CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Savings and investment are key requirements for growth and development of an economy. However, lack of savings and investments are common in developing countries. The issue of low levels of domestic savings is a major problem in developing economy because of high unemployment, low wages, engagement of a large proportion of the population in the informal sector and poor performance of the economy. The interaction between savings and investment has become a subject of great interest and debate among macroeconomists. Conventional thinking holds that savings is an essential element in promoting investment and subsequent economic growth. Economic growth may be defined as a rate of expansion that can move an underdeveloped country from a near subsistence mode of living to substantially higher levels in a comparatively short period of time, ie, in decades rather than centuries.[1] According to this view, low levels of domestic savings in some developing countries condemn them to an uncomfortable choice between low investment and growth, or excessive reliance upon foreign capital which makes them vulnerable to financial crisis.[2]

India is the Second largest populated country in the world having more than 16 percent of the world's total population. As per 2011 census data, it estimates that the total population of our country is 1.21 billion. The population has grown up, but the growth of economy is low due to multiple reasons stated before and another important reason identified by economists is low savings rate.

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1 Misra.Puri, (2009), **Indian Economy**, Himalaya Publishing House, Mumbai, P.No. 3.

2 Loesse Jacques Esso, (2010), **International Journal of Economic and Finance**, Vol.2, No.1,P.174.

Saving has generally been hold to be one of the major determinants of economic development. According to Adam Smith, "Whenever a person saves from his revenue, he adds to his capital and since the capital of an individual can be increased only by what he saves from his annual revenue, so also the capital of a society can be increased only in the same manner".[3]

In India, during pre-independence period, people spent most of their income on consumption and only a small amount of income was left in the form of savings. Therefore the saving rate was very low, especially in the rural sector. After independence in 1947, the major objective of the government policy has been the promotion of savings and capital formation as they are the primary instruments of economic growth.

Saving is not mere non-spending. It involves a conscious choice between present and future satisfactions. It represents a positive act involving deliberate decision making. There are some motives that compel individuals to engage in savings. Savings satisfy unforeseen contingencies. Saving is needed for an anticipated future relation between the income and the needs of the individual or his family which exists in the present like old age security, family education or the maintenance of dependents. Most of the people prefer to buy larger real consumption at a later date than a smaller immediate consumption. This is possible only because of savings. Individuals who want to improve their standard of life, surely want to increase their savings. It is definite that savings lead to a sense of independence and the power to do things.

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3 P.G.K. Panikar, Profand H.O.D. of Economics, University of Kerala (1970), **Rural Savings in India**, Somaiya Publications Pvt. Ltd., Bombay, P.2.

There are factors that affect the motives for savings. Family size, low degree of monetization, rudimentary state of institutional finance, extended family system, stronghold of religion, customs and traditions are some of the factors that affect motives for savings.[4]

The backwardness of the less developed economies is self-perpetuating and the position is that poor because they are poor. The savings are low because of low income. Since there is low investment, there is low employment of persons and low level of utilization of resources and hence the propagation of income becomes low. Once again there will be low savings.

Savings of the middle class people in the formal sector are mostly in the form of compulsory savings. The government compels them to make savings in the form of provident fund, family benefit scheme, insurance policies. It is pity that while the government makes the middle classes save compulsorily, it does nothing to protect the real values of savings. As the inflation rates become high, nothing is done to index the savings falling value of money. The upper classes own almost the entire savings to falling value of money. They invest in jewellery and precious metals. They also invest these ill-gotten savings in gilt-edged securities.

In most of the less developed countries, a large segment of the economy may remain non-monetized, ie barter system may be prevailing. Savings are not institutionalized and hence remain in the form of cash hoardings on which no interest is earned by the savers. Since the deposits with the banks and other financial

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4 P.G.K. Panikar, Profand H.O.D. of Economics, University of Kerala (1970), **Rural Savings in India**, Somaiya Publications Pvt.Ltd., Bombay, P.133.

institutions may be low, credit creation may also be low. Banks do not have many branches in rural areas and the credit – deposit ratio remains in favour of the urban areas and industries as against rural areas and agriculture.

Saving comes out of surplus and surplus comes out of ‘plus’ in the budgets. Savings will be high when ability, willingness and facilities to save are high. Ability to save is the function of income on one side and family burden on the other. However, once a particular level of income has been attained, then savings become a function of income and willingness only. Willingness to save depends upon the personal traits of the people.

Taxes are collective savings on behalf of the society made by the government for putting them to use for the collective good. The government can collect the savings of the people in various schemes of deposits through post offices, banks or insurance companies. Household savings become the most important source of capital formation in the country. When small savings are collected in savings accounts, insurance policies, compulsory deposit schemes, provident funds, the governments have special responsibility to ensure that the returns are adequate in real terms. If the small savers are cheated out by inflation, the willingness of the people to save decreases and control of inflation and utilization of savings in productive uses become very much necessary.

Savings-income ratio is constantly increasing in India despite increase in population and increase in prices. Private sector savings have increased and is perplexing. It suggest that they must be saving in such a way that the government statistics cannot record them. At such a low rate of savings, the private sector could not have shown good performance even if it is to be conceded that they borrow from the government banks and other institutions.

Financial savings in India are in the form of currency, banks and other deposits, investment in corporate shares and debentures, life insurance fund, provident fund, unit trust and small savings. The physical assets represent investment in construction, machinery and equipment and inventories which amount to capital formation of the sector. Financial savings are increasing because of the various compulsory and semi-compulsory schemes which the tax payers have to make use of to save on taxes. Increasing institutional facilities and several attractive schemes of savings have increased the financial savings.[5]

In a developing country like ours, small savings play a vital role. In our economy, they help both the government and individuals in mobilizing the income. With the mounting public expenditure, the government has to find out various ways and means to augment the income sources, so as to meet and to satisfy the various needs of the people.

Though there are different methods of raising income for public expenditure, the receipt of small saving deposits from the public is one of the methods of mobilizing funds. The receipt of small savings deposit from the general public forms part of raising the total revenue by the government. Most of the Indians do not have the habit of saving out of the income due to various reasons. Perhaps, the low income and the increased standard of living may be the two main reasons behind their poor

5 K.P.M. Sundharam, (1967), **Indian Economy**, S. Chand and Company Ltd., Ram Nagar, New Delhi, P: 35.

savings. Various attractive small saving schemes offered by the government not only offer greater interest on the deposits, but also provide safety and protection to the investors.

The composition of the massive rise in domestic savings is also quite novel in India. The category of households continues as the largest single component of domestic savings, with its share rising steadily as a ratio of GDP over the past two decades. But this category of savers accounted only for an additional 2 percent of GDP between 2000-02 and 2006 -07. The remainder of the 11 percent of GDP increases came from private companies and the public sector. The constitution of private corporate savings more than doubled, from 3.6 percent of GDP in 2000-02 to 7.8 percent in 2010-11.[6]

Saving decisions are directly associated with active, positive decisions to acquire specific commodities or claims in future. Thus saving decisions are made in favor of pension or provident fund for old age, insurance against unforeseen adversaries, education for children, durable goods to be purchased over a period. Savings denote the change in net worth. It is the increase in liabilities, excluding capital gains or losses and capital transfers.

