

# Depositors' Satisfaction And Level Of Awareness Towards Post Office Savings Bank Schemes With Special Reference To Udumalpet

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*Abstract: Post office saving schemes play an important role in the development of economy as it offers an opportunity for the poor and people belong to rural area to invest in the various saving schemes offered by post office. The primary objective of the study is to find out the extent of satisfaction among the depositors of post office saving schemes. The present study identified that for most of the depositors, to be financially secure in future was the major factor to make investment in the saving schemes offered by post office. The study found that depositors were very much satisfied with Recurring Deposit. The study revealed that all the depositors were aware of the Savings Account, Monthly Income Scheme, Time Deposit Account, Senior Citizen Savings Scheme and Recurring Deposit Account.*

## I. INTRODUCTION

People has a tendency of saving out of their income to secure their future as future can not be predicted. To be financially secure, people prefer saving scheme offering maximum return with minimum risk. Saving attitude offers safety net during emergency situations. People's desire to purchase luxurious items also lead to save out of their income as expensive goods can not be purchased with monthly income. The present study covers the depositors' level of awareness and satisfaction towards post office savings schemes with special reference to Udumalpet Taluk.

## II. EVOLUTION OF POST OFFICE IN INDIA

The department of posts with its network of 1,54,939 post offices is the largest post network in the world. The first post office was set up in Kolkata in 1727. Subsequently, General Post Offices(GPOs) were also set up in the three presidencies of Kolkata(1774), Chennai(1786) and Mumbai(1793). To bring uniformity among post offices, the Indian Post Office Act of 1837 has been brought. It is followed by the Indian Post

Office Act, 1854. The present postal system in India came into existence with the Indian Post Office Act of 1854. Thereafter Indian Post Office Act, 1898 was passed which regulated post services in the country.

## III. POST OFFICE SAVINGS BANK SCHEMES

Department of post operates savings bank scheme on behalf of Ministry of Finance, Government of India. Post Office Savings Bank (POSB) consists of more than 33.03 crore account holders as on 31.03.2015. Savings banks facility is provided through a network of 1.54 lakh post offices across the country.

To push lower interest rates and make a switch to market-linked rates for small saving schemes, the government has slashed returns on schemes like Kisan Vikas Patras and recurring deposits by 0.25 percent. It has also linked the returns of all small saving schemes to the market rate prevailing on government securities to be re-calibrated every quarter effective from April 1, 2016. Following financial services are offered by post office.

“This is important in several ways. If you want to keep all interest in the system at market rates, you can't keep some regulated. The banks have been saying that some schemes such as the small saving schemes have higher rates, and so that makes it difficult for them to transmit the RBI's interest rate cuts. This market-linking should at least remove that difficulty”. - DK Joshi, Chief Economist at Crisil, told the Hindu.

#### SAVINGS ACCOUNT

- ✓ Savings account can be opened by cash only. Account can also be opened in the name of minor and a minor of 10 years and above can open and operate the account. Joint account can be opened by two or three adults. Single account can be converted into joint account and vice versa. Only One account is permitted to open in one post office. Depositor can avail nomination facility even after opening of account.
- ✓ Deposits and withdrawals can be done via any electronic mode in CBS post offices. To obtain debit cards, it is mandatory to have prescribed minimum balance in the account on the day of issue of card. Inter post office transaction can be done between CBS post offices. To keep the account active, atleast one transaction of deposit or withdrawal should be made in three financial years. If depositor wants to transfer his/her account from one post office to another, it is possible with savings accounts.

