



## **Investment behaviour of postal customers towards post office saving bank schemes (posb): a case study of Kolhapur district (M.S.)**

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### **ABSTRACT:**

*Since more than 150 years before, Indian Post has played a vital role to connect the whole of the country and has provided banking and financial services along with many other services and essential facilities to the Indian people. The role of Department of Post (DoP) has worked as the backbone of the country's communication and financial inclusion. But over a time, a role of DoP has changed and it has grown to become one of the best avenues to channel investment from even the wealthy investor and use them fruitfully in nation building activities. There are several types of POSB schemes that cater to the differing needs of various classes of people in which they have an option to invest with very small amount. Most of the Postal Investment is exempted from Income Tax under section 80C of the Income Tax Act, 1961. The interest income is also exempted from tax under section 10 of Income Tax Act, 1961 in some cases. This has enabled investors to compete successfully with other avenues of investment available to them like commercial and co-operative banks, non-banking financial institutions, public sector companies etc. It is necessary for institutions offering investment instruments to study the opinion and perception of customers towards various investment instruments because it has influenced the saving behavior of investors since decade. This research paper has made an attempt to know the opinion of postal customers towards POSB schemes in Kolhapur district of Maharashtra state.*

**Key words** – DoP, POSB, deposit schemes, instruments, perceptions.

## **1. Introduction:**

Presently in India, there are various investment schemes and opportunities are available for an individual to his savings and he can choose the appropriate investment schemes, which suit his needs. There are different types of opportunities provided by many financial institutions like commercial and co-operative banks, India post, Life Insurance Corporation, public limited companies etc. Among all the above institutions, Post Office Savings Bank schemes play a vital role. It provides numerous benefits to the investors. Post office saving bank is the largest savings institution in the country. With a view to mobilizing savings of people with relatively small income and circulating in them a spirit of thrift and savings, the central Government has endeavored to make the National Savings Movement popular by 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 investors. Tax saving features of those schemes attracts the higher income groups more than small savers.

The investment avenues provided by the post offices are generally marketable as they are a saving media. The major instruments of post office schemes enjoy tax benefits such as exemption of investment contribution or interest income from tax or both up to certain limits.

## **2. Statement of the Problem**

This research has taken up with the main purpose of studying the behavior of postal customers towards posb schemes. Most of the institutions influence common people to purchase their various schemes by way of strong marketing activities. Hence the author decided to study the behaviour and attitude of postal customers in this regard.

## **3. Scope of Study**

This research paper aims to find out the behaviour and perception of postal customers towards posb schemes in Kolhapur district. It will help other investors also to make them aware about posb schemes and invest their money where worry is less and gives safety, liquidity and more return for their money.

## **4. Objectives of the Study**

- i. To study the various POSB schemes of Indian Post.
- ii. To study the investment behavior of postal customers towards posb schemes.
- iii. To examine the customers attitude and perception towards posb in Kolhapur district.

## **5. Methodology Adopted for the Study**

This study has undertaken in the Kolhapur district of Maharashtra state which fall under the Mumbai postal circle and Goa PMG office. Total 12,62,095 posb accounts are there in the district and the sample size set 533 postal customers as a respondent. For the selection of the sample varies strata's were set e.g. gender, age, income level, education, profession etc. For the collection of data, questionnaire was prepared in local language and circulated in all the 12 taluka's of the district. In addition to that informal discussions were made with postal customers to understand the things in detail. For the analysis of data Likerts rank order scaling technique, chi-square, z-test these tools are used.

## **6. Postal Organization:**

India Post possesses the largest postal network in the world with 155,000 plus post offices spread all over the country. Out of which 89 per cent POs are in the rural sector and play a vital role in the rural India. They connect these rural areas with the rest of the country and provide banking facilities in the absence of other banks in the rural areas. They come under the Department of Posts which is a part of the Ministry of Communications and Information Technology under the Government of India. The apex body of the department is the Postal Service Board. The board consists of a chairman and six members. The six Members of the Board hold portfolios of Personnel, Operations, Technology, Postal Life Insurance, Human Resource Development (HRD) and Planning functions. The Joint Secretary and Financial Advisor to the Board is also a permanent invitee to the Board.

