



POST OFFICE SAVINGS AND ITS RELEVANCE IN RURAL AREAS WITH REFERENCE TO THANJAVUR DISTRICT

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Abstract

Various investment opportunities are available for an individual to his savings and he can choose the appropriate investment schemes, which suit his needs. The different types of investments are provided by many financial institutions like commercial banks, co-operative banks, post office saving banks, life insurance corporations, public limited companies etc.,. Of all the above mentioned institutions, Post Office Saving Bank play vital role. The present study has made to study the investment awareness, preferences, experiences, satisfaction, objectives and purpose of the investors on post office saving schemes in Thanjavur Districts. The primary data was collected purely on random basis from 200sample respondents. The study found that majority of the investors are aware of all the post office saving schemes, preferred post office saving account, the main objectives of the investors are regular return, Children education and marriage are the main purpose, and only a very few investors are dissatisfied with post office saving schemes.

Key words – Post Office, Deposits Schemes, Saving, Investment, Investors.

Introduction

Mobilization of domestic financial resources has remained a major concern in many developing countries. In India, domestic savings originate from three principal sectors namely the household sector (individual, non-corporate business, private), the private corporate sector (Joint stock companies, cooperative institutions the Public sector (central and state government, local authorities). Household sector saving provides the bulk of national saving. Despite the variety of vehicles that are intended to mobilize and allocate financial resources, only very few offer strategies for meeting the needs of poor and lower income people. Rural people are facing an extremely risky environment when they save in the informal sector. Postal savings funds play a significant role in rural India. It provides numerous benefits to the investors. Post office saving bank is the largest savings institutions in the country and offering high returns than those given by scheduled banks. There are a number of attractive schemes, well designed to meet the individual requirements of different small savers. The major instruments of post office saving schemes enjoy tax benefits such as exemption of investment contribution or interest income from tax or both up to certain limits. The survey of NCAER on households finds that the investment in post offices and other guaranteed return schemes and plans gets minor part of total savings. The present study was carried out to analyze whether the Postal savings schemes have gained importance among the rural people or not. Against this backdrop, the researcher tries to find out the socio-economic profile of the investors, their perceptions, and behavior in respect of post office small saving schemes of a rural area in the outskirts of Thanjavur district. The study also aims to study the investment objectives, investment purpose and investment awareness of the small investors relating to post office saving schemes in the given socio-economic backdrop.

Postal Services in India

For more than 150 years, the Department of Posts (DOP) has been the backbone of the country's communication and has played a crucial role in the country's socio-economic development. It touches the lives of Indian citizens in many ways: delivering mails, accepting deposits under Small Savings Schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The Department of Posts comes under the Ministry of Communications and



Information Technology. The Postal Service Board, the apex management body of the Department, comprises the Chairman and six Members. The six members of the Board hold portfolios of Personnel, Operations, Technology, Postal Life Insurance, Human Resources Development, Planning respectively. India possesses the largest postal network in the world around 1,55,000 post offices spread all over the country of which 89 per cent are in the rural sector. Post offices in India play a vital role in the rural areas. They connect these rural areas with the rest of the country and also provide banking facilities in the absence of banks in the rural areas. India has been divided into 22 postal circles. Each circle headed by chief postmaster general. Each circle is further divided into regions comprising field units, called Divisions, headed by a Postmaster General. Other functional units like Circle Stamp Depots, Postal Stores Depots and Mail Motor Service may exist in the Circles and Regions. Besides the 22 circles, there is a special Circle called the Base Circle to cater to the postal services of the Armed Forces of India. The Base Circle is headed by an Additional Director General, Army Postal Service holding the rank of a Major General. In 1854, the Post Office in the Province of Sindh, (then in British India), made postal history, when India became the first country to issue postage stamps. In October 1854, all the post offices of Indian sub continent came under centralized control. In the same year Railway Mail Service was established and India had a network of 701 post offices across the continent. In 1911, India achieved another “first” when a biplane from Allahabad to Naini flew with 6500 pieces of mail. The flight was the first official Air Mail in the world. After independence, the Indian government broadened the vision of the postal system to reach the entire population of the country. Today Indian postal system has a reach that ranges from arid deserts of Rajasthan and Kutch to the icy heights of Laddakh. India has the highest post office in the world in Sikkim at a height of 15,500 feet (postal code - 172114). Indian postal service provide many facilities like - general or registered mail, parcel post, speed post, express post, e post and special courier service known as EMS-speed post. They also offer a number of post office saving schemes like National Savings Certificate, Recurring Deposits and Term Deposits.