Hence, savings have got a very important role to play in the shaping of the economy. It has an important place in the mobilization of resources for development expenditure because the investors would not only get back their money, but they would also prefer to lend money in this way instead of paying it as outright tax.

6 Shankar Acharya and Rakesh Mohan, (2010), **Indian's Economy performance and Challenges**, Oxford University Press, New Delhi. P:No: 129.

Further, in a developing economy, always there will be surplus money available for circulation.

Therefore, in order to promote savings and to utilize this surplus money, the government has initiated different steps. The noteworthy step in the sector of small savings schemes is formation of a new organization, namely, National Savings Institute replacing the existing National Savings Organization. It is set up under the control of Ministry of Finance, Government of India. It has transferred the whole work relating to SAS / MPKBY / PPF agents to state governments and has retained only the work relating to training of agents. The main functions of the institute are to promote small savings movements in all possible ways, to form Pay Roll Savings Groups at places of work, industrial establishments, to arrange publicity of the various savings schemes and mopping up as much savings as possible through authorized agents or other voluntary workers. The National Savings Institute is headed by a Director with headquarters at Nagpur. At the headquarters he is assisted by 2 Joint Directors, 7 Regional Directors, 11 Assistant Directors (Sr), 2 Assistant Directors (Jr) along with other administrative staff. The Institute has 10 Regional Centers in different states.[7]

State Governments have their own organizations to supplement the efforts of the National Savings Institute. The states are interested in savings because 50 percent of the net collections under Small Savings is returned to the State by the Government of India as long term-soft loan. The long repayment schedule makes it an excellent

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7 K.P.M. Sundharam (1967), **Indian Economy**, S. Chand and Company Ltd., Ram Nagar, New Delhi, P: 49.

resource for the State for investment in improvement /development of infrastructure like Roads, Drinking-water, Sewerage, Hospitals, Schools.

In India, there are multiple investment avenues available to meet the various needs of investors. These investment options differ from each other based on their returns, maturity period and the risk taking capacity of the investors, among other things. In terms of their returns, they can be classified into high return and low return classes.

However, risk and returns go hand in hand, the higher the risk involved, the higher the returns to be expected. Investors who aspire for higher returns have to bear a high level of risk as well. An example is an investment made in the highly volatile stock market. As far as the time aspect of the investment is concerned, there are financial instruments which are short term in nature and these include savings bank accounts, money market, and fixed deposits with banks. On the other hand there are some financial instruments which offer a long-term horizon for investment. These include post office savings, public provident fund, company fixed deposits, bonds and mutual funds. All these avenues are accessible to all sections of the society. The researcher has identified from all the above that the post office saving schemes fulfill the needs of the society in terms of savings. The post office saving schemes are unique in the sense that post offices are spread all over the country regardless of the economy of the location. It is available in the metro cities and at the same time it is also available in hilly terrains. It also offers various saving options that caters the need for different strata of the society. Since it is under the control of Government of India, it offers security and guarantee to the money deposited.

For more than 150 years, the Department of Posts has been the backbone of the country's communication and has played a crucial role in the country's socio-economic development. It touches the lives of Indian citizens in may ways: delivering mails, accepting deposits under Small Savings Schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The Department of Posts comes under the Ministry of Communications and Information Technology. The Postal Service Board, the apex management body of the Department, comprises the Chairman and six Members. The six members of the Board hold portfolios of Personnel, Operations, Technology, Postal Life Insurance, Human Resources Development, Planning respectively. Post offices in India play a vital role in the rural areas. They connect these rural areas with the rest of the country and also provide banking facilities in the absence of banks in the rural areas. Today, Indian postal system has a reach that ranges from arid deserts of Rajasthan and Kutch to the icy heights of Laddakh. India has the highest post office in the world in Sikkim at a height of 15,500 feet. Indian postal service provides many facilities like general or registered mail, parcel post, speed post, express post, e post and special courier service known as EMS-speed post. They also offer a number of post office saving schemes like National Savings Certificate, Recurring Deposits and Term Deposits.[8]

The origin of modern postal system in India can be traced back to 1837. The first Postal Service System was introduced for the Royal services only. Rowland Will, a school teacher, made a suggestion for a postal reform in 1839. He successfully

8 K. Parimala Kanthi (2013), **Post Office Savings and its Relevance in Rural Areas With Reference to Madukkarai Block, Coimbatore district**, International Journal of Scientific Research, Volume :2, Jan 2013, P:27.

produced a device for payments known as Post Stamp on May 1840 and it was introduced for the public on May 6, 1840. The first stamp carried Portrait of Queen Victoria. In India, the first Postal Stamp was issued in Karachi in 1852.

The modern money order system was introduced in 1880. The Post Office Savings Account started in 1882 and the Postal Life Insurance in 1884, the Railway Mail Services in 1907, the Airmail Services in 1911, and the Posts and Department of Communication on December 31, 1984.

The Indian Postal system is a vast infrastructure providing the ultimate access for poor people to basic services, the last mile connectivity, both literally and along the development path, to a billion people. The basic services are not just the delivery of letters and postcards, but the money order as well, for which most poor and illiterate people rely on the post office, in preference to banks, because of its simplicity and easy access. One of the critical success factors for the India Post (IP) was that there was a very good fit between the demands of the job and the capabilities of the large majority of its employees, enabling a fairly labour-intensive operation to integrate well with sophisticated delivery system, which required great coordination with carriers like airlines, railways and road transport.[9]

The National saving schemes in Post office savings are of recent origin and are particularly useful for the purpose of acceleration of development in the Indian economy. These schemes have been prepared carefully with the view that the small investor will take advantage of easy accessibility due to the fact that post offices exist

9 V. Ranganathan (2005), **Challenges in Reform of the Indian Postal Service**, Economic and Political Weekly, September 17.

in every locality. Moreover, it was also to encourage the saving habit of the uneducated class and small savers. The resources of the small savers help mobilization of savings in the economy.

1.2 NEED OF THE STUDY

The Indian economy is growing significantly and has various investment options. But the government of India has provided the oldest investment option. Still the postal saving schemes have not gained much importance. The changing postal environment presents an enormous challenge for traditional postal business. It also creates a vast array of new business options and opportunities, as the interest rate compared to other schemes provided by the postal schemes are higher. The present study has been undertaken to analyze whether the postal saving schemes have gained importance among the investors or not. So this study helps to know the depositor's attitude towards post office saving schemes.

