

## **A Study on Postal Savings Schemes Available for Investors with Special Reference to Kumbakonam Town**

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### **ABSTRACT**

*More the savings more would be the funds available for investment in business and industries. This investment will be the income of the people in a country earned by way of interest and wages or salary. Savings is possible not for rich alone. Even the poor can do so. The only difference is that quantum of savings between the two groups would be varying. While former's savings world is larger, that of the latter would be smaller. As the proportion of the latter as compared to the former is high there is every possibility for more amounts of savings from them. In other words through small savings a larger amount can be made available for investment in industries and for other development activities of the Government both Central and State. Though banks collect such savings in the forms of deposits even today rural are reluctant to go to those banks. They prefer post offices for depositing the savings. These post offices in cities, towns and villages play an important role in collecting small savings of the people and help the government provide funds to various industries and for welfare measures.*

**Keywords:** *Savings Schemes, Investment, Small Savings, Deposit*

### **Introduction**

Savings are the indicators of economic prosperity of any country. It's common to all societies, even if saving practices differ from one another. In India there are multiple investment avenues available to meet differing needs of investors. The investors about saving schemes will have a significant impact on the saving behaviour of people. People who have positive perception about the scheme in which they have invested will continue to invest in the same scheme. It is clear that perception of investors has an impact on their risk-bearing capacity and range of investment, it is also stated that perception is influenced by age, experience and tax payment and it has an association with saving motives and behaviour of individuals, it is also to be remembered that if people get good service and good return during their investment tenure, they will have positive perception, otherwise negative perception will persist. It has become all the more important to study and analyse the investors' awareness, perceptions, and preferences, behaviour of various investment avenues available to them in the market.

Investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions, and willingness of individuals, and institutions in placing their savings in various financial assets, more popularly known as investments or Postal Savings. A study on preferences and level of satisfaction thus assumes a greater significance in the formulation of policies for the development and regulation of savings in general and protection and promotion of small and household investors in particular. This is because of lack of awareness among the small and household investors, poor investment climate, and loss of confidence of existing investors in Postal Savings. It is extremely important for the policy makers and

regulatory authorities to understand the investors' perceptions, preferences, and their concerns on the market.

### **Statement of the Problem**

Many private sector saving schemes entered in the capital market and mobilized huge amount of money. In course of time these financial companies disappeared, causing heavy loss to the depositors. As stated in the preceding paragraph, the small and household investors constitute a vital segment of the Indian money market and greater understanding of the investor's preferences, and the behaviour of these investors is very vital in the policy formulation development and regulation of these savings market to ensure the promotion and protection of interests of small and household investors.

Postal saving schemes not only yield high returns, but also are guaranteed by the Government making it highly secured. The increase in net collection is due to the collapse of many non-banking financial companies. Besides, the schemes provide the "Best Investment Option" because of their security and higher tax-free returns.

The study also aims to study the needs, concerns, and problems of small investors in the given socio-economic backdrop. The present research also provides a foundation of facts relating investor's behaviour towards various types of investment and investment avenues risks. Most of the investors generally have limited information about the developments in the money market. The information available from newspaper, media and television and internet, sometime may not be sufficient for investment decision making. These problems made the investors to rely on agents and experts to invest. Investors desiring to invest in post offices require a lot of preparation and home work. It is very important to know their risk appetite and investment objectives for better decision-making. Hence the present study is an attempt to know the investment pattern of investors. The study is made to examine investor's awareness on the investment avenues, investment objectives of investors and the evaluation of the investment by the investors.

### **Research Questions**

Following questions arise in the course of research. The present study tries to seek the answers for the questions:

1. What are the sources of Information?
2. Why do you Prefer Postal Savings?
3. Frequency of Payment opted?
4. Do you think that Postal Investment Schemes satisfy your expectation?
5. What improvement do you like to have in the postal investment schemes?

