



LITERATURE REVIEW ON DETERMINANTS OF INVESTMENT CHOICE IN INDIAN POST OFFICE SCHEMES

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ABSTRACT

There are multiple investment options around us. We must select the best investment choice to achieve our overall objectives. The Indian Post offers numerous savings schemes with high returns and safety. Post office schemes have long been famous for individuals seeking secure and hassle-free investment options. Understanding the factors that drive investors' choices within these schemes is crucial for policymakers and financial institutions. One of the prominent factors explored in this review is demographic characteristics. Age, generation, and gender have emerged as significant determinants of investment preferences. Older investors, particularly senior citizens, find postal schemes appealing because of their simplicity and perceived safety.

Moreover, female investors exhibited a strong inclination toward these schemes. Financial security and tax benefits play a pivotal role in shaping investment decisions. Investors are drawn to post office schemes because of the guaranteed returns offered by the government and the tax incentives associated with these investments. The review also highlights the impact of educational qualifications on investment choices, shedding light on how individuals with different educational backgrounds perceive these schemes.

The study underscores that despite a professional culture within the post office sector, customers' perceptions of India Post remain positive. Investors appreciate the rarity of fraud and malpractice associated with post office schemes. Additionally, these schemes' consistent and attractive returns contribute to their popularity. Investors' motivations for choosing post office schemes vary, from meeting domestic financial goals to securing a stable retirement. Accessibility, ease of management, and perceived security are critical factors driving investment decisions.

Furthermore, the review observes that rural investors, especially women, are attracted to post office schemes because of the proximity of post office branches to their residences. Parents also expressed high satisfaction with depositing savings in these schemes, primarily because of their risk-free nature and associated tax benefits. This literature review offers valuable perspectives on the factors influencing investment choices in Indian post office schemes. This study highlights the significance of demographic, economic, and psychological factors in shaping investor preferences and underscores the enduring appeal of these schemes in the country's financial landscape.

KEY WORDS: Savings, investments, Post office, Financial, Interest.

INTRODUCTION

Post office savings have a long-standing tradition in India, dating back to 1880 A.D., when formal savings practices were scarce in the country. The Indian post office savings system is India's most significant saving bank, boasting an extensive network of 1,55,000 branches across the nation. Many of these branches are strategically located in remote areas where modern banking services are still available. While the Indian economy has evolved and offers many investment opportunities, the Government of India upholds this age-old investment option. Post office savings present two distinct investment alternatives: direct and indirect. Among these, the post office holds a

prominent position because of its exceptional reliability and enjoys the trust of many investors.

The Post Office Savings Bank, India's oldest and largest banking system, serves the investment needs of both urban and rural investors. It operates as an agency service for the Ministry of Finance and the Government of India. Savings result from surplus income, and their growth relies on the ability and inclination to set aside funds. Taxes, collected by the government, are a form of cumulative savings effectively used for the country's development. Economists note that the savings-to-income ratio in India is steadily increasing, despite



a growing population. In a developing nation such as India, small savings play a pivotal role. These savings benefit the government and individuals, allowing them to channel their income effectively. As public expenditure increases, the government must explore diverse income sources to fulfill the needs of its citizens.

Financial literacy encompasses a broad spectrum of essential financial skills and concepts. Individuals with financial understanding are less likely to engage in financial misconduct. A solid foundation in financial literacy can support various life objectives, including saving for education or retirement, responsible debt management, and entrepreneurial endeavors. India Post, also known as the Department of Posts, boasts the world's most extensive postal network, reaching remote villages, hilly regions, and tribal territories. This vast network facilitates communication with all segments of the population. The Indian Postal Service is actively addressing evolving challenges and fulfilling its role as a promoter of communication and development in the changing socioeconomic landscape. In response to the financial sector's liberalization over the past decade, the post office is committed to meeting heightened customer expectations by establishing specialized offices that offer various financial services, including small deposits, aligning with global postal service trends.

OBJECTIVES

The existing study was conducted with the following objectives in mind:

1. To understand the diverse factors that individuals consider when investing in post office schemes.
2. To identify factors that significantly impact investment decisions in post office schemes.