1.3 STATEMENT OF THE PROBLEM

India has a mixed economy where various kinds of people, rich or poor are living. Due to the large size and population of around 1000 million, India's GDP ranks among the top 15 economies of the world. However, around 300 million people or about 60 million households, are living below the poverty line. It is further estimated that in these households, only about 20 percent have access to credit from the formal sector. Additionally, the segment of the rural population is above the poverty line, but not rich enough to be of interest to the formal financial institutions, also does not have good access to the formal financial intermediary services, including savings services.

The demand for savings services is ever higher than for credit. Studies of rural households in various states in India show that the poor, particularly women, are looking for a way to save small amounts whenever they can. The irregularity of cash flows and the small amounts available for savings at one time, deter them from using formal channels such as banks. The poor wants to save for various reasons as a cushion against contingencies like illness, calamities, death in the family and the like.

Over the decades, following India's independence in 1947, the Government of India, has made concerted efforts to mobilize rural and urban savings. Savings options are many. People can save their money in post offices, chit funds, banks, Life Insurance Corporation and the like. In the case of savings services, though the banks have provided access to a large number of small depositors, the demand is nowhere near being met. Hence, the poor turn to other means like chits, nidhis and companies. Many such companies fly-by-night and as a result, the poor lose their money. Hence, the safety of savings is of higher concern than interest rates.

Savings have become an important tool in poverty alleviation. People need savings to run their day to day life. Savings depends on the life style of a person. Savings are meant to meet contingencies and raise the standard of living of an individual saver. Domestic savings play an important role in bringing about economic development of backward countries. In order to promote the economy of our country, various post office saving schemes have been introduced by the post office.

Post Office Saving Schemes are the one among the many savings plans available for the people. To tap money from public, there is a severe competition among banks. India is a country of villages, hence the people are unable to be aware of the Post Office Saving Schemes. The depositors face a lot of difficulties while depositing money and getting back their deposits.

Post offices offer various saving schemes like Savings Bank Account, National Savings Certificate Account, Post Office Monthly Income Scheme, Senior Citizen Scheme, Recurring Deposit and so on. Banks also offer deposit schemes, but still Post Office Saving Schemes have gained significance in rural areas.

This study aims at bringing the attitude of depositors towards Post Office Saving Schemes and finding ways and means to solve if there are any problems. Hence, an exploratory study has been identified and the researcher has formulated the research problem as "A Study On Post Office Saving Schemes in Kanyakumari District".

1.4 REVIEW OF PREVIOUS STUDIES

A review of the previous studies on the title related to the savings is necessary to know the areas already covered. This will help to find out new areas and to study them in depth. The important studies are as follows:

Report of the Congress Committee (1956) states that the intention to save is important for human life especially for developing countries. Saving is necessary for the sake of both nation as well as an individual. Now-a-days, people are interested in making their investment in buying ornaments. In the changed context of things, some measure is needed for our people to give up these habits which are unproductive and also risky. Hence, there exists good scope for investment in small savings.[10]

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10 AICC Economic and Political Research Department, (1956), **Report of the Congress Committee**, New Delhi.

The National Council of Applied Economic Research (NCAER) 1961 undertook a comprehensive study on the "Aggregate savings in India in 1958" with a view to provide detailed estimates of savings and investments in the major sectors of the economy, viz, the government, corporate and individual sectors. The study revealed that in comparison with individuals and the government, corporations have never played a substantial role in the Indian economy or in the aggregate savings.[11]

Shantilal Sarupriya (1963) in her case study, Individual Savings in an Underdeveloped Economy – India, has made an attempt to give certain widely held views about an individual's saving behavior in an underdeveloped economy like India and suggested the ways of potential savings which could be mobilized for investment. The study has revealed that productive assets like shares, securities, insurance premium, bank deposits and small savings have been held by investors for around 25 percent of total household savings. Unproductive assets like gold, currency and durables attracted rest of the 75 percent of savings. It has also been found in the study that the act of savings in Indian families was the duty of women, who were largely illiterate and more tradition bound than the men. In India, the very uncertain economic, political, social condition, monsoon dominated agriculture provide a strong incentive for large mass of people to save.[12]

The **NCAER** (1965) in their study, "All India Rural Household Saving Survey" has reported the average net savings – net income ratio of the rural

11 National Council of Applied Economic Research**,** (1961) **Savings in India – A Monograph**, New Delhi.
12 Shantilal Sarupriya, (1963), **Individual Savings In An Underdeveloped Economy – India: A Case Study**, The Economic Weekly.

households in India as 4.7 percent and the marginal propensity to save as 16.1 percent.[13]

Desai (1967), in his study, “Social Aspects of Savings” has said that the social and cultural aspects of individuals, families and communities are the main factors for influencing savings. In these circumstances, it is easy to avoid compulsory savings and to create a good climate for socio-cultural aspects.[14]

Kelly and Williamson (1968) made their attempt “Household Saving Behavior in the Developing Economics: The Indonesian Case” to study the importance of income levels in influencing average saving rates by occupation. They concluded that the farmer, the government employee and the urban wage earner are all negative savers, while the trader – craftsmen and the owners of businesses have average saving ratios.[15]

Panikar (1970) in his study, “Rural Savings in India” has stated that when compared with urban, rural families have interest for savings. But most of the rural savings are held in the form of physical assets, especially in land and buildings. He suggests that the financial institutions should take necessary steps to familarise the new forms of investments to rural areas. The opening of new channels of investment in the rural areas will tone up the rural capital market. A radical change in the pattern

13 All India Rural Household Saving Survey, (1965), **Income, Investment and Savings**, National Council of Applied Economic Research. New Delhi.
14 Desai V. R. M., (1967), **Social Aspects of Savings**, Popular Prakashan,
15 Kelly, Allen C and Williamson Jeffrey G. (1968) **Household Saving Behaviour In The Developing Economies: The Indonesian Case**. Economic Development and Cultural Change Vol.16(13).

of investment in the rural families is a pre-condition for stepping up investment and accelerating development in the sector.[16]

The Inter-Regional Seminar on “The Mobilization of Personal Savings in Developing Countries”, held at Stockholm (1971) has recognized that in order to extend the savings habit of the public, it is essential to carry out dynamic publicity and education campaigns. The campaigns should be tailored to the attitudes and needs of the people of the country and make continual analysis of the motives which tune people to save.[17]

The National Council of Applied Economic Research (1971) conducted a survey on “Depositors Appraisal of Banking Services”. The report revealed that 59 percent of the samples of depositors were keen to deposit their savings in non-banking companies, mainly because of the higher rates of interest offered by them.[18]

Alamgir and Rahman (1974), in their study, “Savings in Bangladesh” stated that an increase in the standard of living will not be possible unless there is an increase in domestic savings.[19]

Repetto and Shah (1975) in their attempt,”Demographic and Other Influences on Long term Saving Behaviour in a Rural Development Block of India” tried to make a modest contribution to the understanding of rural savings in India and

16 Panikar P.G.K., (1970), **Rural Savings in India,** Somaiya Publications Pvt. Ltd., Bombay.

17 Report of the Inter-Regional Seminar, (1971) **Mobilization Of Personal Savings in Developing Countries**, Stockholm.: 2-11.