Methodology of the Study

House hold investors constitute a vital segment of the Indian financial market and greater understanding of the perceptions, preferences and behavior of these investors is very vital in the policy formulation on development and regulation of the financial market to ensure the promotion and protection of interests of small and household investors. The present research works, is an attempts to study the socio-economic profile of the investors their perceptions, and behavior in respect of post office small saving schemes in Medical College Area which is southern tip of Thanjavur District. This study certainly will through light on the household investors in building better portfolios. The method of data collection was only by way of questionnaire distributed to the respondents. The data was collected purely on random basis. First, the sample size was selected as 200. In the due course when the collected data was reviewed, it was found to have some misspecification of data. The following is the primary objective of this paper. To study the socio-economic profile of the investors in Medical College Area, Thanjavur and to analyze the awareness, preferences, experiences investment objectives and investment purpose among the household investors. To examine the levels of satisfaction of small investors in respect of various post office saving schemes.

Lituration Review

Arangasami (1992) has observed that more and more dependence on mobilization of resources through small savings will ensure and promote self-reliance.

Gavini and Athma (1999) found that social considerations, tax benefits, and provision for old age were the reasons cited for saving in urban areas. Securities and Exchange Board of India (SEBI) and NCAER (2000) reported that safety and liquidity were the primary considerations which determined the choice of an asset.

Karthikeyan (2001) found that necessity of life and tax benefits were the two major ones that influence the investors both in semi-urban and urban areas. Shobana and Jayalakshmi (2005) Demographic variables such as age and education do not have significant influence over investor awareness.



Sunil Gupta (2008) Most of the horticulturists in Shimla city who belong to Apple belt though being rich have a tendency of investing their surpluses in Post Office savings for want of safety and suitability of returns.

Selvatharangini.P.S (2009) the personal factors of investors influence the investment pattern and also determine investment choice.

Kalavathi.S (2009) she concludes that psychological and behavioral factors have positive influence on domestic savings. 16.

Ganapathi.R (2010) proper advertisements must be made for Post Office Savings Schemes.

Mathivannan.S & Selvakumar.M (2011) most of the teachers are saving their money for the purpose of their children's education, marriage and other welfare expenses.

Anandhi.R (2012) Respondents are satisfied with the return on investment and services provided by the post offices.

Findings & Discussions

a) Socio Economic Profile of the Respondents

Socio Economic Profile of the sample respondents of Medical College Area. As per the responses received Majority of the sample respondents chosen for the study are male investors in the age group of 40 to 50 years, 77.4% are married respondents, most of them are graduates and Private employees whose average monthly income is found to be between Rs.10000 to Rs.20000 which is on par with the National Standard.

Table.1 Showing Socio Economic Profile of the Respondents

| Parameter | Variable – 1 | Variable – 2 | Variable – 3 | Variable – 4 | Variable – 5 |
|---------------------------|-----------------------|-----------------------------------|-------------------------------------|----------------------------|-----------------|
| Gender | Male 52.2 % | Female 47.8 % | | | |
| Marital Status | Married 77.4 % | Unmarried 14.5 % | Widower/ Separated 8.1 % | | |
| Income(PM) | UptoRs.10000 33.9% | Rs.10000 to Rs.20000 43.5 % | Rs.20000 to Rs.30000 16.1 % | Above Rs.30000 6.5 % | |
| Age | < 30 Yrs 19.4 % | 30-40 Yrs 25.3 % | 40-50 Yrs 26.9 % | 50 – 60 Yrs 16.7 % | > 60 Yrs 11.8 % |
| Educational Qualification | Professional 3.8% | PG 15.6% | UG 37.1% | Schooling 35.5% | Illiterate 8.1% |
| Occupation | Govt - 14.5% | Private - 51.1% | Business / Profession - 28.5% | Retired - 5.9% | Occupation |

