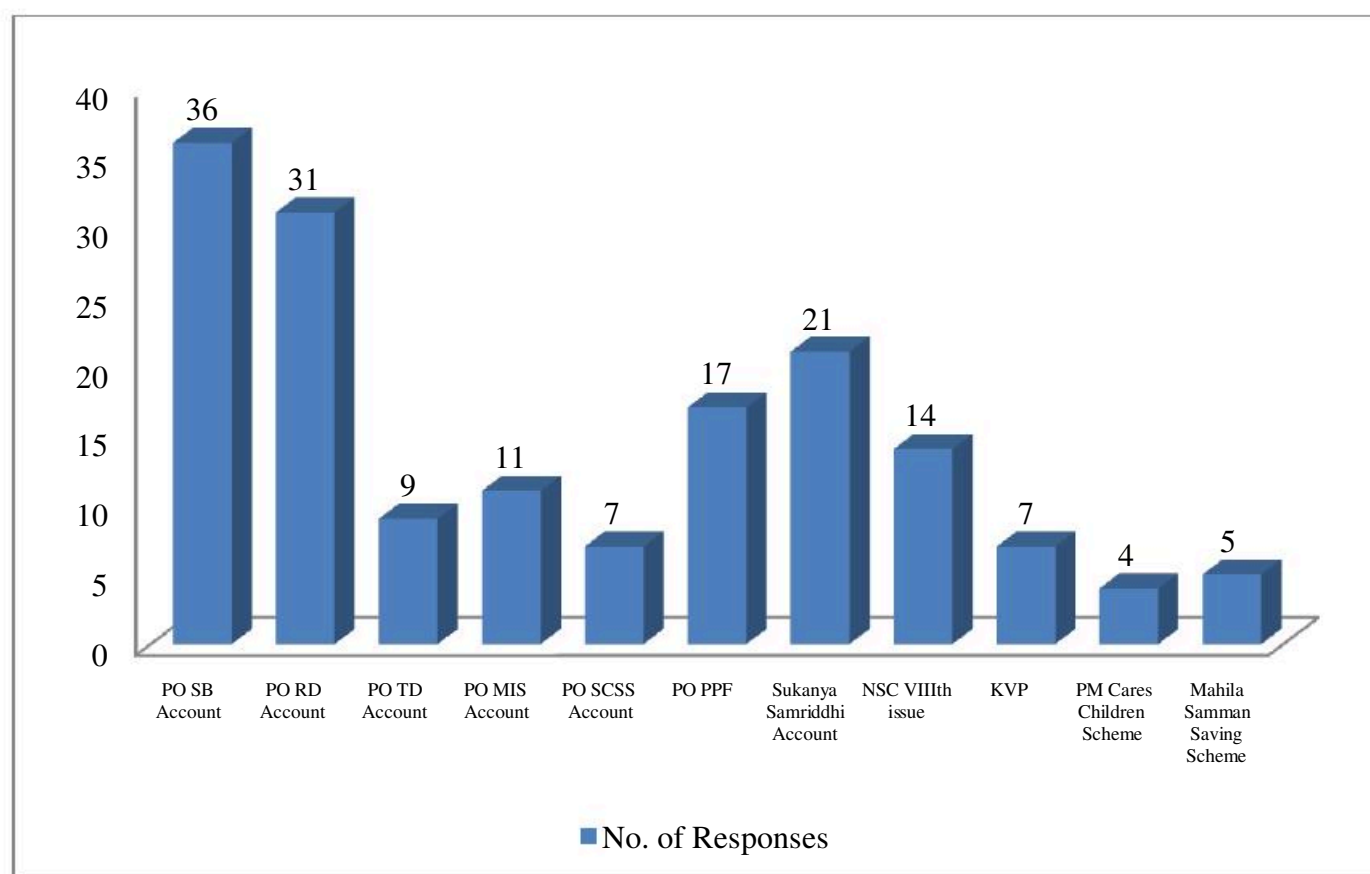
Mode of Sources	Responses
Through Advertisements	10
Through friends and relatives	34
Through agents	5
Through other sources	12



Graph shows that majority of the respondents know about Postal Saving Schemes through their friends and relatives and least proportionate from agents.