18 National Council of Applied Economic Research, (1971), **Depositors Appraisal of Banking Services**, New Delhi.

19 Alamgir and Rahman, (1974), **Savings in Bangladesh 1959/60 to 1969/70**, Research Monograph No.2, The Bangladesh Institute of Development Studies, Dacca.

established that large size of the family had a depressing effect on long – term household saving rate.[20]

Navin Chandra Joshi (1978) in his article, "Savings in Indian Economy" has observed a suggestive policy by which a major portion of savings should come from the richer classes of the society. Therefore necessary steps should be taken to increase income of people in both rural and urban sectors.[21]

Narayanan (1979) conducted a survey in Chittoor district to collect data on income, savings and investments of rural and urban households during the year 1973-74. In his survey report he has pointed out that the average saving – income ratio of the total rural households is 15 percent. In the case of the urban households, it is 16 percent. According to the survey report, the marginal propensity to save of rural households is 41.8 percent, as against 33.1 percent in the case of urban households.[22]

Rathnasamy and Sebastian (1979) in their study, "Savings Behaviour of Urban People in Tamil Nadu – A Case Study" have pointed out that even though the income factor is a very influential determinant of savings, there also exists other important factors which determine the household savings, such as size of the family and education of the head of the household.[23]

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20 Repetto and Robert Shah, (1975), **Demographic and Other Influences on Long-Term Saving Behaviour in a Rural Development Block Of India**, Occasional Paper I, Gujarat Institute of Area Planning, Ahmadabad.

21 Navin Chandra Joshi (1978), **'Savings In Indian Economy**,' Yojana, Vol. XX111, No. 42.

22 Narayanan D. L., (1979), **Income, Savings and Investment of Household Sector in Chitoor District**. S. Chand and Co. Ltd., New Delhi.

23 Rathnaswamy. D and Fr. Sebastian, M., (1979), **Saving Behaviour of Urban People in Tamil Nadu – A Case Study,** Paper read at the Indian Economic Conference, Surat.

Dharma Wat (1979) conducted a study, "Mobilisation of Rural Deposits by Commercial Banks in Rajasthan" to measure the role played by commercial banks in mobilising rural deposits. In his study, he has revealed that rural savings constitute nearly 16 percent of the household's income. The average rural savings per family is Rs. 407 and per capita savings is Rs. 74. A very small part of these savings is held in the form of cash or bank deposits. A major part of rural savings is still held in the form of gold, jewellery, land and commodities.[24]

Siddiqui and Irdis Siddiqui (1979) in their article, "An Analytical Study of Financial Savings in India" have pointed out that in India the household sector is the major saver, the government sector is immature and the corporate sector is the meager saver so far as financial savings are concerned.[25]

Rajkumar. R. (1980) in his thesis, "Household Savings Pattern Determinants' and Motivators" has identified that the use of long- term bank deposits seemed to be unattractive for rural salaried class. Rural salaried class also holds only a little part of their financial assets in post office savings deposits. In fact, only salaried household resort to post office among all household in urban area though the actual amount held was small.[26]

Mujumdar (1980) in his study, "High Savings Phase of Indian Economy" concluded that the saving scenario of Indian economy faced a drastic change in the latter half of the 1970s. Savings in the form of physical assets which was about 5 to 6

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24 Dharmawat D. L., (1979), **Mobilisation of Rural Deposits by Commercial Banks in Rajasthan**. Dissertation, University of Udaipur.

25 Siddiqui A. M. and Siddiqui Irdis (1979), **An Analytical Study of Financial System in India – 1950-51 to 1970-71.** Paper presented at the Indian Economic Conference , Surat.

26 Rajkumar. R, Household Savings Pattern (1980), **Determinants and Motivators,** Ph.D. Thesis, University of Madras.

percent of the national income during the early 1970's rose to 8.6 percent during 1977-78, and further to 9.3 percent during 1978 – 79. He concluded that in the period 1976 – 79, the build up of institutional infrastructure, the rapid branch expansion of commercial banks and the establishment of Regional Rural Banks, provided the base for higher mobilization of savings.[27]

Krishnamurthy and Saibaba (1982) in their study,"Savings Behaviour in India" pointed out that the combined impact of the green revolution and the inflation seem to have caused a larger upward shift in the propensity to save in agricultural sector as a whole during the first half of the seventies and therefore, the propensity differential between the two sectors, viz, agricultural and non-agricultural, narrowed during the period from 1970-71 to 1975-76.[28]

Tamilkodi (1983) in her study,"Small Savings Schemes in Tamil Nadu: A Trend Study" has stated that small savings schemes have a psychological appeal and provide an opportunity for ordinary men, women, and even children to save. It reaches a large number of people and covers a wide range of areas. She has also suggested that efforts should be taken to simplify the procedure of small savings schemes to suit the needs of illiterate and socially downtrodden people. Further, she has recmmented an increase in the rate of interest for small savings schemes to meet the challenges of commercial banks.[29]

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27 Majumdar N. A,, (June 1980), **High Saving Phase of Indian Economy,1976-79.** An exploratory interpretation of occasional papers, Vol.1. No.1, RBI, Bombay.

28 Krishnamurthy. K. and Saibaba. P., (1982), **Savings Behaviour in India**, Hindustan Publishing Corporation, New Delhi.

29 Tamilkodi, A. P. P, (1983), **Small Savings Schemes in Tamil Nadu: A Trend Study (1970-80)**, Ph.D, Thesis, University of Madras, Tamil Nadu.

Giriappa (1984) in his study, "Savings and Investment Pattern in Rural India" has made an attempt to pinpoint the regional disparities in income, savings and investments and revealed that in India the states of Andhra Pradesh, Bihar, Gujarat, Karnataka, Maharastra, Punjab and Rajastan have high saving and investment rates. Haryana, Madhya Pradesh, Orissa and Uttar Pradesh have medium rates, while Kerala and Tamil Nadu have very low saving and investment rates.[30]

Group Project (1986) a report on "An Economic Study of Investment Behaviour of Working Women in Coimbatore City" has concluded that provident fund, post office savings, chit funds etc., were most popular channels of investment among the working women. LIC, NSC and UTI have attracted more and were very common among them. It has also been concluded that efforts have to be made further towards popularizing the investment source among working women.[31]

Panikar (1986) conducted a "Survey in Rural Household Savings and Investment". One of the major objectives of his study was to estimate the level of savings among rural households. For conducting the study, four villages, two each from Kerala and Tamil Nadu were selected. According to the report, the average household income was comparatively low in the Tamil Nadu Villages, designated at Rs. 9620 and Rs., 12622 as compared with the Kerala Villages, placed at Rs. 18454 and Rs. 24219. The rate of savings in the Tamil Nadu Villages was comparatively

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30 Giriappa. S, (1984), **Savings and Investment Pattern in Rural India**, Ashich Publishing House, New Delhi.

