

# INVESTMENT OPPORTUNITIES OF POSTAL SERVICES SECTORS IN INDIA

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## ABSTRACT:

*Saving behavior analysis is a study made on the demographics and psychographics of the investor considering the parameters like age, gender and income groups and also some psychological parameters that will attract the investor towards that particular investment. This analysis describes why an investor will opt a particular investment and the motive behind the investment and other objectives of investment. Today the investor has wider choice of selecting his investment option with the advent of many financial institutions. It is important to bring out the empirical evidence of the behavioral implications of household sectors on their preference for saving their surplus income in small saving schemes. This study is to reach at the core of saving decision and awareness of post office saving schemes of household investors.*

**KEY WORDS:** *Investment Decision, Investing Purposes of Post Offices Saving Schemes.*

## INTRODUCTION:

Post Office has long served as the backbone of communication and small deposits. For more than 150 years the department of Posts has played a pivotal role in facilitating communication throughout the nation thereby aiding in socio-economic development of the country. Post Offices offer varied services. Their work is not just restricted to delivering mails. They accept deposits, provide retail services like sale of forms, bill collection etc, provide savings schemes, life insurance cover etc. With a network of more than 1.5 lakh post offices across the country, India Post offers various Post Office Saving Schemes. These are risk free investment options that are safe and secured and provide you with capital gains without Tax Deduction at Source (No TDS). These savings schemes come at attractive rates with nomination facility and are transferable to any Post Office across India.

## POSTAL SAVINGS FOR THE PEOPLE

The introduction of savings accounts at post offices followed the rise of the savings bank movement in Scotland and thrift movements elsewhere in the beginning of the 19th century. In 1861, the United Kingdom organized the first national system of postal savings through post office savings accounts, which were seen as a safer alternative to some of the earlier thrift movement failures. In some countries, savings bank institutions came about independently from postal savings yet significantly paralleled the development of postal savings.

With the present scenario, the fund utilization of an individual generally shall be of this pattern. 23 to 26 - bachelor, or newly married and spends to repay education loan and on merry making 26 to 35 - invests for life infrastructure needs like vehicle, house etc through loan and loan repayment. 35 to 45 - spend for the education of their children, start investing, medical expenditure starts, and invest in high return investments. 45 to 58 - takes less risky but consistent return expectation as income becomes more than expenditure and more surpluses available. Pays higher income tax and seeks to investments to avail tax exemption. 58 to above - use of return from saving, depends on income other than job, medical expenditure more.

## POST OFFICE SAVING SCHEMES:

**Post Office One Time Deposit Scheme** – In this scheme the interest is calculated quarterly. It comes with a facility of redeposit on maturity of an account. Minimum amount of deposit is Rs 200/- and in multiples of Rs 200/- thereafter. There is no limit on maximum amount being invested. **Post Office Monthly Income Scheme (MIS)** –

This is quite an apt scheme for retired employees/ senior citizens and for those who need regular monthly income. A single account can hold maximum amount up to Rs. 4.50 lakhs and in case of a joint account a total of Rs.9 lakhs

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is permissible. Minimum investment amount is Rs.1500/- or in multiple thereafter. **Public Provident Fund (PPF) Scheme** – This PPF Scheme serves to be the most sought after and beneficial investment option for both salaried as well as self employed classes. The rate of interest charged on loan taken by the subscriber of a PPF account on or after 01.12.2011 shall be 2% p.a. **Senior Citizen's Savings Schemes** –Interest @ 9.3% per annum from the date of deposit on quarterly basis There is no age restriction for the retired personnel of Defense services provided they fulfill other specified conditions. The Post Office Small Savings Schemes, including PPF, Sukanya Samridhi Yojana and Senior Citizens Savings Scheme (SCSS). These rates would be applicable for the current financial year, 2015-2016. **National Savings Certificate (NSC)** – These certificates come with duration of 5 years and 10 years. It need to make a Minimum investment Rs. 100/- and there is no limit to maximum amount that you can invest. **Kisan vikas patra (KVP)**: Amount Invested doubles in 100 months (8 years & 4 months). It is one of the safest investment scheme .