## **7. Postal Network:**

India Post has been divided into 22 postal circles, each circle headed by a 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.

## **8. Postal Services:**

*Basically postal services are divided in three different categories viz.*

1. Mail services – e.g. mail, speed posts and parcels etc.

2. Financial services – e.g. POSB schemes, Money remittance services, PLI & RPLI, mutual funds and forex services etc.
3. Retail services – bill mail, e-payments etc.

As far the present research paper it focuses only on Post Office Saving Bank (POSB) schemes.

## **9. POSB Schemes:**

The post office savings bank is the oldest and by far the largest banking system in the country and provides various POSB schemes to Indian people. These schemes are secure, risk free and attractive investment options for the small investors, serving the investment need of both urban and rural clientele. Following are the important POSB schemes.

- i) Savings Bank account (SB): Serves the need of regular deposits and withdrawals. Cheque facility is also available for this.
- ii) Recurring Deposit account (RD): Recurring deposit account is a systematic way of saving money. The scheme is meant for those investors who want to deposit a fixed amount regularly or periodical basis.
- iii) Monthly Income Scheme (MIS): offers a fixed investment option for five years with monthly interest payment facility. The facility of automatic credit of interest to SB account available.
- iv) Public Provident Fund (PPF): popularly known as PPF, offers intermittent deposits subject to certain limits for a 15 year period coupled with income tax exemptions subject to certain conditions, on the investment. Loan and withdrawal facility is also available for this scheme.
- v) Time Deposit (TD): Fixed deposit option for periods ranging from one, two, three to five years with facility to draw yearly interest offered at compounded rates. Automatic credit facility of interest to SB account.
- vi) Senior Citizens Savings Scheme (SCSS): Offers fixed investment option for senior citizens for a period of five years, which can be extended, at a higher rate of interest that are paid in quarterly instalments.
- vii) National savings certificates (NSC) (VIII) issue: with a fixed investment for 5 years on certificates of varied denominations. Pledging facility is available for availing loan from Banks.
- viii) National Savings certificates (IX) issue: Fixed investment tenure of 10 years.

## **10. Analysis and Interpretation of Data**

Following is the data collected from 533 postal customers in the district. Analysis and interpretation is made on the basis of field survey.

**Table No.1:** Gender wise frequency of Postal Customers -

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Male customers	355	<b>67</b>
2	Female customers	178	33
3	Total	533	100

*Source: Field Survey*

Table No.1 describes that, 67% respondents are male respondents and 33% are female. Higher percentage of male customer indicates that still financial decisions are taken by males. But through the personal discussions and informal interviews with many customers it is observed by the researcher that, females are also coming forward and trying to contribute their financial views in taking investment decisions.

**Table No.2:** Profession wise frequency of postal customers –

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Businessman	89	17
2	Service men	274	<b>51</b>
3	Professional	75	14
4	Student	45	8
5	Retired	26	5
6	Housewife	24	5
7	Any other	0	0
8	Total	533	100

*Source: Field Survey*

From the above table it is clearly understood that, out of 533 respondents, 51% respondents are from serviceman category. It indicates that serviceman have a fixed and regular monthly income who wants to meet all the family needs from his limited income source i.e. salary. After meeting the expenses whatever surplus remain that he wants to put in a very safe and secured pocket for which post is absolutely right pocket. Retired and housewife category having only 5% each respondent it is because of limited income source.