31 Group Project, (1986), **An Economic Study of Investment Behaviour of Working Women in Coimbatore City**. PSG College of Arts and Science, Coimbatore.

higher, i.e, 12.9 percent and 23.8 percent of the income as against 2.2 percent and 19.8 percent respectively in the selected villages form Kerala.[32]

Mammo (1987) in his study ,"Income, Indebtedness and Savings among Fisherfolk of Orissa, India" deals with the following objectives; to assess earning, spending, borrowing and saving patterns among fisherflok, to study traditional saving methods and to identify the purposes of savings. It is widely believed that fisherflok in general do not save or have no inclination to save, because they lack physical or financial assets and because they are too poor. But this study has proved this assumption false. It shows that rural folk do save, and save in different ways depending on what production assets they own. The fisherflolk patronize chit funds – a popular fund–raising system under which a certain amount of money is pooled from contributors at regular intervals of time and loaned as a lump sum to one of the contributors. Other systems include domestic savings and savings in the form of assets (gold ornaments, other forms of jewellery, silver, steel and brass vessels). Some also invest in land, in cows, goats, etc. Interest in bank savings is increasing, there is the hope that it will lead to bank credit. Although the survey indicates that fisherfolk do want to save, their savings are mostly for short term needs and on a day–to–day basis. This is particularly true of domestic savings. In general, household people who engage in both fishing and non-fishing activities have a higher propensity to save than beach–based fishermen without any other source of income.[33]

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32 Panikar P.G.K, (1986), **Rural Household Savings and Investment**, Center for Development Studies, Trivandrum.

33 Mammo, T. (1987), A **Study on Income Indebtedness and Savings Among Fisher Folk of Orissa,** Bay of Bengal Program, India.

Joy (1989) has, in his study, ”Personal Finance of the Gazetted Officers of the Kerala Government Secretariat” revealed that the majority of government employees do not have regular savings except contribution to provident fund and their investment pattern is determined by regularity of income and such other factors as convenience, capital appreciation and security of investments.[34]

Mukhi (1989) in his study, ”NSCs: A Saving Grace” has revealed that NSC has been one of the most popular tax saving instruments in this country. He has stated that contractors and others who have to provide security while bidding for contracts find it extremely convenient to buy NSC and pledge these to the appropriate authorities while earning 12 percent per annum on the pledged securities. He has also stated that the major attraction of NSC is its simplicity. Even the average investor does not have to scratch his head to understand the scheme.[35]

Arangasami (1992) in his study, ‘A Study of Small Savings Schemes in Tamil Nadu with Special Reference to Madras District’ has observed that more and more dependence on mobilization of resources through small savings will ensure and promote self–reliance. He has concluded that the central government should give proper assistance and encouragement to the small savings agencies, which will be useful not only in mobilization of funds but also for the economic development.[36]

Burney and Khan (1992) in their study, “Socio Economic Characteristics and Household Savings” found while estimating the savings function for micro data that

34 Joy. K. J., (1989), **Personal Finance of the Gazetted officers of the Kerala Government Secretariat**, M. Phil Dissertation, University of Science and Technology, Cochin.
35 Mukhi. M. D, (1989), **NSCs: A Saving Grace**, Business World, 6-19 December, 1989.
36 Arangasami. A, (1992), **A Study of Small Savings Schemes in Tamil Nadu with Special Reference to Madras District during 1981-82 to 1990-91**, Ph.D Thesis, University of Madras, Tamil Nadu, India.

average income and savings of an urban household are more than those of rural, but on the other hand, propensity to save for rural area is more than those of urban. Higher growth rate raises aggregate income of those working, relative to those not earning labor income. This view is based on the life–cycle hypothesis. In fact, saving seems to be positively correlated with income growth in developing countries. A rise in per capita income above subsistence level may lead to higher savings in developing countries.[37]

Muraleedharan (1993) in his study, ‘Savings and Investment Preference of Salaried Income Group’ has found that the majority of investors among the salaried income group prefer bank deposits for their savings when compared with other sources.[38]

Rehana (1993) in his article, “Household Saving Behaviour in Pakistan” has stated that the economic literature on saving provides a long list of factors affecting the saving rates, economic and demographic factors which are important determinants of saving behaviour.[39]

Khan (1993) in his article, “Domestic Resource Mobilization, A Structural Approach” denoted that by having independence of Central Bank, increase in financial deepening, increasing the range of financial products and banking reforms would also lead to greater savings.[40]

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37 Burney N. and Khan, A. H, (1992), **Socio-Economic Characteristics and Household Savings: An Analysis of Households Saving Behaviour in Pakistan**, The Pakistan Development Review, Vol. 31, No. 1.

38 Muraleedharan D. (1993) **Savings and Investment Preference of Salaried Income Group**, M. Phil Dissertation, University of Kerala.

39 Rehana, S. (1993), **Household Saving Behaviour in Pakistan**, The Pakistan Development Review Vol, 32, No. 4, PP. 1281-1292.

40 Khan, M. S. (1993), **Domestic Resource Mobilization A Structural Approach**. The Pakistan Development Review, 32:4. Part II, 1067-1078.

Raju and Sasikumar (1994) in their article, "Income, Savings and Investment Pattern of the Households in Kerala" have stated that average and marginal propensities of the households to save are higher in semi–urban and urban areas than in their rural counterparts.[41]

Chandrasekar. K and Geetha. K.T, (1996) in their research paper, "National Savings and Economic Growth" have confirmed that there is a strong association between a nation's saving rate and rate of growth of per capita income. They have also found out that the gross saving rate which was just 18.7 percent in 1986 – 87 has started increasing afterwards mainly because of household savings touched an all time high level of 24.4 percent.[42]

Nalini, (1996) in her study, "Impact of Mutual Fund Schemes on the Deposit Mobilization of Commercial Banks in Kerala" has pointed out that a major portion of the financial savings of the household sector is held in the form of provident fund, LIC and post office saving schemes.[43]

McGrath (1997) in his study, "Saving Differences among Generations or overtime: An Investigation of the Savings Slowdown in the 1980s" has revealed that there is a decline in the national as well as personal savings rates during the 1980s. The main reason is decline in the savings rates of the earlier generation and weak

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41 Raju. G and Sasikumar. K, (1994), **Income, Savings and Investment Pattern of the Households in Kerala**. Paper presented at the International Congress of Kerala Studies, Thiruvananthapuram, PP. 27-29.