RESEARCH METHODOLOGY

This research examines the elements that impact individuals' investment decisions in post office schemes. This study employed a structured approach, including a literature review and qualitative research methods. This study used Content Analysis, an organized research technique for qualitative and quantitative textual information analysis. Content analysis systematically identifies words, themes, or concepts within qualitative data. The research conclusions are based on the articles' frequency and occurrence of these elements. The content extraction process was facilitated through categorizing and developing themes.

REVIEW OF THE LITERATURE

Kabra (2010) revealed that an individual's willingness to embrace risk is subject to the influence of age and gender. Singh's (2018) individual-to-investor sentiments concerning savings plans in Himachal Pradesh reveal that a substantial portion of the employed population gravitates toward the post office scheme. This preference is primarily attributable to the government's guaranteed safety and return stability and various tax incentives. The principal investment government outlined in this study encompasses recurring deposits, post office saving banks, and monthly income plans. Family and friends are considered the primary sources of investment knowledge.

Krishnamoorti (2009) determined that an individual's decision to invest is significantly shaped by their educational background, employment status, and habits about financial investments. Birajdar and Joshi (2016) underscored that, notwithstanding customers expressing less-than-enthusiastic views about the present postal services, India Post maintains a positive customer reputation among its clientele. The extensive customer base of India Post stands as a noteworthy asset, attributable to its consistent and sufficient provision of services to Indian citizens over an extended period. The public's enduring trust in the postal system remains steadfast, owing to infrequent instances of fraud and public and government support. Customers' perceptions of India Post remain unique, even without a formal corporate structure. Regarding the financial services provided by the Department of Post, small investors experience favorable returns. Given the lower risk involved, individuals across all income brackets and investor categories prefer bank and post office deposits (Kaushal and Kinjal, 2012). In contrast, higher-income groups with elevated educational attainment tend to favor investments in stocks, mutual funds, insurance, commodities, and real estate.

Teli's 2017 survey of 50 participants from the Rajsamand district revealed that most respondents were primarily familiar with office deposit programs through their social circles of friends and family. However, there appeared to be limited awareness of various other post office programs, such as post office saving accounts and regular deposits. While acknowledging the adequacy of the post offices' small savings programs for rural areas, Teli emphasized that more deposits should be encouraged. Public awareness should be raised through advertising and the engagement of agents. Teli also highlighted the advantages of a post office savings plan, which provides small investors with a secure and risk-free investment option, as previously noted by Mathumitha in her 2015 study. Mathumitha recommended integrating cutting-edge technology into the post office operations to enhance customer service by expediting transaction processes and increasing interest rates on post office loans.

Furthermore, Meht's 2015 research explored the challenges post office savings banks encounter when interacting with financial entities like banks and insurance companies. These challenges include heightened competition and ongoing technological advancements such as information and communication, particularly in mobile technology and high-speed internet connectivity. Ravindran's 2018 study highlighted that the post office is one of many means for the general population to read articles. The post office offers the public various financial services, including international money transfers, postal life insurance, mutual fund investment' and small savings plans. Additionally, Ravindran recommended using advertising to educate and inform female investors about post office savings plans to attract them as potential investors. Holosagi's 2018 research revealed that investors are primarily motivated to invest in the postal system to meet their domestic needs and secure their finances in old age. They highly value reliability, safety, ease of management, and local accessibility. Holosagi suggested that because awareness of postal investment schemes remains low among the general populace,



the government should raise awareness, especially among rural residents, so that they can benefit from these schemes.

Embu, in 2018, noted that more rural women are inclined to invest their money in the post office because of its proximity to the Holosagi 'sces. Additionally, he asserted that when officials encourage rural residents to invest in post offices, it contributes to the growth of the postal sector. Most investors are attracted to post office savings plans primarily because of the tax benefits they offer. Jain and Kothari's 2012 research focused on the advantages of post office savings plans, emphasizing the Department of Post's 150-year service to the public as a cornerstone of rural economic development and communication facilitation. They highlighted the influence of the minimum savings requirement, account creation prerequisites (Rs. 500), and tax advantages, which have significantly impacted saving practices in rural India over the past decade. Their study examined how investors perceive various financial instruments considering these factors. Kumar's 2006 research suggested that post office savings programs can be crucial to Kothari's country's growth by helping rural residents develop consistent and gradual savings habits. Investment Post has historically been a pivotal factor in economic development and the increase in national revenue. Kumar emphasized that sufficient savings are necessary to support capital formation and achieve production targets.