**Table No.3:** Income level of postal customers -

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Below 1 L	207	<b>39</b>
2	1,00,001 to 2 L	154	29
3	2,00,001L to 3 L	88	16
4	3,00,001 L to 4 L	34	6
5	4,00,001 L to 5 L	26	5
6	Above 5,00,001 L	24	5
7	Total	533	100

*Source: Field Survey*

Table No.3 indicates that, 39% respondents having income below Rs.1 lack. In Kolhapur district majority industries are small scale industries and located all over the district so naturally salary level is also low. Many respondents have their business in rural areas where turnover is less, so their saving potential is also less. For them it is necessary to save and invest money with high security and sure income with postal financial schemes. Only 5% respondents are there in income group more than 5 lacks. It indicates that high income people prefer some other investment avenues other than postal financial services.

**Table No.4:** Customers priority among six different investment options

<b>Sr. No</b>	<b>Particulars</b>	<b>Priority No.</b>	<b>Frequency</b>	<b>Percentage</b>
1	POSB schemes	1	242	45
2	Nationalize Bank	2	197	37
3	Other Bank	3	11	2
4	Insurance schemes	4	50	10
5	Security market	5	33	6
6	Other than above	6	0	0
7	Total		533	100

*Source: Field Survey*

Table No.4 shows that 45% respondents have been given first priority to Post office schemes, 37% respondents have been given second priority to National bank, It indicates that, majority respondents giving priority to posb schemes because of security, safety, faith, trust, Government control, no of services together, wide postal network, honest employees etc. Investors are very much confident about postal department.

**Table No.5:** Reasons behind priority to posb schemes

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Variety of Services	66	12
2	Quality of Services	44	8
3	Security	206	39
4	Wide Network	20	4
5	Income Tax Rebate	50	9
6	Less Difficulties	27	5
7	Easy Access	27	5
8	High rate of interest	18	3
9	Relation with Staff	4	1
10	Image of Post Office	7	1
11	Easy Transaction	37	7
12	Personnel attention to Customers	3	1
13	Any other...	10	2
14	Minimum Deposit amount	3	1
15	Communication with Customers	5	1
16	Other services	6	1
17	Total	533	100

*Source: Field Survey*

Table No.5 describes why respondents prefer to have an account with post department. Majority (39%) respondents said that because of security for their money in postal schemes. Investors are very much cautious about their money. Many people have lost their money in many ponzy schemes. So investor wants security first and post is one of the right places for them. Investors have an faith on posb. No any frauds, transparent transaction, Government control etc. are the main reasons of security.

**Table No.6:** Customers having additional saving a/c other than posb a/c

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Nationalized Bank	286	<b>54</b>
2	Co-operative	102	19
3	Credit society	15	3
4	Any Other	22	4
5	Can't say	18	3
6	Nationalized and Co-operative bank	36	7
7	Nationalized and cr. society	18	3

8	Nationalized and any other bank	4	1
9	Co-op bank and cr. society	10	2
10	Nationalized, Co-op bank and cr. society	22	4
	Total	533	100

*Source: Field Survey*

Table No. 6 describes that; majority respondents (54%) have their additional accounts with nationalized bank and 19% respondents with co-operative bank. It clearly indicates that while investing money investor gives preference to safety first and then thinks about other factors and particularly, all nationalized banks provides more safety than other financial institutions.

**Table No. 7:** Awareness level of customers about various posb schemes

Sr. No.	Particulars	Frequency	Percentage
1	Fully aware	28	5
2	Highly aware	15	3
3	Moderate aware	273	<b>51</b>
4	Less aware	188	35
5	Not at all aware	29	6
6	Total	533	100

*Source: Field Survey*

Table No.7 describes the awareness level of respondents about posb schemes. 51% respondents said that they have moderate awareness. It means for common people, it may be somewhat difficult to understand all the details of posb schemes or may not be having enough time to go in deep and may be because of trust, transparency, safety and govt. control on Indian post, customers invest their savings in posb a/c's where their money will remain very safe.