(Source: Collected & Calculated through Questionnaire)

b) Investment behavior of the Respondents

The respondents save to the extent of up to Rs.5000 of their monthly incomes. Majority of the investors have taken the assistance of their agents/consultants for taking investment decisions. The sample investors preferred to hold the investments in their own name. Most of them preferred to adopt and follow 1 to 3 years savings plans. The respondents are highly satisfied with Tax Benefits that they enjoyed from post office saving products. They



also satisfied with Safety and security, Regular return, Liquidity and marketability, but dissatisfied with Capital growth.

Table.2 Showing Investment Behavior of the Respondents

| Parameter | Variable – 1 | Variable – 2 | Variable -3 | Variable – 4 | Variable - 5 |
|-----------------------------------|------------------------------|------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| Savings per month | Up to Rs.5000 43.5% | Rs.5000 to Rs.10000 30.6% | Rs.10000 to Rs.15000 12.4% | Rs.15000 to Rs.20000 10.8% | Above Rs.20000 2.7% |
| Holder of the Investment | Own name 39.8 % | Spouse 23.7 % | Children 19.9 % | Jointly 16.7 % | - |
| Periodicity of Savings | Below 1 year 11.8 % | 1 to 3Years 35.5 % | 3 to 5Years 31.2 % | 5 Years & More 21.5 % | - |
| Participants of Invest. Decisions | Family members 20.4% | Friends / Relatives 12.9% | Self Interest 16.1% | Advertisement 9.7% | Agent / Consultant 40.9% |
| Level of Satisfaction | Safety and security 81.7% | Regular return 53.8% | Liquidity and marketability 72.6% | Tax Benefits 86.6 % | Capital growth 56.5% |

(Source: Collected & Calculated through Questionnaire)

c) Correlation, Chi Square, and ANOVA

Correlation analysis was used to measure the degree of the relationship between the demographic characteristic and awareness on post office saving schemes of the respondents which shows that age and education are positively correlated with awareness on SCSS, PORD and POSA but negatively correlated with POMIS, NSC and PPF.

Chi square test has been used to explain whether or not demographic characteristic and awareness on post office saving schemes of the respondents are associated. Hypothesis has been tested that there is no significant difference between the said factors with awareness on schemes available at 0.05% level of significance. The test result shows that except hypothesis on age group of the respondents and awareness about the post office saving account (POSA) all other are accepted. It shows that the demographic characteristic has no significant influence on awareness on post office saving schemes.

ANOVA has been used to test the equality of means of the awareness on post office saving schemes and education, years of experience and level of satisfaction on various parameters such as safety & security, Regular returns, Liquidity & Marketability, Tax benefits and Capital Growth. The null hypothesis is said that there is no significant difference between the parameters. It is proved at 0.05% that the calculated F-values are less than the table values hence all the set hypothesis is accepted Rank analysis is made for investment objectives, Purpose, and preferences of post office saving schemes in order to rank them with the help of weighted average score. It is observed that the objective Regular Returns (657) the purpose Child Education with (703) and the POSA (861) are most preferred by the respondents.