In 2015, Teli and Kore explored customer perceptions of post office savings schemes. They highlighted that many postal investments offer income tax exemptions and interest payments, making them competitive with other investment opportunities, such as public sector firms, commercial and cooperative banks, and non-banking financial institutions. Given the significant impact of these investment options on investors' saving behavior over the past decade, institutions offering such instruments must research clients' opinions and perceptions regarding these financial tools. Aggarwal's 2012 research focused on the Post Office Savings Bank in India, which strongly emphasizes security, safety, and risk-free components to distinguish it from its competitors. Aggarwal suggested that the bank intensify its marketing efforts to convey this positioning strategy to its target audience effectively.

Furthermore, the IT revolution presents challenges and opportunities for banks, as automation technology can enhance their operations. In their 2018 study, et al. asserted that individuals with limited literacy, driven by a lack of knowledge and related factors, tend to exhibit a heightened inclination toward depositing their funds in post offices. Conversely, those belonging to higher income brackets rarely express interest in channeling their resources into post office investments because of the modest interest rates offered. The associated tax benefits are the principal advantage of participating in a post office savings scheme. Authorities should take proactive measures to promote awareness of people's financial options in post offices to bolster the growth of the postal sector. Similarly, when juxtaposed with alternative investment strategies, Kumar (2018) positioned itself as an exceptional choice, particularly for rural working women. Its user-friendly accessibility, assurance of secure investments, and absence of premature

closure risks engender a strong sense of trust and positive attitudes towards post office savings plans among rural active women investors.

According to Mohamad and Shajahan's 2016 research, the post office has traditionally served as a vital source of financial services for millions of people residing in rural areas. It plays a pivotal role in these remote regions, bridging the gap between them and the rest of the country while also delivering banking services due to the absence of banks in rural locales. The study titled "Post Office Savings and Attitudes of Rural Investors in Kerala: A Study from Kasaragod District" by Karunakaran et al. (2020) emphasizes that the postal department has introduced various post office schemes to foster rural development. However, there is a need for them to realign their services to attract new customers. Naveen et al.'s 2021 study, "A Study on Customer Satisfaction in Post Office Savings Schemes with Special Reference in Coimbatore City," underscores the importance of the postal department taking proactive measures to promote savings schemes and enhance their public services. Richa's 2004 analysis shows that the Post Office remains a preferred choice for savers, which is evident in the 32.45% increase in collections during the first sector of the current fiscal year compared to the same period in 2003-2004. This surge in popularity is attributed to the higher interest rates offered by post office deposit programs compared with banks. Gross saving deposit receipts experienced a substantial increase between 1999-2000 and 2003-2004, ranging from Rs.34,650 crore to Rs.91,3000 crore. Jain and Kothari's 2012 study delved into the perceptions, preferences, concerns, and attitudes of investors regarding the various deposit plans offered by the post office. They found that demographic characteristics, monthly income, and educational background had no significant impact on individuals' perceptions of post office deposit schemes.

In her study titled "Investor's Attitude towards Post Office Saving Schemes in Cumbum Town," Gayathri (2014) discovered that respondents expressed satisfaction with the post office schemes. However, she recommended increasing awareness and interest rates while advocating the adoption of the latest technology to expedite transactions. Interestingly, the attitudes of investors toward post office deposit systems remained unaffected by the Individual Communication System ICS. Additionally, the study by Kumar and Kannaiah (2014) on "Investors' Attitude towards Saving at the Post Office" revealed that age, education, and income did not influence investors' sentiments regarding saving at the post office. Instead, post office plans were primarily chosen to meet the financial needs of spouses and children. The research also highlighted the impact of income instability on investors' investment decisions. In a study by Beriwal et al. (2022), expanding postal authority in India introduced complexity for investors in selecting specific savings plans. Research was conducted to gauge investor preferences and awareness of the Postal Savings Program, leading to recommendations to assist investors. It was noted that small postal saving banks offered a reliable return for surplus funds despite declining interest rates and volatile capital markets. The success of postal service programs hinged on attracting new and retaining investors, emphasizing the importance of satisfying investor needs.