**Table No.8:** Satisfaction about overall returns i.e. interest rate on posb investment

Sr. No.	Particulars	Frequency	Percentage
1	Highly Dissatisfied	22	4
2	Dissatisfied	106	20
3	Neutral	129	24
4	Satisfied	257	<b>48</b>
5	Highly Satisfied	19	4
6	Total	533	100

*Source: Field Survey*

Table No.8 describes satisfaction level regarding returns i.e. interest rates on posb a/c. majority respondents said that they are satisfied with return. In fact postal interest rates are



comparatively less but considering safety, security, income tax benefits (PPF), extra interest rates (SCSS, SSY for girls) , Government support etc, all together postal schemes gives more satisfaction to its customers.

**Table No.9:** Overall safety of the posb schemes

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Highly Dissatisfied	9	2
2	Dissatisfied	74	14
3	Neutral	162	30
4	Satisfied	249	<b>47</b>
5	Highly Satisfied	39	7
6	Total	533	100

*Source: Field Survey*

Table No.9 shows overall safety of posb schemes. Majority (47%) respondents said that they are satisfied with safety. All postal financial schemes have supported by central Govt. so there is no any chance of bad debt. There are very less frauds and cheating cases happens in DoP. 100% money bank assurance is there. So customers are happy and satisfied with posb schemes.

**Table No.10:** Satisfaction level about overall liquidity of the posb schemes

**Table No. 4.1.38 (Liquidity)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
1	Highly Dissatisfied	15	3
2	Dissatisfied	63	12
3	Neutral	178	33
4	Satisfied	266	<b>50</b>
5	Highly Satisfied	11	2
6	Total	533	100

*Source: Field Survey*

Table No.10 describes about overall liquidity of postal investment. 50% respondents said that they are satisfied with liquidity. Investors are able to convert their postal investments into cash whenever they required. For any emergency, customer will get back their amounts before maturity and they can fulfill their financial needs. This is very important character in any investment.

**Table No.11:** Fulfillment of the financial needs of different people

Sr. No	Customer type	Yes	Some extent	Very less	No	Can't say	total
							percent
1	Rural customers	186	167	53	81	46	533
		<b>35</b>	31	10	15	9	100
2	Urban customers	183	204	85	40	21	533
		34	<b>38</b>	16	8	4	100
3	Retired persons	161	177	91	44	60	533
		31	<b>33</b>	17	8	11	100
4	Job Holders	153	184	86	60	50	533
		29	<b>35</b>	16	11	9	100
5	Businessman's	104	174	83	93	79	533
		19	<b>33</b>	16	17	15	100
6	Professionals	91	169	90	109	74	533
		17	<b>32</b>	17	20	14	100
7	Students	74	99	128	108	124	533
		14	19	<b>24</b>	20	23	100
8	Housewife	73	117	107	113	123	533
		14	22	20	21	<b>23</b>	100

*Source: Field Survey*

Above table describes that all the 8 categories of customers shows the higher satisfaction level of their financial need fulfillment. It means, short term, midterm and long term financial needs of rural, urban, semi urban customers are fulfilled by posb schemes. These schemes are very much useful for all category people.

## **11. Findings of the study**

*From the analysis and interpretation of the data researcher found that:*

1. DoP has provided various posb schemes to the people so that all people fulfill the financial needs of present, future, short term, midterm and long term needs.
2. Servicemen and average income people are major postal customers in the district.
3. Financial decisions are taken by male.
4. Investor gives top priority to safety for their deposits hence next investment priority goes to nationalized bank.
5. Postal customers in the district are moderate aware about posb schemes.
6. Postal customers have trust and positive approach towards posb schemes.
7. Posb schemes provide more safety, liquidity and satisfactory return on their investment.

## **12. Conclusion:**

Small and medium investors have a great faith, very clear perception and positive approach towards post schemes. Strong support of union government, rare cases of malpractices and frauds, satisfactory return are the main reasons behind it. But still it is necessary to go for certain changes and bring the professional culture in the department. It is also necessary to increase financial awareness about postal schemes, competitiveness, fast decision making, marketing activities and strategic planning to fight against private institutions. Even DoP needs many technological, social, cultural and economical changes. With these changes, once again DoP can create a monopoly in Indian financial market.

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