42 Chandrasekar. K and Geetha K. T, (1996), **National Savings and Economic Growth**, Southern Economist, P. 13.

43 Nalini. J, (1996), **Impact of Mutual Fund Schemes on the Deposit Mobilisation of Commercial Banks in Kerala**, Ph.D Thesis, University of Kerala.

saving behaviour of members of the younger generation who are entering into their peak earning years.[44]

Carroll (1997) in his article, "Buffer–Stock Saving and Life Cycle / Permanent Income Hypothesis" emphasizes a precautionary motive for saving, particularly for younger households and for households facing greater income uncertainty. Overall, these economic theories assume that people are forward looking and concerned about consumption patterns, preferences are fixed or very stable, people have perfect information and everyone makes rational decisions.[45]

Somasundaram (1999) in his study, "A Study on Savings and Investment Patterns of Salaried Class in Coimbatore District" found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes were UTI schemes and plantation schemes. Attitudes of investors were highly positive and showed their intention to save for better future. Nearly two–thirds of the investors were satisfied with their savings. Both income and expenses of family influenced the level of satisfaction over savings. A large proportion of investors was concerned about their children's well–being. Among the dissatisfied investors, majority were of the opinion that cost of living was too high. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the

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44 McGrath, Richard (1997), **Saving Differences among generations or overtime: An Investigation of the Saving Slowdown in the 1980s**, Ph.D Thesis, University of Virginia.

45 Carroll, C. D, (1997), **Buffer-Stock Saving and the Lifecycle /Permanent Income Hypothesis**. Quarterly Journal of Economics, 12, (1), 1-55.

most important element. Next, the investors expected regular return from their investment.[46]

Gavini and Athma (1999) in their article, "Small Saving Schemes of Post Office Need to be Known More" found that social considerations, tax benefits, and provision for old age were the reasons cited for saving in urban areas, whereas to provide for old age was the main reason in rural areas. Among the post office schemes, Indira Vikas Patra, KVP and post office Recurring Deposit Account were the most popular, in both urban and rural areas.[47]

Narayana D.L. (2000) in his research, "Income and Investment of Household Sector in Chittor District" attempted to review the economy of selected districts. The study showed that with increase in income, the proportion of income saved by household also increased.[48]

Salam and Kulsum (2000) in their study, "Savings Behaviour in India : An Empirical Study" attempted to find out the determinants of savings by analyzing saving behaviour in India over a period of nineteen years i.e., from 1980 – 81 to 1998 – 99. It was tried to test empirically and validity of the proposition that saving is assumed to have the function of income and the rate of interest. The analysis revealed that household sector saving provided the bulk of national saving. The share of total household saving to the total national saving had gone up from 75.9 percent in 1980 – 81 to 82.7 percent in 1998 – 99. The public sector saving rate declined but the

46 Somasundaram, V. K, (1999), **A Study on Savings and Investment Pattern of Salaried Class in Coimbatore District,** Ph.D Thesis, Bharathiyar University, Coimbatore, Tamil Nadu.
47 Gavini Augustine and Prasanth Athma, (1999), **Small Saving Schemes in Tamil Nadu, Unpublished Thesis**, Madurai Kamaraj University, Madurai.
48 Narayana. D. L, (2000), **Income, Savings and Investment of Household Sector in Chittoor District.**

corporate saving rate improved. The share of private corporate saving to total national saving increased from 8.0 percent in 1980 – 81 to 17.2 percent in the same period. The growth of corporate sector saving accelerated in the post-reform period. In the liberalized environment, with the increase in competition and Foreign direct investment (FDI), the projects of the corporate sector had registered high growth leading to increased saving rate. Therefore, the argument that globalization results in consumerism, which in turn reduces saving rate, was not proved by empirical evidence. The declining trend of public sector saving was attributable to the negative saving of government administration. It has also been observed that the growth of income was not a very effective instrument to influence the savings rate. From the analysis it was concluded that a favourable macro- economic environment supported by strong structural reforms including liberalization of financial markets should help domestic savings to increase substantially.[49]

Kanagasabapathy (2000) in his research, "A Technical Note on Savings and Savers as Stakeholders" states that in the economic sense, the savings behaviour is the adverse of a nation's consumption behaviour. Secondly, savings may be influenced also by the investment opportunities or investment demand which in turn depends upon the growth prospects and the potential return available. Thirdly, the level of savings will also depend upon the avenues available in the economy for mobilising such savings, particularly from the household sector in the form of well–developed financial system with a variety of institutions and markets for different instruments.

49 Salam, Md. A and Kulsum. U, (2000), **Savings Behaviour in India: An Empirical Study,** website http://unpanl.un.org/intradoc/groups/public/documents.APCITY/UNPAN019746.pdf.

Last but not the least, the general thriftiness of the public as a part of nation's culture could also influence the saving behaviour in an economy.[50]

Karthikeyan (2001) conducted, research on 'Small Investors' Perception on Post Office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for KVP, NSS, and Deposit scheme for Retired employees, and the overall score confirmed that the level of awareness among investors in the old age group was higher than in those of the young age group. No difference was observed between male and female investors except for the NSS and KVP. Out of the factors analyzed, necessity of life and tax benefits were the two major ones that influence the investors both in semi–urban and urban areas. Majority (73 .3 percent) of investors of both semi–urban and urban areas were very much willing to invest in small savings schemes in future provided they have more for savings.[51]

Banerjee (2001), in his study, Contracting Constraints, Credit Markets and Economic Development" revealed that low–income households face key barriers to increase saving and low income leaves little opportunity to save. Because they are poor, they face higher opportunity costs for putting their funds towards savings rather than current consumption. Because the poor accumulate little, financial institutions face high costs in collecting their savings relative to the amounts saved, and will thus

50 Kanagasabapathy. K, (2000), **A Technical Note on Savings and Savers as Stakeholders**, website http://rbidocs.rbi.org.in/rdocs/Bulletin/Docs/24599.doc.
51 Karthikeyan. B, (2001), **Small Investors Perception on Post Office Small Savings Schemes**, Ph.D. Thesis, Madras University, Tamil Nadu, India.

be reluctant to expend the resources to open accounts for them or will offer them low returns on their savings, further reducing any incentives the poor have to save.[52]

Gautham Bharadwaj and Robert Palacious (2002) in their article, 'Miles to go - Financial Literacy and Pension Reforms" have found that only six percent of Indians believed that regulators protect them against fraud. This was a first ever survey of the financial awareness of Indians. The place where the money would grow fastest is the equity market, the place where atleast number of Indians feel very confident about choosing the product. Fifty seven percent wrongly believed that the government guarantees full deposits in nationalized banks and three percent felt that central government is fundamentally safe. Nearly forty one percent of the investors felt that postal deposits are fundamentally safe next to property and bank deposit. The study has found that Indian households needed financial education, they are not in a position to take decisions about their money.[53]

Suguna.G (2002) in her research, 'A Study on Investor's Attitude towards Saving Pattern in Coimbatore' has concluded that there exists poor positive correlation between income and saving. There exists high positive correlation between income and tax, indicating that the taxes were increasing when the income increases.[54]

Branthomme, 2002, in his study, 'Saving and Financial Behaviour of European Households' gives the composition and changes in Household Financial

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52 Banarjee. A. V. (2001), **Contracting Constraints, Credit Markets and Economic Development,** MIT Department of Economics, Working Paper No. 02-17.