2. Table and graph showing the different Postal Saving Schemes that respondent are familiar with.

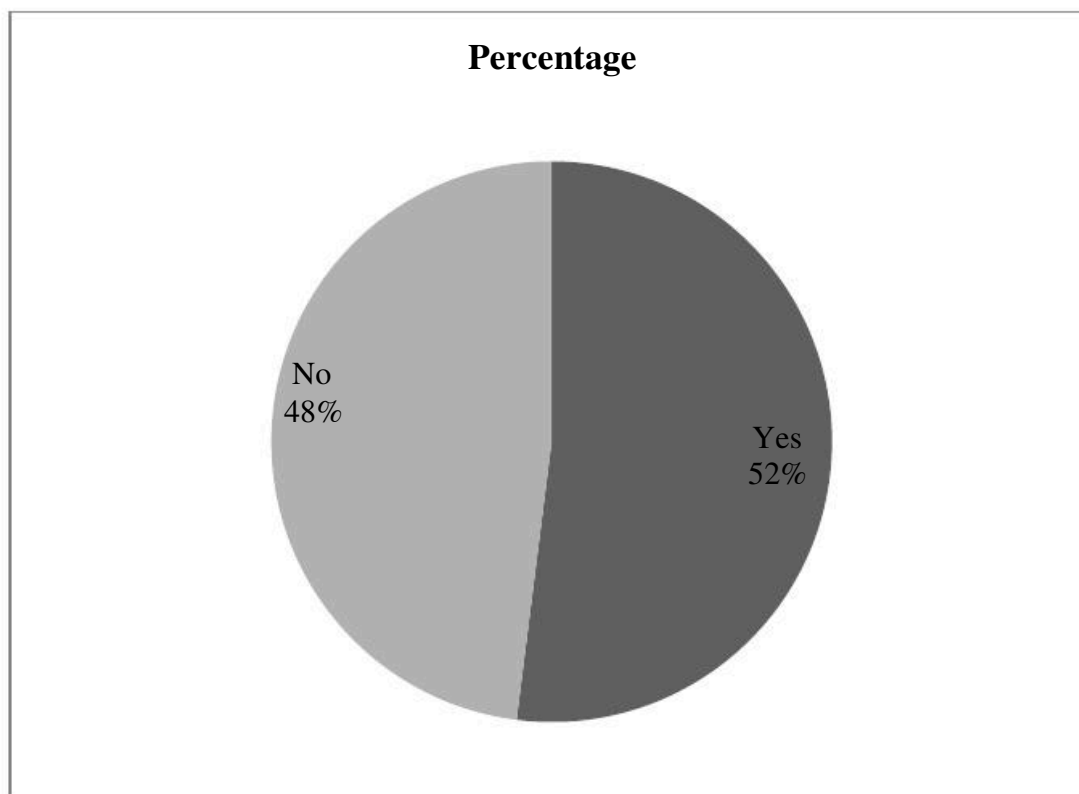
Schemes	Responses
PO SB Account	36
PO RD Account	31
PO TD Account	9
PO MIS Account	11
PO SCSS Account	7
PO PPF	17
Sukanya Samriddhi Account	21
NSC VIIIth issue	14
KVP	7
PM Cares Children Scheme	4
Mahila Samman Saving Scheme	5



The graph exhibits that larger portion of respondents are well known about Post Office Saving Bank Account and Recurring Deposit Account. Some of the respondents know about PPF and Sukanya Samridhi Account and very less respondents are familiar with PM cares children scheme and Mahila Samman Savings Account.