Table.3 Showing Results of Correlation, Chi -Square , ANOVA

| Tools/ Tests | | Variable | AWARENESS ON POST OFFICE SAVING SCHEMES | | | | | | |
|-------------------------|------------|---------------------------------|---|----------------|---------------------------|--------------|----------------|-------------|-------------|
| | | | POMIS | SCSS | NSC | PPF | PORD | POTD | POSA |
| Correlation | Age | -0.44 | 0.04 | -0.038 | -0.064 | 0.07 | -0.014 | 0.007 | |
| | Education | -0.068 | 0.039 | -0.061 | -0.065 | 0.082 | 0.011 | 0.023 | |
| Chi Square | Age | 9.428 | 7.361 | 6.176 | 8.473 | 6.502 | 10.003 | 18.727 | |
| | Education | 9.762 | 9.146 | 6.276 | 10.888 | 4.965 | 11.734 | 9.136 | |
| | Employment | 6.291 | 6.479 | 3.279 | 15.606 | 5.798 | 11.805 | 7.613 | |
| | Sex | 0.24 | 1.885 | 0.855 | 2.856 | 1.16 | 0.458 | 0.896 | |
| ANOV A | A | Scheme | POMIS | SCSS | NSC | PPF | PORD | POTD | POSA |
| | | Education | 0.941 | 0.546 | 0.569 | 2.535 | 0.787 | 0.29 | 0.122 |
| | B | Features of Post Office savings | Safety & Security | Regular Return | Liquidity & Marketability | Tax Benefits | Capital Growth | - | - |
| | | Years of experience | 0.668 | 0.292 | 0.067 | 0.3 | 0.031 | - | - |

(Source: Collected & Calculated through Questionnaire)

Suggestions

There is an explosion in the growth of middle class families due to double income. This increase in number of working women will play a vital role in the investment market. Every day lacs and lacs of money has been swindled through attractive schemes from the public which can be controlled through these agencies. Efforts should be made to attract the women investors by providing right information and knowledge about the post office saving schemes through more advertisements as well as door to door canvassing which is possible by the postal department. It is understood that the concept of Indian Postal Order is found nowhere which like products to be re-introduced as well as any moneys payable towards the government or to any of the notified agencies should be made to be paid with IPOs only. There must be a change in the infrastructure facilities of the premises of post offices and the staff should be more approachable. Investors Desk though found in the post offices where empty benches are found which should be appointed with staff advising for investment. Prompt services should be provided to the customers through saving their valuable time and introduce new saving schemes suitable to rural population which can support the rural masses to save more from their incomes. Though Postal Department is an organ of the Central Government still the cheques issued by the postal department (Non-MICR) face a serious problem for which either the postal department or the Central Government should take appropriate steps in this regard.

Conclusion

The study revealed that majority of the investors in Medical College Area is aware of all the post office saving schemes. The post office saving account dominates all other post office saving schemes. The main objectives of the sample investors are regular return and safety and security, followed by tax benefits, capital growth and liquidity. Children education and marriage are the main purpose of investment of the respondents, followed by medical expenses, tax planning, maintaining retirement life and buying property. Majority of the investors wish to hold investments in their own name and invested for a period of 1 to 3 year. Majority of the investors are satisfied in all aspects of investments in post office saving schemes. Only a very few investors are dissatisfied with post office saving schemes. It is concluded that though the role of Indian Post Office which has a large history and has been inducted into the minds of every Indians, still it requires some sort of feeding. "SANCHAIYKA" a small saving scheme which is meant only for school students and operated through schools has been reduced during the yesterYears, where the schools will be awarded who has the highest amount of savings? "when made a personal



inquiry during collection of data, respondents said no we don't" With the piece of research it is understood that the younger generations totally neglect the use of post office due to advent of the electronic gadgets and media. If this being the case a day will come where all post offices will have its last breath as happened in the case of Telegraph Office which is one of the organs of Postal Department is found no more. A high powered technical committee has to be constituted by Central Government or State Government or jointly in order to study the downward trend or usage of the post office and its products and it has come out with recommending various ways and means to get revived which should be more customer / investor friendly. A prime role should also be played by the private corporate in order to induce with fresh blood for its survival.

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List of Abbreviation Used for the Study

1. Post Office Time Deposits (POTD)
2. Post Office Recurring Deposits - PORD
3. Post Office Monthly Income Scheme - POMIS
4. Senior Citizen saving Scheme - SCS
5. National Savings Certificates - NSC
6. Public Provident Fund – PPF
7. Post Office Savings Account - POSA
8. Public Provident Fund - PPF