



Analytical Review on Return Potential of Postal Savings Schemes (With particular reference to Bangalore city)

KEYWORDS

Post office time deposits, Post office recurring deposit, Post office monthly income scheme, National savings certificates

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ABSTRACT

Investment plays an important role in multiplying hard earned money, hence investors has to be very careful while investing because a wrong decision while investing might cause loss of capital. Today Investors has various options for investments and there are different types of investment instruments available which are provided by various financial institutions like commercial banks, co-operative banks, post office saving banks, life insurance corporations, mutual fund corporation et. Usually investors look for risk free investment instrument because of scarcity of money and difficulty involved in earning that money hence before investment assessment of risk and return potential is very important to match investors required rate of return and actual return from investment are considered. The present postal environment has changed traditional postal business and have create a vast array of new business options and opportunities and also the interest rates are higher when compared to other instruments offered by other financial institution. Hence in this present study an effort is made to study postal savings awareness and purpose of the investors on post office saving schemes among working employees at Bangalore city. The primary data was collected purely on random basis from 350 respondents. The result indicated that majority of the investors are aware of post office saving schemes and the objective of investors are to get regular return and safety of their capital.

Introduction

The Indian economy is growing significant and has various investment options but the government of India has provided the oldest investment option. The Post Office savings bank is the oldest and by far the largest banking system in the country, serving the investment need of both urban and rural clientele. These services are offered as an agency service for the Ministry of Finance, Government of India. Several products on offer serve various investment requirements of the customers. Mobilization of domestic financial resources in developing countries has become a major concern even though there are varieties of vehicles that are indented to mobilize only few offers strategies for meeting the needs of lower income people. Savings are increasingly being acknowledged as a powerful tool for reduce poverty. Saving is regarded as excess of income over expenditure usually savings are meant to meet contingencies and raise standard of living of individual savers. Hence domestic savings plays an important role in bringing about economic development in developing countries.

Review of literature

Salam (2004) in their study had observed the savings behavior in India. The objective of the study was to find the determinants of savings by analyzing saving behavior in India over a period of nineteen years i.e., from 1980-81 to 1998-99. The methodology adopted was simple and multiple regression models were used. From the analysis it was found that a favorable macro – economic environment supported by strong structural reforms including liberalization of financial markets should help domestic saving to increase substantially.

Palacios (2001) in his study had observed the challenges of old age income security in India. It was found that one eighth of the world's elderly population lives in India. By 2020, about 15 percent of the population will be over age 60 in Tamil Nadu and Kerala– roughly the same proportion as Australia today. The study concluded that reforms would provide current and future contributors with a viable alternative to a traditional family support system that will come under increasing strain in the course of the demographic transition.

Suresh (2004) in an analysis of popular perceptions said that

retail investors swarmed back to the stock markets in the year 2003-04. The investments of households in shares and debentures rose by a paltry 8.6 per cent of Rs. 5,847 crore in 2003-04. Households had deposited Rs. 1,69,000 crore in bank deposits while investments in small savings rose 19 percent. The data suggests that in 2003-04 the household investor had turned extremely conservative.

A World Bank study (2002) released to the Public at the India Post 2010 conference New Delhi, suggested that India Post is particularly well positioned to address the pressures of a changing environment by expanding services into non-traditional areas such as e-banking, e-government and e-commerce, reinventing the services and products it offers. India post is already a major player in the banking sector through the Post office savings Bank, which handles over 110 million money orders a year, and holds approximately US\$44 billion in savings account.

Richa (2004) in their study argued that the Post office continues to be a major attraction for savers going by the 32.45 per cent higher collections during the first quarter of the current fiscal relative to that mobilized over the same period of 2003 – 04. Finance Ministry officials say that the attraction for the Post office deposit schemes stems from the higher interest rate they offer vis-à-vis what banks give. Between 1999 – 2000 and 2003 – 04, gross collections under the savings deposits shot up from Rs. 34,650 crore to Rs. 91,3000 crore.

Scher (2001) in their study had observed that in many countries Postal Savings and Giro remittances have long enabled provision of financial services to all segments of the population. Questionnaires were sent to the Ministers and Postal administrations of approximately 80 countries in July 1999. The review of experiences of Asian developing countries suggests many ways by which developing countries can help themselves to mobilize domestic savings and provide domestic financial services through postal savings and remittances and thereby provide financial services to those most likely to be excluded.

Objective of the study

1. To understanding saving patterns of the respondents

- To study respondents purpose of investment
- To find periodicity of investment and participates of investment decision

Methodology and sources of data

In this study a structured questionnaire was used to collect the data. Questionnaires were administered to 380 respondents out of which only 350 respondents were selected based on completeness of questionnaire. Since most of the investors were reluctant to provide information on their investment details therefore researcher has used referral sampling and convenience sampling to collect the data. In this study both primary and secondary data are being used. Primary data is collected from respondents and secondary data is being collected from journal, magazine, published articles, websites etc. The data collected were tabulated in two formats, viz and simple table and cross table. The data was then analyzed by applying simple percentage and Chi-square test

Findings and Discussion

1. Socio Economic profile of the respondents

As per the response received majority of the sample respondents chosen for the study are male investors in the age group of 41 to 50 years. 67.4% are married respondents. Most of them are post graduates and private employees whose average monthly income is found to be between 20,001 to 30,000.