#### **NEW OPPORTUNITIES OF FINANCIAL SERVICES OFFERED BY POST OFFICE:**

Post Office in India is becoming high tech today. Post office is not only medium of sending letters. It avail multiple financial services at Post Offices. Government has already announced that post office will be converted to bank and it will be known as Post Bank of India. Today we will go through various financial services offered by Post office.

**Send Money to Foreign Country:** Sending domestic money order using post is old story. Now we can send money to foreign country using post. This outward remittance money will be credited in to the bank account of beneficiaries in foreign country. Maximum limit of outward remittance is 5000 USD.

**Postal Life Insurance:** postal life insurance using post office. Premium of postal life insurance is very low compare to private insurance companies. Regular postal life insurance provides risk coverage from 20 thousand to 50 Lac.

**Mutual Fund Investment:** Post offices are also involved in selling mutual funds. Only few selected mutual funds schemes are available for investment through post office. Principal, SBI, UTI, Franklin Templeton and Reliance Mutual are some of them. Post office is providing this service in association with IDBI bank.

**ATM:** Some selected post office also offers ATM services. we can withdraw cash or carry out money transfer using this ATM services. Postal department is issuing separate ATM card to customer for this services. Postal department is planning to extend this facility to every city.

**Small Saving Schemes :** We invest in small saving schemes using post office. NSC, MIS and Sukanya Samridhi Account are most popular small saving investment option offered by post office.

#### **FUTURE PLAN POST OFFICE:**

**Reverse E-commerce:** Indian Post office is working on Reverse E-commerce platform. Using this model is selling to products to other company via postal department. This means post office will act as seller for all.

**Payment Bank:** Indian post office will be converted in to payment bank by 2017, the government of India has in principally approved this proposal. This bank will act as payment bank means we can deposit money in this bank it can not avail loan facility.

**Common Services:** Indian Post office is also thinking to open common service center. It will be able to avail services like applying for Aadhar card, birth certificate, mutual funds investment etc.

**Final Words :** Post office services are not preferred by many people in India. Customer support and services extended by post are very poor in some part of India. We have experienced that. So, Indian post office has long way to go.

#### **OBJECTIVES OF THE STUDY:**

1. To describe, in brief, the important features of post office investment schemes.
2. To analyze the awareness, preferences and experiences of household investors on post office saving schemes.

#### **SAMPLE SIZE**

For the purpose of study, 100 respondents were selected in Coimbatore City.

#### **TOOLS USED**

- For analyzing the data the simple percentage method was used
- For framing the hypothesis chi-square test was used.

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**LIMITATIONS OF THE STUDY**

1. Due to the nature of the research being related to the financial domain, there has been Lesser disclosure from the part of the investor.

**REVIEW OF LITERATURE:** A.Kaboor (2010) in his study entitled "Determinants of investor's financial literacy" made an attempt to study the sources of investment information and investment behaviour to investors and to measure the extent of financial literacy. The study finds that the financial literacy is not uniform among different groups of investors. The socio economic profile, information seeking behaviour and characteristics of investors causes such differences.

A.Kaboor (2010), "Determinants of investor's financial literacy". Unpublished thesis - Bharathiar University, Coimbatore.