3. Table and graph showing number of investors in Postal Saving Schemes.

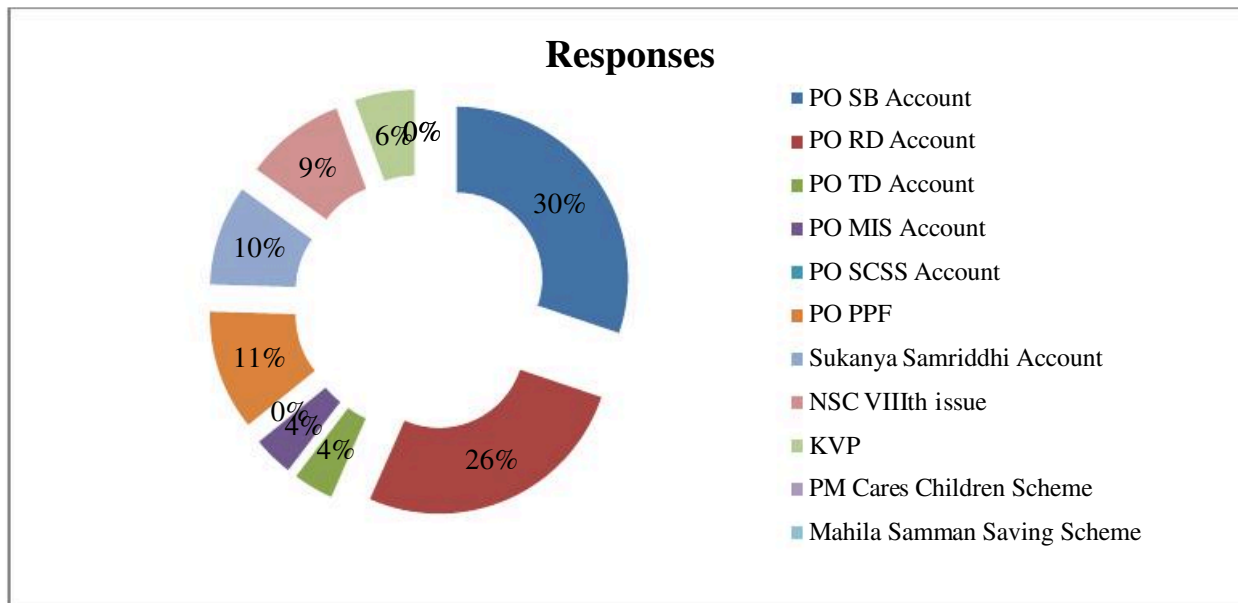
Invested	Responses
Yes	28
No	26



The graph discloses more than half of the respondents invested in Postal Saving Schemes.

4. Table showing the investment of respondents in different Postal Saving Schemes.

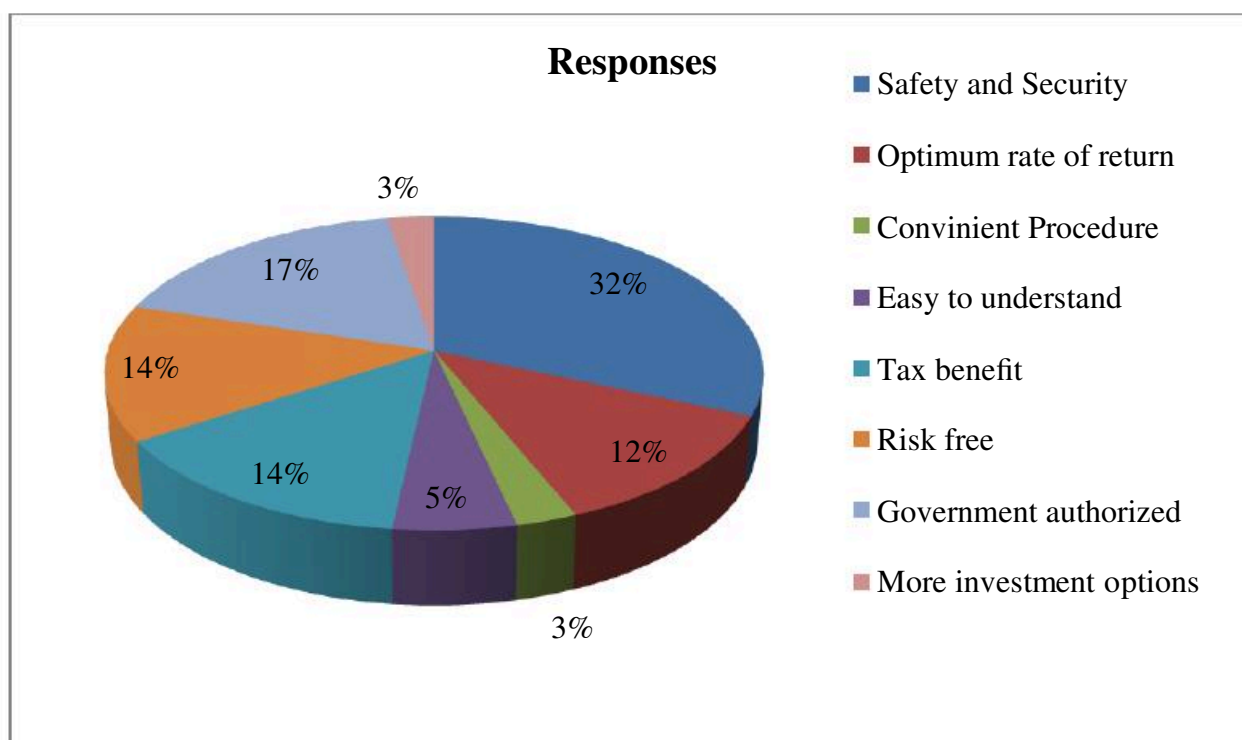
Schemes	Responses
PO SB Account	16
PO RD Account	14
PO TD Account	2
PO MIS Account	2
PO SCSS Account	0
PO PPF	6
Sukanya Samriddhi Account	5
NSC VIIIth issue	5
KVP	3
PM Cares Children Scheme	0
Mahila Samman Saving Scheme	0