Benazir (2022) highlighted the issue of ignorance regarding numerous post office programs and proposed organizing fairs and campaigns to raise awareness. Many individuals viewed low-interest rates as a disadvantage, mainly when saving for children's education and marriage. Raising interest rates and implementing technological innovations to expedite transactions and reduce processing delays were suggested. The limited accessibility of tax benefits was also underscored with a call for their expansion to additional programs. Poor staff responses were identified as a concern, necessitating the deployment of special representatives to address customer complaints. Age was found to influence perceptions, with young parents placing significance on post office programs, prompting a suggestion to attract older parents as well.

Anuradha and Hema's (2023) study findings indicated that financially literate women possess the information and the capability to make sound financial decisions, motivating them to support their families and manage their finances effectively. Although various organizations are conducting measures to increase financial literacy, there remains a need for awareness campaigns through seminars, commercials, and similar initiatives. Ganapathi (2010) highlighted the primary objectives of various small savings schemes that aim to assist small investors and individuals with high tax burdens. The study concluded that effective advertising of post office savings schemes was necessary to increase deposits and raise awareness among the general population.

RESEARCH GAP

There should be more research gaps in our understanding of the technological solutions required to enhance post office savings schemes. In addition, investigating the intricate relationship between interest rates, investor behavior, and the economic factors influencing interest rate adjustments holds promise for gaining valuable insights. Further research should also explore variations in how specific demographic groups perceive these schemes, identify the most effective methods for increasing awareness and financial literacy, assess the potential impact of expanding tax benefits to additional programs, delve into unique preferences and challenges faced by male and female investors, and evaluate the long-term performance and outcomes of participants in post office savings schemes.

FINDINGS

This thorough review explores the diverse terrain of investment options and choices, exploring various factors significantly influencing individual decisions. The review has unveiled the subsequent discoveries and assessments.:

- The study emphasizes the impact of age, generation, and gender, revealing intriguing patterns that shape investors' preferences. A discernible trend emerges as older investors and senior citizens manifest a distinct preference for postal schemes, drawn to their simplicity and suitability. Gender dynamics further contribute to the narrative, with females displaying a heightened inclination toward investing in these schemes.

- It reveals that salaried individuals are drawn to post office schemes due to their perceived safety, guaranteed returns backed by the government, and associated tax advantages, simplifying the intricacies of financial decision-making.
- Educational qualifications also surface as a noteworthy variable in the investment landscape, delineating how individuals with diverse academic backgrounds manifest disparate preferences.
- Remarkably, despite the absence of a professional culture, this study illuminates the enduring impact of customer perceptions on India Post, elucidating the motivational factors driving investment in post office schemes.
- The allure of post office schemes is multifaceted, with investors citing the rarity of fraud and malpractice, attractive returns, and a perception of safety compared to alternative financial assets.
- The motivations underpinning these investments coalesce around domestic purposes and securing retirement, with investors prioritizing ease of management, local accessibility, and a sense of financial security.
- Intriguingly, the review highlights the nuanced preferences of rural women, who exhibit a keen interest in post office investments owing to geographical proximity.
- At the same time, parents find solace in depositing savings in post office schemes due to their perceived risk-free nature and associated tax benefits.
- This exploration extends to rural working women, revealing a robust trust and positive attitude toward these schemes attributed to their straightforward investment process, easy accessibility, and the absence of concerns related to premature closure.
- Conversely, a dichotomy emerged among higher-income groups that veered toward modern investment options, eclipsing the traditional appeal of post office schemes.

This review encapsulates a panoramic understanding of the diverse factors that intertwine to shape investment decisions, providing valuable insights into the dynamic interplay of demographics, perceptions, and motivations within the investment landscape.

CONCLUSION

This study considers the factors influencing investments in post office schemes. The findings reveal that investors prefer to allocate their funds to options that are secure, straightforward to comprehend, devoid of risk, and offer tax benefits with easy accessibility. Female investors, in particular, exhibit high levels of trust in post office schemes. Moreover, investors expressed a high degree of satisfaction with these schemes. Overall, individuals opt for investment avenues that are easily understandable and prioritize the safety of their investments.



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