According to Mr K. Shakthisrinivasan and Devi Lakshmi , Indian post was no alternative than any leverage infrastructure, trust and related services into a much larger role in eCommerce and e-Government. The humble post is fighting a battle the swanky technology driven new age banks. The savings bank and postal deposits having considered to be surging well into the present decade and it has seen a steady and consistent growth in post office deposits, fit to rival the best performers' in the banking industry. Mr.K.Shakthisrinivasan, Devi Lakshmi, " Post office savings schemes – An impetus for Rural Investment", Indian journal of marketing, Vol.XXXVI, No.1, Jan 2006, P.26

**ANAYSIS AND INTERPRETATION:****Factors behind investment in post office**

Preference	Regular Return	Safety & Security	Liquidity & Marketability	Tax Benefits	Capital Growth	Total
First	25.3 (%)	30.1 (%)	14.5 (%)	17.2 (%)	12.9 (%)	100 (%)
Second	36.6 (%)	23.1 (%)	14.5 (%)	14.0 (%)	11.8 (%)	100 (%)
Third	15.1 (%)	16.1 (%)	15.6 (%)	26.9 (%)	26.3 (%)	100 (%)
Fourth	12.4 (%)	14.5 (%)	21.0 (%)	28.5 (%)	23.7 (%)	100 (%)
Fifth	10.7 (%)	16.2 (%)	34.4 (%)	13.4 (%)	25.3 (%)	100 (%)
Total	100 (%)	100 (%)	100 (%)	100 (%)	100 (%)	

**Post office saving scheme- investment purposes:**

Preference	Tax planning	Marriage	Children Education	Maintaining retirement life	Medical Expenses	Buying property
First	19.9 %	20.4 %	22.6 %	14.0 %	12.9 %	10.2 %
Second	16.1 %	19.9 %	17.2 %	13.4 %	20.4 %	12.9 %
Third	16.1 %	15.1 %	16.1 %	13.4 %	23.7 %	15.6 %
Fourth	12.4 %	16.7 %	14.5 %	23.1 %	15.1 %	18.3 %
Fifth	15.1 %	12.9 %	18.8 %	16.1 %	17.2 %	19.9 %
Sixth	20.4 %	15.1 %	10.8 %	20.0 %	10.8 %	23.1 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source : Field Survey

**AGE GROUP OF THE RESPONDENTS – AWARENESS OF THE POST OFFICE SAVING ACCOUNT (POSA)**

Age Group/Awareness	Excellent	Good	Fair	Total
Below 30 Years	14	10	2	26
30 to 40 Years	16	4	2	22
40 to 50 Years	20	4	3	27
50 to 60 Years	4	4	8	16
Above 60 Years	7	2	0	9
Total	61	24	15	100

**HYPOTHESIS ANALYSIS****NULL HYPOTHESIS (H<sub>0</sub>):**

There is no significant relationship between age group of the respondents and awareness about the post office saving account (POSA).

Significant level = 0.05

Degree of freedom = (r-1) (c-1)

	Value	DF	Table value
Chi-Square	18.727	8	15.507

**Result:**

The above table states that the calculated value is greater than the table value. The null hypothesis is not accepted. Hence there is a significant relationship between age group of the respondents and awareness about the post office saving account (POSA).

**FINDINGS:**

It indicated that safety and security as their first objective in choosing the investment alternatives. The next opportunities of small investors in the selection of post savings avenues are regular return from the investment. These two objectives are followed by capital growth, tax benefits and liquidity and marketability in the descending order. It is understood from these facts that house hold investor prefer to invest in those products which offer safety and security, regular return and capital growth. The household small investors are least bothered about tax benefits and liquidity & marketability.

They have indicated the children education as their first purpose of investment alternatives. The next purpose of investment household investors is medical expenses from the investment made. The investors are indicated tax planning as their investment purpose. These three purposes are followed by maintaining retirement life, marriage and buying property in the descending order.

**SUGGESTION:**

There is an explosion in growth of middle class families due to double income group families and increase in number of working women, hence this group will plays vital role in the investment market. Efforts should be made to attract the women investors by providing right information and knowledge about the post office saving schemes through advertisements.

**CONCLUSION:**

They are highly aware of post office monthly income scheme, post office recurring deposit, post office time deposit and post office saving account. Only a very few investors are quite unaware of 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.

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