The graph shows that major portion of investment is in POSB Account and RD Account. No respondent have invested in SCSS, PM cares children scheme and Mahila samman saving schemes.

5. Table showing the factors which influences respondents to invest in Postal Saving Schemes.

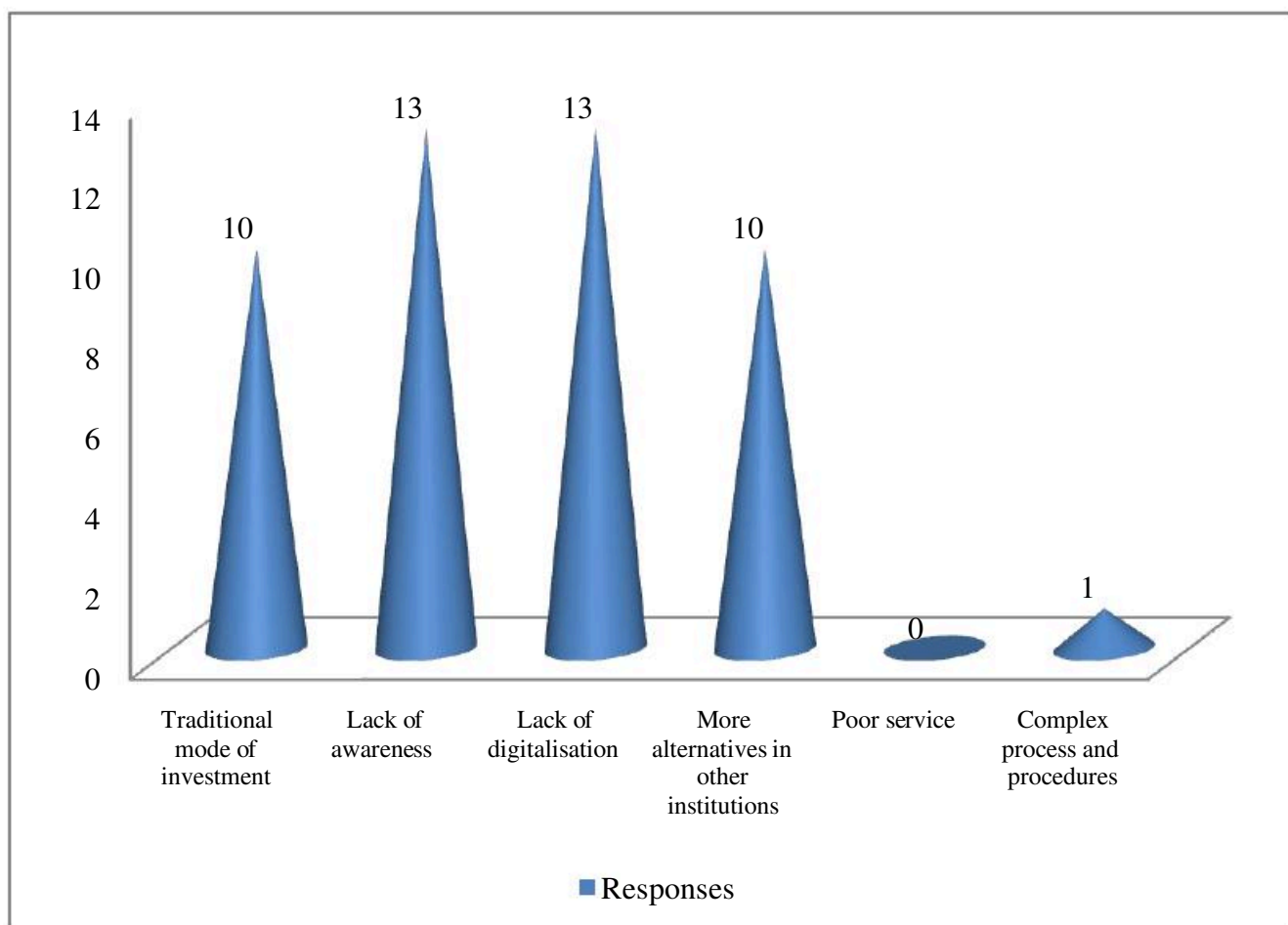
Factors	Responses
Safety and Security	36
Optimum rate of return	14
Convinient Procedure	3
Easy to understand	6
Tax benefit	16
Risk free	16
Government authorized	20
More investment options	3