#### RECURRING DEPOSIT ACCOUNT (RD)

- ✓ Recurring deposit account can be opened by cash or cheque. Nominal cheque facility can be availed even after opening of account. Customer can transfer his/her account from one post office to another post office. Any number of accounts can be opened in any post office. Account can also be opened in the name of minor. Joint account can be opened by two adults.
- ✓ Subsequent deposit can be made up to 15<sup>th</sup> day of next month, if account is opened upto 15<sup>th</sup> of a calendar month and upto last working day of next month, if account is opened between 16<sup>th</sup> day and last working day of calendar month.
- ✓ For deposits made in RD accounts by cheque, date of credit of cheque into Government accounts shall be treated as date of deposit. In case of monthly default, the depositor has to pay first the defaulted monthly deposit with default fee and then has to pay the current month deposit. It is applicable throughout CBS & non CBS post offices.
- ✓ Customer can enjoy rebate facility on advance deposit of atleast 6 installments. Depositors are allowed to withdraw upto 50% of the balance after one year.

#### TIME DEPOSIT ACCOUNT (TD)

- ✓ Account can be opened in cash/cheque by Individual. Namination facility is available at the time of opening and also after opening of account. Account can be transferred from one post office to another. Any number of accounts

can be opened in the name of minor and minor of 10 years and above age can open and operate the account. Joint account can be opened by two adults. Single account can be converted into joint account and vice versa. Monor after attaining majority has to apply for conversion of the account in his name. The investment under 5 years TD qualifies for the benefit under Sec. 80C of the Income Tax Act, 1961 from 1.4.2007.

#### MONTHLY INCOME SCHEME (MIS)

- ✓ Monthly Income Scheme can be opened by cash or cheque. Namination facility is available at the time of opening and also after opening of account. Account can be transferred from one post office to another. Any number of accounts can be opened in any post office subject to maximum investment limit by adding balance in all accounts. Account can be opened in the name of minot and a minor of 10 years of age and above can open and operate the account. Joint account can be opened by two or three adults. All joint account holders have equal share in each account. Maturity period is 5 years from 1.12.2011. Premature closure is permitted after having completed one year but before three year with deduction of 1% of the deposit and after 3 years with deduction of 1% of deposit.

#### PUBLIC PROVIDENT FUND SCHEME (PPF)

- ✓ PPF account can be opened in post offices which is double handed and above. Account can be opened in cash/cheque. Deposits can be made in lump-sum or 12 installments. Joint account facility is not available. Joint account is not allowed. Depositor can transfer his account from one account to another account. In the scheme, depositor is allowed to open account in the name of minor but restricted to maximum deposit limit by adding balance in all accounts. Maturity period is 15 years but it can be extended within one year of maturity for further 5 years. PPF not allows to close before 15 years.
- ✓ Depositors of PPF are qualified for TDS under sec.80 C of IT Act. Interest is completely free from tax, Withdrawal is permitted every year from 7<sup>th</sup> financial year from the year of opening of account. Loan facility can also be availed from 3<sup>rd</sup> financial year.

#### NATIONAL SAVINGS CERTIFICATES (NSC)

- ✓ NSC is specially planned for government employees, business man and other salaried classes come under income tax assessment.
- ✓ There is no maximum limit for deposits. TDS is not allowed. Certificates can be used as collateral for getting loan from banks. Trust and HUF are not allowed to make investment.

#### SENIOR CITIZEN SAVINGS SCHEME (SCSS)

- ✓ Senior Citizen Saving Schemes account can be open by an individual of 60 years of age and above. An

individuals of 55 years or more but less than 60 years can also open on superannuation or under VRS subject to the condition that the account is to be opened within one month of receipt of retirement benefits and amount should not exceed the amount of retirement benefits. Depositors are permitted to open more than one account or jointly with spouse.

- ✓ Interest can be drawn via PDCs or money order. Quarterly interest is also permissible on 1<sup>st</sup> working day April, July, October and January. It is applicable at all post offices.
- ✓ Maturity period is 5 years. After maturity, it is permissible to extend for further three years within one month. In this case, account can be closed at any time after expiry of one year of extension without any deduction.
- ✓ The scheme is allowed for the benefit under Sec. 80 C of the income tax Act, 1961.