53 Goutham Bharadwaj and Robert Palacious, (2002), **Miles to Go in Financial Literacy and Pension Reforms**, Intelligent Investor, P. 6.

54 Suguna. G, (2002), **A Study on Investor's Attitude Towards Savings Pattern in Coimbatore**, Bharathiyar University.

wealth in Europe. This brief overview of the financial investments of European households highlights the relative diversity of the savings vehicles from which they can choose. This in turn shows how the role played by financial intermediaries, ie, banks, insurance companies, pension funds, mutual funds in attracting savings varies in importance across countries. Despite this broad choice of investment media, European households have made comparatively similar choices when it comes to allocating their financial savings. The principal changes in their financial wealth over the past five years include a relative decline in liquid saving and an increase in long-term saving .The small share of direct securities–holding in favour of collective management through media such as mutual funds; and buoyant growth in life insurance or pension funds.[55]

Nair (2002), in his study, "Financial Sector Liberalization and Household Savings in India" examines the impact of financial sector liberalization measures on household sector savings in India, using a general model, which includes other determinants of household sector savings identified in the literature also, for the period 1970 – 71 to 1999 – 2000. The major findings of the study are the following: Financial Sector liberalization measures are seen to have a statistically significant negative impact on the household sector savings in India. The effect is found to be emanated mainly from the increased credit availability that might have resulted in consumption rather than savings. However, the negligible magnitude of the index indicates the possibility of liquidity constraints still existing in India. Among the other determinants, absolute income is a positive and significant determinant of household

55 Branthomme P, (2002), **Saving and Financial Behaviour of European Households Between 1996 and 2000**, Banque de France Bulletin Digest – No.105, Monetary Research and Statistics.

sector saving rate in India, in the period under consideration. Real interest rates and inflation rate are insignificant determinants of household saving rate in India. Young and Old–dependency ratios are insignificant in determining household saving rate.[56]

Sherraden and Barr, 2004, in their study, " Building Assets, Building Credit- A Symposium on Improving Financial Services in Low Income" makes two contributions: First, an institutional theory of saving, in which communities joined centre for housing studies part by the constraints people face. Second, in practice how existing institutions promote the saving among the poor, and how new policies could better promote saving and asset accumulation among these households. This study adds to a growing body of work in asking whether savings and assets should play a larger role in public policy, and whether the poor should be included in the saving and asset – based policies that already exist.[57]

Mazzocco (2004) in his study," Saving, Risk- sharing and Preferences for Risk" presents empirical evidence which suggests that risk sharing is an important feature of saving decisions. The first part of the study presents empirical evidence which suggests that risk sharing is an important feature of saving decisions. This study attempts to explain the distinct saving behaviour of couples using an inter–temporal framework with income uncertainity and the following two features. (i) household members are characterized by individual preferences: (ii) household decisions are efficient. In this study, saving is characterized as the outcome of the

56 Nair. L. R, (2002), **Financial Sector Liberalization and Household Savings in India**, RBI Doctoral Scholar Centre for Development Studies, Thiruvananthapuram, website http://unpanl.un.org/Intradoc/Groups/Public/Documents/APCITY/unpan024226.pdf.

57 Sherraden, M and Barr, M.S, (2004) , **Building Assets, Building Credit: A Symposium on Improving Financial Services in Low-Income Communities**, Joint Center for Housing Studies, Harvard University, Institutions and Inclusion in Saving Policy, BABC 04-15, March 2004.

joint decision of household members to capture the effect of risk sharing on saving patterns. The optimal allocation of risk across household members has two important effects on saving. First, it can increase the amount saved by the household. Second, it generates the counter intuitive result that an increase in the willingness to save one agent can reduce the willingness to save the household and therefore total saving.[58]

Hogarth (2004) in his article, "Who has a Bank Account? Exploring Changes Over time" states that low–income families find it difficult simply to make ends meet each month and lack access to short–term credit at a reasonable cost to smooth out earnings. The main complaint of low–income families was the "insecurity and stress associated with living from paycheck to paycheck". Most low–income and moderate–income households manage to spend all their income each month.[59]

Jaspal Singh and Subhash Chander (2006) have made an attempt in their study, "Investors Preference for Investment in Mutual funds" to answer the question, 'What investment alternative should a small investor make during the period of falling interest rate on investment like PPF, NSI, bank deposit etc, while direct investment in capital market being an expensive proposal and keeping money in small savings is also not advisable?" The study has exhibited that one of the best alternatives is to invest in capital markets through mutual funds, which would help the investor to avoid the risks involved in direct investment. Ranking analysis has revealed that

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58 Mazzocco. M, (2004), **Saving, Risk Sharing and Preferences for Risk**, Revised Version. Available from the website www.ideas.repec.org/a/aea/aecrev/v94y2004IHP 1169-1182.html.

59 Hogarth, J. M, (2004), **Who has a Bank Account? Exploring Changes Overtime**, Journal of Family and Economic Issues, 25.

'Gold', 'NSC Schemes' and Post office saving schemes have been ranked at first, second and third place among different forms of investment available.[60]

Nga and Stoltz (2007) in their study, 'An Investigative Analysis into the Saving Behaviour of Poor Households in Developing Countries' deals with the following goals : to identify the factors determining household saving in general; to discuss factors responsible for the lack of saving by households in developing countries; to provide an overview of household saving in South Africa for the period 1175 – 2005; to investigate the role and importance of informal saving institutions in South Africa; to compare and contrast the experiences of the East Asian Countries with that of South Africa; and to suggest strategies to create a savings culture that will improve the quality of life of poor households. In the built up to this descriptive investigation, it was clear that the traditional theories of household saving behaviour do not really explain the saving behaviour of low–income households in developing countries. It is also clear that the majority of poor households have the potential to save but do not have access to formal financial institutions due to conditions governing the financial services offered.[61]

Jerath (2008), in his study, "Certain Aspects of Household Savings Behaviour in the NCT of Delhi, India" explores the savings behaviour of household by studying their reasons for saving, attitude towards savings, extent of risk taken while investing savings / risk tolerance, savings ratio, and satisfaction with the level of savings, and also the change in reasons to save as the needs of households change. The study

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60 Jaspal Sing and Subash Chander, (2006), **Investors Preference for Investment in Mutual Funds: An Empirical Evidence**, The ICFAI Journal of Behavioural Finance, Vol III No.1, P.37.