The graph discloses that majority of respondents invested in Postal Saving Schemes because of safety and security and government authorized body. Some of the respondents are interested in tax benefit and optimum rate of return.

6. Table showing the factors which back off respondents from investing in Postal Saving Schemes.

Factors	Responses
Traditional mode of investment	10
Lack of awareness	13
Lack of digitalization	13
More alternatives in other institutions	10
Poor service	0
Complex process and procedures	1



The graph exhibits that respondents have not invested in Postal Saving Schemes due to lack of awareness and lack of digitalization facility in transaction. Some of the respondents opine that Post office is the traditional mode investment

and other financial institutions provide more investment alternatives.

Findings:

From collection and analysis of data the research found the following observations.

- ❖ Among the surveyed respondents major portion is of male category and of age between 25 to 40 years.
- ❖ Large number of respondents is from employees group and the major portions of respondents have the income of Rs 20,000 to Rs 40,000.
- ❖ All respondents are well known about Postal Saving Schemes in general. Most of them are familiar with Post Office Saving Bank Account and Recurring Deposit Account at best. Moderate number of the respondents is good at Public Provident Fund and Sukanya Samridhi Account. Hardly few of them are familiar with PM Care Children Scheme and Mahila Samman Saving Schemes.
- ❖ Respondents come to know about Postal Saving Schemes from their friends and relatives more than advertisement other sources.
- ❖ The respondents who invested in Postal Saving Schemes are more than half of the total respondents' ratio.
- ❖ Major part of respondents have invested in POSB account and RD account. Average number of respondents' have chosen PPF, NSC VIIIth issue and Sukanya Samridhi Account to invest and least number of respondents have invested in Post

Office Monthly Scheme Account and Time Deposit Account.

- ❖ Respondents opine that as Post office is a government authorized body and the safety and secured return for their deposit plays a significant role to choose Postal Saving Schemes as a mode of investment and some of the respondents for the purpose of tax benefit.
- ❖ People are unable to get detailed information about all the Saving Schemes of post office. Poor digitalized service and limited schemes compared to other financial institutions are the major reasons of respondents for not investing in Postal Saving Schemes.

Suggestions:

On the light of findings it is suggested for the Post office that it should increase the advertisement campaigns and organize some awareness programs to realize the detailed information of various schemes they offer by concentrating each and every group of people in the society. Digitalization and online services has to be developed to attract the new investors and to retain existing customers. Financial services and new various schemes have to be introduced for a better future.

7 Conclusion:

As Post Office is a government authorized body maintaining traditional method of investment along with some advanced and risk free process and procedures, renowned for its safe and security. People are very much familiar with the financial services provided by post office, specifically saving schemes. Irrespective of age, profession and other demographic factors investment in post office is consistently moving and plays a significant role in economic development of a country. As customer demand and preference changes, Post office saving plans has to be developed and introduce new schemes along with development of technology and online transactions to fulfill the financial needs of investors. Advertisement strategies to reach each and every individual in the society has to be improved and digitalized, moreover awareness creation programs has to be organized to effectively compete and survive in financial market.

Reference:

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