Saving schemes product	Maturity	Old Rate of Interest	New Rate of Interest (Effective from 1 <sup>st</sup> April 2016)	Minimum Investment (In Rs)	Maximum Investment (In Rs)
Kisan Vikas Patra	*100 months	8.70%	8.45%	1000	No limit
Time Deposit	1 Year	8.40%	8.15%	200	No limit
	2 Years	8.40%	8.15%	200	No limit
	3 Years	8.40%	8.15%	200	No limit
	5 Years	8.50%	No Change*	200	No limit
Recurring Deposit	5 Years	8.40%	8.15%	10	No limit
National Savings Certificates	5 Years	8.50%	No Change*	100	No limit
Monthly Income Scheme	5 Years	8.40%	No Change*	1500	4.5 lakhs & 9 lakhs
Public Provident Fund	15 Years	8.70%	No Change*	500	15 lakhs
Senior Citizen Saving Scheme	5 Years	9.30%	No Change*	1000	15 lakhs
Sukanya Samridhi Account	When girl child turns 21 years or on marriage	9.20%	No Change*	1000	15 lakhs

Source: Mint research

\*Old Maturity period of Kisan Vikas Patra is 110 months

\*No change means old interest rate is applicable to the new interest rate

Table 1: Old & New Interest Rates of Post Office Savings Bank Schemes

#### KISAN VIKAS PATRA (KVP)

- ✓ KVP can be bought by an adult for him self or on behalf of minor or by two adults from any departmental post office. Amount invested gets doubled in 100 months.
- ✓ It is permissible to transfer from one person to another and from one post office to another and can be encashed after two and a half years from the date of issue.  
\*Post offices in the city have discontinued issuing National Savings Certificates and Kisan Vikas Patra from April 1, 2016 in pre-printed form. The department of posts shifted to electronic mode of issuing these certificates as issuing certificates in pre-printed was a tedious process as there was a lot of paper work.

#### SUKANYA SAMRIDHI ACCOUNT

- ✓ Sukanya Samridhi Account can be opened in the name of one girl child of 10 years of age by natural or legal guardian and maximum two accounts can be opened in the name of two different girl children. For initial operation of the scheme, one year grace period is offered.
- ✓ Account can be closed after completion of 21 years of age. Normal premature closure is allowed after completion of 18 years provided that girl is married.

#### IV. REVIEW OF LITERATURE

Every study needs an insight into the previous work on related topics to develop the problem or issue that has to be studied and analysed by the researcher. The following previous research works related to the topic provided the base for the present research work.

*S.Mathumitha (2015)* conducted a study on “Investors Attitude Towards Post Office Saving Schemes in Cumbum Town”. The study found that majority of the respondents preferred to meet future plan of their children’s. Majority of the respondents preferred Recurring Deposit. The study suggested that necessary steps can be taken to adopt advertisement strategy.

*D.Koreshashikant and Dr.R.B. Teli (2015)* conducted a study on “Investment behavior of postal customers towards post office savings bank schemes (posb): a case study of Kolhapur district” to know the opinion of postal customers towards post office saving schemes in Kolhapur district of Maharashtra State. The study concluded that small and medium investors had positive and very clear perception towards post office savings scheme. The study recommended that, it is necessary to increase financial awareness about postal schemes, competitiveness, fast decision making, marketing activities and strategic planning to fight against private institutions.

#### V. STATEMENT OF THE PROBLEM

To push lower interest rates and make a switch to market-linked rates for small saving schemes, the government has slashed returns on schemes like Kisan Vikas Patras and

Recurring Deposits, It is being operational from 1<sup>st</sup> April, 2016. Decrease in rate of interest on certain schemes posed a problem to the researcher to analyse the over all satisfaction and level of awareness towards various post office saving schemes offered by post offices by choosing udumalpet as the area of the study.

## VI. OBJECTIVES

The following are the objectives of the study:

- ✓ To identify the awareness of respondents about the various saving schemes offered by post office.
- ✓ To study the factors influencing the respondents to make investment in the saving schemes offered by post office.
- ✓ To find out the extent of satisfaction among the depositors towards various post office saving schemes.
- ✓ To study the problems faced by the depositors in savings bank schemes offered by post office.