61 Nga. M. T and Stoltz. E, (2007), **An Investigative Analysis into the Saving Behaviour of Poor Households in Developing Countries with Specific Preference to South Africa,** Department of Economics, University of the Western Cape.

shows that as the household heads progress in age and occupational status, their satisfaction with level of savings increases. Satisfaction with level of savings is higher for household heads belonging to Delhi or those who have stayed for more than 41 years in Delhi. Household that are residing in their own houses, have higher income, higher savings, more than two earners and no dependent girl–child are found to be more satisfied with their savings.[62]

Ganapathi. R (2010), in his study, "Investors Attitude Towards Post Office Deposits Schemes" stated that most of the respondents have less awareness about post office saving schemes. Hence, proper advertisements must be made for post office savings schemes.[63]

Dr. Diraj Jain and Ms. Ruhika Kothari (2012), in their study, Investor attitude towards post office deposits schemes Empirical study in Udaipur District Rajasthan denoted that most of the respondents were satisfied with safety and security, regular return, liquidity and market ability, but dissatisfied with capital growth.[64]

1.5 RESEARCH GAP

The focus of the previous studies have been around range of issues like savings and factors influencing savings, importance of small savings and the importance of improving savings in rural areas, awareness about POSS and the attitude of the investors on investment pattern. It is noted that there is no study

62 Jerath N. M. S, (2008), **Study of Certain Aspects of Household Savings Behaviour**, NCT, Delhi.

63 Dr. R. Ganapathi, (2010), **Investors attitude towards post office deposits schemes**, BVIMR Management Edge, Vol.3, No.2, P: 26 – 45.

64 Dr. Diraj Jain and Ms. Ruhika Kothari, (2012), **Investor attitude towards post office deposits schemes Empirical Study in Udaipur District Rajasthan** – International Journal of Marketing and Technology, Vol. 2.

conducted focusing the attitude of depositors on POSS, level of satisfaction of depositors and amenities in post offices, specifically related to Kanyakumari district. Hence, this study is done in an effort to fill up this research gap.

1.6 OBJECTIVES OF THE STUDY

The following objectives were designed for this study.

1. To give an overview about post office.
2. To evaluate the performance of postal schemes.
3. To identify the attitude of depositors towards post office saving schemes.
4. To know the satisfaction of depositors towards postal schemes.
5. To suggest measures for the improvement of post office saving schemes on the basis of the findings of the study.

1.7 OPERATIONAL DEFINITION OF CONCEPTS

1.7.1 Savings

A portion of income not spend on consumption of consumer goods, but accumulated or invested directly in capital equipment or in paying a home mortgage or indirectly through purchase of securities.

1.7.2 Post Office

Post office is a place where mail is handled and where postage stamps, other materials are sold and services are provided.

1.7.3 Depositors

Depositor is a person or a company that places a money in an account.

1.7.4 Interest Rate

Interest rate is a rate which is charged or paid for the use of money. It is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal rates.

1.7.5 Amenities

Amenities are defined as a desirable or useful feature or facility or building or place.

1.7.6 Service

Service is the action of helping or doing a work for someone with or without benefit.

1.7.7 Schemes

Schemes are defined as a large scale systematic plan or arrangement for attaining some particular object or putting a particular idea into effect.

1.7.8 Economy

Economy is the state or country or region in terms of the production and consumption of goods and services and the supply of money.

1.7.9 Satisfaction

Satisfaction is a fulfillment of one's wishes, expectations or needs or the pleasure derived from this.

1.7.10 Inflation

Inflation is the rate at which the general level of prices for goods and services is rising and subsequently purchasing power is falling.

1.7.11 Investment

Investment is the act of investing money or capital in order to gain profitable return as interest, income or appreciation in value.

1.8 METHODOLOGY

This study is mainly empirical in nature based on primary and secondary data.

1.8.1 Collection of Data

The primary data were collected with the help of questionnaire. It was consulted with the research Supervisor, research experts, the employees of post office and with experienced agents. Then the rough draft of the questionnaire was prepared. After considering the suggestions given by the supervisor, research experts and employees of post office, the questionnaire was revised and the final draft was prepared. This draft was pre-tested with 30 depositors. The purpose of the pilot study was to test the quality of questions and to confirm the feasibility of the study. After that the suggestions from the pre-test were taken into account, the restructured questionnaire was prepared and used for collecting primary data.

Secondary data were collected from various books, journals, published and unpublished documents. A number of discussions were held with the employees of postal departments and knowledgeable persons in the field.

1.8.2 Sample Design

The researcher took depositors of post office belonging to the four taluks namely Thovalai, Agasteeswaram, Kalkulam and Vilavancode of Kanyakumari district. For choosing respondents, the simple random sampling method was used for the purpose of study. 125 depositors were randomly selected from each taluk on lottery method. Out of 500 questionnaires, 13 questionnaires were rejected due to incomplete data.

1.8.3 Tools for Analysis

The following tools are applied for analysis of the data,

Compound growth rate is used to analyse the amount of deposit by the depositors for nine years in Nagercoil and Thuckalay division post offices. Compound Growth Rate is calculated using the following formula:

Compound growth rate $(t_o, t_n) = [(VCt_n) / VCt_o)] (1 / t_n - t_o) - 1$

Where,

t_o	=	Starting period
t_n	=	Ending period
$V (t_o)$	=	Start value
$V (t_n)$	=	End value

Percentage Analysis was used for the demographic factors.

The significant relationship between selected variables and the satisfaction of amenities of post office, the satisfaction of depositors on POSS and the attitude of depositors towards the POSS have been analysed with the help of **Mann-whitney Test and Kruskal – Wallis Test**.

Garrett Ranking Technique was applied to examine the purpose of saving, preference of POSS, and for the level of satisfaction on POSS.

Factor Analysis was used to get an insight into the level of satisfaction on POSS for the respondents. Rotated factor matrix was applied to study the attributes and KMO test of sampling adequacy was applied to measure the correlation between the pairs of variables explained by other variables in factor analysis to know its appropriateness.

Trend Analysis is an aspect of technical analysis that tries to predict the future movement that tries to predict the future movement of an item based on past data. Trend analysis is calculated using the following formula:

$$Y = a + bx$$

Where,

$$a = \frac{\sum y}{N}$$

$$b = \frac{\sum xy}{\sum x^2}$$

1.8.4 Period of the Study

The study covered a period of nine years from 2004 – 05 to 2012 - 13 for the analysis of performance of postal schemes and the sample respondents were contacted during August 2012 to January 2013.

1.9 LIMITATIONS

1. This study is confined to the post office saving schemes only.
2. The sample of this study has been restricted to 487 persons among the depositors in Kanyakumari district.
3. This study is purely based on the information supplied by the respondents and post office employees.

4. The findings of the study are not applicable to any other area.
5. The secondary data for amount of deposit for postal schemes are available only for five schemes.

1.10 CHAPTER SCHEME

The present study is presented in **seven** chapters.

1. **Chapter one**, introduction and design of the study consists of statement of the problem, objectives, review of literature, operational definition, methodology, limitation of the study and chapter scheme.
2. **Chapter two** gives the profile of Kanyakumari district, the study area.
3. **Chapter three** explains the overview about Post office.
4. **Chapter four** deals with the performance evaluation of postal schemes.
5. **Chapter five** pertains to the attitude of depositors towards postal schemes.
6. **Chapter six** highlights the satisfaction of depositors towards postal schemes.
7. **Chapter seven** presents the summary of findings and suggestions based on the study and it also includes conclusion of the study.