### **Objectives of the Study**

- To know the different deposit schemes available in the post office.
- To identify the most preferred deposit schemes.
- To make a comparison between the bank deposits and postal deposit schemes.
- To examine the awareness of the investors about the investment schemes.

### **Review of Literature**

In order to find a research gap, earlier studies relating to the rural investors perception and postal investment have been thoroughly studied. The study has been identified with personal preferences on various postal investment schemes which are available in the study area and various research studies are also taken into account.

The views expressed by various authors have been reviewed in a broad sense so as to confine itself for reference. Based on the investors' preference and their mode of selection of postal investments, the essence of the related literature has been presented in this chapter. The reviews have been divided into the following major headings:

1. Investor's awareness and level of Postal investment
2. Opinion on the rural investors regarding various postal investment Schemes.
3. Psychological factors influencing investor's decisions
4. Investor's decision making process of the postal investment.
5. Social Status of investor's impact on decision making

**A. Vinayagamorthy and K.Senthilkumar** in their study titled "An analysis of Postal Investment and Small Savings", have shown that mobilization of domestic financial resource has remained a major concern in many developing countries. 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. Savings are increasingly being acknowledged as a powerful tool for poverty reduction. Postal savings funds play a significant role in financing public debt and in a number of countries, the funds are intermediated through a variety of policy based financial institutions with developmental objectives, returning the funds to the direct benefits of the community of savers. Savings is the excess of income over consumption expenditure. Savings are meant to meet contingencies and raise standard of living of individual savers.

**N. Kathirvel A. Mekala** titled "Women Investors' Perception towards Online Trading in Tamilnadu with Special Reference to Coimbatore District" shows that a good financial system provides the intermediation between savers and investors and promotes faster economic development. An investment share requires a careful evaluation of factors related to the economy, industry and the company. This analysis is called fundamental analysis. An investor is surrounded by many factors in her consideration of making investments. She is interested in liquidity of her assets.

### **Research Methodology**

House hold investors constitute a vital segment of the Indian financial market and greater understanding of the perceptions, preferences and behaviour 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 work, is an attempt to study the socio-economic profile of the investors their perceptions, and behaviour in respect of Postal Investment Schemes of Thanjavur District. This study certainly will throw light on the household investors in building better portfolios.

**a) Sampling Design :** The Stratified Random sampling method was adopted for the study. As the universe of the study is entire Thanjavur Region, an attempt is made to stratify the region into strata. The stratification is done on the basis of geographical and administrative factors. In order to collect the primary data, for the purpose of the study, Multi-stage sampling technique is adopted. The investors from different Socio – Economic background ( age, income, occupation, education, gender) were surveyed from different post offices. The study is confined to Thanjavur District only. Since the size of universe is infinite, the researcher decided to select a sample size of 500 respondent investors. Thanjavur District comprises of Eight Taluks namely, Kumbakonam Town 500 respondents were selected for the study.

**b) Data Used :**Data collection enables to formulate and test working assumption about the process and develop information that will lead to improvement of the key quality characteristics of the product or service. Data collection improves the decision – making by helping oneself focus on objective information about what is happening in the process, rather than subjective opinions.

**Primary data:** Primary data were collected from sample investors with the help of a well-structured questionnaire.

**Secondary data:** Secondary data were collected from annual reports, journals, books, websites and the like.

**c)Tools for collection:** With a view to collect the required data for the study, a well-structured questionnaire was constructed. To test the use of the questionnaire method a pilot study was undertaken.

### Hypothesis of the Study

- There is no significant relationship between the age of the respondents and preference towards postal savings.
- There is no significant relationship between literacy level and investors attitude towards the services provided by the postal savings schemes.
- There is no significant relationship between the income levels of the investors and towards the services provided by the savings schemes.