2. Investment behavior of the respondents

Majority of the respondents save to the extent of up to Rs. 5,000 of their monthly income. Most of the investors have taken the assistance of their friends/relatives for taking investment decision. Respondents prefer to follow 1 to 3 years saving plans. The respondents are highly satisfied with their investment because of tax benefits and safety and security.

3. Correlation, Chi Square, ANOVA and Rank analysis

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 PORD, POTD, POSA and SSCS but negatively correlated with POMIS, NSC & PPF

Chi square test has been used to explain whether or not demographic characteristic and awareness 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 awareness on schemes available at 0.05% level of significance. The test result shows that expect 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 about the post office saving account.

4. 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 return, Liquidity & Marketability, Tax benefits and Capital growth. It is observed that the objective regular returns (652), child education with (698) and the POMIS (785) are most preferred by the respondents.

Conclusion

The main objective of the sample investors are regular return and safety & security of capital followed by tax benefits. Majority of the investor wish to hold investment in their own name and invest for a period of 1 to 3 years. Efforts should be made by the postal department to attract new investors by using modern advertisement techniques which will help in attracting huge funds.

Showing the demographic variables of the respondents

Parameter	Variable -1	Variable-2	Variable-3	Variable-4	Variable-5
Gender	Male – (60.2%)	Female (39.8)			
Marital status	Married (67.4%)	Unmarried (22.5%)	Widower/ Separated (10.1%)		
Income (PM)	Up to 10,000 – (13.9%)	Rs. 10,001 – 20,000 (23.5%)	Rs. 20,001 to 30,000 – (36.1%)	Above Rs. 30,000 – (26.5%)	
Age	< 30 years (27%)	31 to 40 years (28.1%)	41 – 50 years (29.3%)	50-60 yrs (10.6%)	>60 yrs (5%)
Educational qualification	Professional (6.8%)	PG (41.3%)	UG (22.4%)	Schooling (19.3%)	Illiterate (10.2%)
Occupation	Govt – 18.5%	Private – 36.3%	Business/ Profession 32.4%	Retired – 12.8%	

(Sources: Primary data collected through structured questionnaire)

Table -2
Showing the Investment behavior of the respondents

Parameter	Variable -1	Variable-2	Variable-3	Variable-4	Variable-5
Savings per month	Up to Rs. 5,000 – 38.5%	Rs. 5,001 to Rs. 10,000 – 25.3%	Rs. 10,001 to Rs. 15,000 – 14.8%	Rs. 15,001 to Rs. 20,000 – 11.2%	Above Rs. 20,000 10.2%
Holder of the Investments	Own name 47%	Spouse 28.5%	Children 12.5%	Jointly 12%	
Periodicity of savings	Below 1 year 14.8%	1 to 3 years 41.2%	3 to 5 years 28.4%	5 years & more 15.6%	
Participants of investments decisions	Family members 18.2%	Friends/ Relatives 33.4%	Self interest 15.2%	Advertisement 12.4%	Agent/ consultant 20.8%
Level of satisfaction	Safety and security 72.7%	Regular return 56.8%	Liquidity and Marketability 68.6%	Tax benefits 89.6%	Capital growth 66.5%

(Sources: Primary data collected through structured questionnaire)

Table-3 Showing results of Correlation, Chi Square, ANOVA and Rank analysis

Tools /Test	Variables	Awareness on Post office saving schemes						
		SSCS	NSC	PPF	PORD	POTD	POSA	
Correlation e -0.061	Age	-0.42	0.05	-0.031	-0.061	0.05	-0.012	0.005
		0.031	-0.059	-0.061	0.080	0.010	0.021	
Chi Square Educa- tion em 9.675 6.176 0.21	Age	9.213	7.286	6.124	8.612	6.503	10.001	18.181
		9.154	6.321	10.665	4.911	11.098	9.211	
		6.327	3.211	15.605	5.897	11.801	7.641	
		1.655	0.811	2.865	1.14	0.421	0.861	

ANOVA	A	Scheme Education	POMIS 0.929	SCSS 0.543	NSC 0.570	PPF 2.501	PORD 0.768	POTD 0.27	POSA 0.118
	B	Features of post office savings Years of experience	Safety & Security 0.622	Regular Return 0.281	Liquidity & Market-ability 0.058	Tax benefits 0.2	Capital Growth 0.029	-	-
Rank analysis (Weighted score) purpose preferences	Objectives	Regular returns (652)	Safety & Security (621)	Tax Benefits (526)	Capital Growth (491)	Liquidity & Marketability (469)	-	-	-
Child Education (698)	Marriage (680)	Medical expense (669)	Tax planning (539)	Retirement Life (558)	Buying Property (562)	-	-	-	-
POSA (854)	POTD (771)	POMIS (785)	PORD (755)	PPF (664)	SCSS (635)	NSC (610)	-	-	-

List of Abbreviations used in the study

No.	Particulars	Abbreviation
1	Post Office Time Deposits	POTD
2	Post Office Recurring Deposits	PORD
3	Post Office Monthly Income Scheme	POMIS
4	Senior Citizen Saving Scheme	SSCS
5	National Savings Certificates	NSC

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