## VII. HYPOTHESES

On the basis of the objectives framed the following hypotheses were formulated:

*HYPOTHESIS 1:* There is no significant relationship between the age of the respondents and the level of satisfaction towards financial services offered by post office.

*HYPOTHESIS 2:* There is no significant relationship between the monthly income of the respondents and the level of satisfaction towards financial services offered by post office.

## VIII. SCOPE OF THE STUDY

The Study brings to light the level of awareness. The study covers the factors influencing the respondents to go for post office saving schemes. The present study aims to study the extent of satisfaction among the respondents. The study is restricted to only the depositors of postal saving scheme in the geographical location of Udumalpet Taluk.

## IX. METHODOLOGY OF THE STUDY

Respondents availing post office saving schemes constitute the universe of the study. A sample of 85 customers availing post office saving scheme in Udumalpet was selected adopting purpose sampling technique. Based on the feed back obtained from experts and pilot study, questionnaire was revised and restructured. After screening the collected questionnaires, 75 questionnaires were selected for analysis. Statistical tools like percentage analysis, Likerts Five Point measurement of satisfaction, Chi-square test of significance have been used.

## X. LIMITATIONS OF THE STUDY

The present study is subject to the following limitations.

- ✓ It is a micro level study; therefore the findings of the study are applicable only to Udumalpet Taluk.
- ✓ Since the study is based on the primary data collected through questionnaire, the results of the study subject to all the limitations of the primary data.

## XI. SUMMARY OF FINDINGS

- ✓ The majority of the depositors were in the age group of 25-35 years.
- ✓ 57.33 percent of the depositors were male depositors.
- ✓ The highest percent (38 percent) of the depositors covered in the study were illiterates.
- ✓ The highest percent (36 percent) of the depositors in the present study were farmers.
- ✓ The highest percent (31 percent) of the depositors had monthly income between Rs. 10001 and Rs. 20000.
- ✓ For majority of the (81 percent) respondents, to be financially secure in future was the prime factor to invest in post offices.
- ✓ The majority of the depositors (38.33 percent) had Recurring Deposit Account followed by Time Deposit Account (25 percent).
- ✓ The majority of the depositors (62 percent) had joint account.
- ✓ All the depositors were aware of the savings account, monthly income scheme, time deposit account, senior citizen savings scheme, recurring deposit account. More than 90 percent of the depositors were aware of the public provident fund. More than 80 percent of the depositors were aware of the sukanya samridhi account. More than 65 percent of the respondents were aware of the Kisan Vikas Patra and National Savings Certificates.
- ✓ The majority of the depositors (48 percent) faced problem in closure of scheme before maturity period during emergency situations.
- ✓ The majority of the depositors (35 percent) were very much satisfied with Recurring Deposit Scheme offered by post office.
- ✓ The hypotheses tested found that there is no significant relationship between the age of the respondents and the level of satisfaction towards financial services offered by post office. There is significant relationship between the monthly income of the respondents and the level of satisfaction towards financial services offered by post office.

## XII. CONCLUSION

The present study on the satisfaction and level of awareness towards financial services offered by post offices revealed that for most of the depositors, to be financially secure in future was the major factor to go for financial services offered by post office. Depositors were very much satisfied with Recurring Deposit scheme. All the depositors

were aware of the savings account, monthly income scheme, time deposit account, senior citizen savings scheme, recurring deposit account. The majority of the depositors (48 percent) faced problem in closure of scheme before maturity period during emergency situations. To improve the level of awareness of scheme such as kisan vikas patra and national savings certificates, advertising campaigns may be organized or advertisement video may be played frequently in rural areas and public places like bus stop, railway stations and near petrol stations. Even though premature closure is allowed in genuine cases such as cases of serious ailment, higher education of children of children with penalty of 1% deduction for the PPF accounts having completed five years from the date of opening, It is suggested that premature closure is to be allowed without any penalty of deduction to encourage the depositors of PPF. Presently tax benefits are offered to few schemes. Hence, the tax benefits can be offered to many schemes to increase the number of depositors.

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