### Data Analysis and Interpretation

#### DETAILS ON POSTAL SAVINGS SCHEMES

Savings Schemes	Frequency	Percentage
Saving Bank Account	35	7.0
Time Deposit Schemes	43	8.6
Pension Schemes	51	10.2
Public Provident Funds	48	9.6
Monthly Income Schemes	101	20.2
Life Insurance Schemes	83	16.6
Recurring Deposit Schemes	70	14.0
80 C Tax Benefits Schemes	69	13.8
Total	500	100

(Source: Primary Data)

### Interpretation

Table 7 indicates the details on bank investment of respondents participated in the study. Opinion of the respondents are received on various investment schemes available for them in post office. Most of the respondents (i.e. 20.2 percent) are investing in monthly income schemes available to them in post offices with a frequency of 101 followed by 16.6 percent of the respondents with a frequency of 83 are investing in Life Insurance schemes. 7 percent of the respondents with a frequency of 35 are investing in savings bank account, 8.6 percent of the respondents with a frequency of 43 are investing in time deposit schemes, 10.2 percent of the respondents with a frequency of 51 are investing in pension schemes, 9.6 percent of the respondents with a frequency of 48 are investing in public provident funds, 14 percent of the respondents with a frequency of 70 are investing in recurring deposit schemes and 13.8 6 percent of the respondents with a frequency of 83 are investing in 80 C tax benefit schemes.

**RELIABILITY TEST**

Cronbach's Alpha <sup>a</sup>	Cronbach's Alpha Based on Standardized Items <sup>a</sup>	N of Items
.052	0.765	2

Show the table indicates the reliability test conducted to know the internal consistency of the questionnaire. Reliability of the scales was ensured with Cronbach’s alpha coefficient. The coefficient varies between the values 0 to 1. If the score is closer to the value ‘1’, the internal consistency in the questionnaire is perfect and if the score is closer to ‘0’, there is poor internal consistency among the questions in the scale constructed. Cronbach’s alpha measures how well a set of items (or variables) measures a single uni-dimensional latent construct.

**SCALE STATISTICS**

Mean	Variance	Std. Deviation	N of Items
3.19	.193	.439	2

Cronbach’s alpha can be interpreted as the percent of variance the observed scale that would explain hypothetical true scale composed of all possible items in the universe. Alternatively, it can be interpreted as the correlation of the observed scale with all possible other scales measuring the same thing and using the same number of items. The Chronbach alpha score for the variable that influences the customers in buying mobile phones was calculated to be 0.765 which is greater than 0.5. Thus, the internal consistency of the questionnaire is good enough to proceed for further. Table 36 indicates the scale statistics used for the study. The standard deviation is 0.439 as mentioned in the table.

**Scope for Future Research**

India’s post office savings banking sector is one of the ancient banking sector performing its task in every urban and rural area of the Nation through its 1,55,000 post offices. Hence there is distinctly better scope for potential improvement in service quality and it is therefore recommended to conduct longitudinal empirical studies in various regions along with additional demographic variables through other sampling techniques so as to get more representation of sample along with deeper insights.

**Limitations of the Study**

- The study has been conducted only in India’s Post Office savings bank scheme bank sector with the branches functioning in Kumbkonam town of Tamilnadu.
- Although the primary objective of this study dealt with the impact of service quality on customer satisfaction and loyalty in India’s post office savings banking sector, it is limited to single sector along with relatively small sample size and extent of sample is performed through convenience sampling method confined with small geographical region. The results obtained cannot be generalized and may not be appropriate to the country as a whole having customers with different demographic profiles.

**Conclusion**

In the climate of falling interest rate in the Capital Market, Postal Savings Schemes are welcome relief to the investors to park their surplus funds and earning a decent return. Post office saving are playing a vital role in the national development. The money invested utilised for various projects for development of the country. In the year to come, the schemes is bound to play a very important and significant role in the national building activities by offering wide coverage, by giving wide publicity, identifying depositors effectively, and by keepings close association with societies and banks. The success of any savings depends upon the ability to meet requirement of the investors. The Post Office can do better services to the depositors who are members of the society. The study revealed that majority of the investors in Kumbakonam Town is aware of all the postal Savings schemes. The post office investment account dominates all other postal Savings schemes.

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