

A Study of Customer Preferences of Recurring Deposits in Post Offices over Banks

M. Rajeswari¹

¹ Department of Management Studies, Hindustan University, Padur, Chennai, India

Correspondence: M. Rajeswari, Associate Professor. E-mail: mmraji75@gmail.com

Received: April 14, 2017

Accepted: May 6, 2017

Online Published: June 23, 2017

doi:10.5539/ass.v13n7p103

URL: <https://doi.org/10.5539/ass.v13n7p103>

Abstract

The study aims to understand the recurring deposit scheme of post office & the allied services along with the customer satisfaction level towards recurring deposits. The study also paves way to identify the areas which require improvement. The critical success factors are also identified in the study. Comparative analysis of the recurring deposit in post office and banks will enable the post office employees to identify their key differentiating factors and also help them to retain and expand their base of the recurring deposit holders. Multiple choice questions have been chosen to collect the responses from 100 recurring deposit holders. Convenience sampling method is employed in the research work. The data collected is analyzed through various statistical tools like Karl Pearson's Correlation and One-way Anova test. Suggestions given in the study will help the postal department to retain and attract new recurring deposit account holders.

Keywords: post office, recurring deposit, retain, banks

1. Introduction

People with regular income have the opportunity to deposit a fixed amount every month through recurring deposit. It is a special kind of term deposit which help the investors to earn interest at the rate applicable to fixed deposits. It is an alternative for fixed deposit when the investors are not in a position to invest huge amount they can invest in monthly installments for example Rs 1000 every month. This deposit matures on a specific date in the future along with all the deposits made every month. Thus, recurring deposit schemes allow customers with an opportunity to build up their savings through regular monthly deposit of fixed sum over a fixed period of time.

When the recurring deposit account is opened, the maturity value is indicated to the customer assuming that the monthly installments will be paid regularly on due dates. If any installment is delayed, the interest payable in the account will be reduced and will not be sufficient to reach the maturity value. Therefore, the difference in interest will be deducted from the maturity value as a penalty. The rate of penalty will be fixed upfront. Interest is compounded on quarterly basis in recurring deposits.

Rate of Interest offered is similar to that in Fixed Deposits. At present it seems to be one of the best method to save the amount yield after years of deposit because Taxation of Recurring Deposit Tax Deducted at Source (TDS) is not applicable on recurring deposit. However interest from recurring deposit is not tax free. Income tax is to be paid on interest earned from a recurring deposit at the rate of tax slab of the investor. Through this study, the key areas that need improvement in order to increase customer satisfaction towards the recurring deposit schemes in post offices will be identified. This will help the post office to make its success and also toughen its standing in the market share of recurring deposits.

2. Review of Literature

Preeti Singh (2002) found that post office schemes go on par with commercial bank and post office deposits schemes. Accounts included in the scheme are recurring deposits, saving and time deposits (a kind of recurring deposit). The savings in post office is similar to that of banks where cheques are issued, but there is no limit on withdrawals.

Rajkumari (2007) in her study has undertaken to identify the customer's attitude towards investment in recurring deposits and concludes that there is a low level of awareness among customers in India. **Alinvi & Babri (2007)** are of view that customers' preferences change on a constant basis, and organizations adjust in

order to meet these changes to remain competitive and profitable.

Bhagaban Das, Ms Sangeeta Mohanty & Mr. Nikhil Chandra Shil (2008) observed that different investment pattern do not provide the same level of services with respect to age of retail investors in India. It was also observed that graduate and post graduate investors invest more in life Insurance while professionals in Mutual Funds. **Simon Gervais (2009)** in “Behavioural Finance: Capital Budgeting and other Investment Decisions” has made a survey of literatures on the effects of behavioural biases on capital budgeting.

Nagpal Sushant and Bodla B. S., (2009) brings out the demographic characteristics of investors, relationship between lifestyle clusters of the respondents and their investment patterns and sources of information tapped by them. The study concluded that investors prefer less risky investments such as recurring deposits, insurance policies, fixed deposits with banks and post office, PPF and NSC.

Dr.R.Ganapathi (2010) study concluded that advertisement is a major source to make people understand about post office schemes. Mostly in order to help people in high tax liability and small investors numerous small saving schemes were mainly established. In order to increase the deposits and to make even a lay man understand about the deposits advertisements play a crucial role. Because safety and security is increased when the money is invested in post office.

SK Das (2011) revealed in his study that people who invested in insurance followed by banks are those whose education level is below tenth standard. **Dr. C. Thilakam and Dr. Ganesan (2012)** identified that business channels acts as a vital source to learn about investment and savings for the investors.

Mathumitha (2015) revealed in the study that in order to meet the future plans of the children many people invest in recurring deposit. The study also suggested that adopting advertisement strategy will increase the number of deposits. **D. Koreshashikant and Dr. R.B. Teli (2015)** in their study identified that towards post office schemes people who have clear perception are medium and small investors. The study also recommends that, in order to create awareness about the financial schemes in post offices an essential strategic planning is necessary to fight against private institutions.

3. Objectives

- To understand the socio-economic profile of the respondents
- To analyze the impact of having recurring deposits in banks and post office.
- To determine the impact of the satisfaction and rate of interest in post office.
- To examine the major drawback of recurring deposit in post office
- To provide suggestions to improve the number of recurring deposits accounts in post offices

3. Methodology

The research design selected to be used in this study is descriptive research. The number of respondents considered for the survey is 100. The sampling technique used in this study is Convenience sampling. The data was analysed by using tools such as Karl Pearson’s Correlation and One-way Anova test.

4. Findings and Suggestions

4.1 Socio-Economic Profile of the Respondents

Out of the respondents surveyed 65 per cent of the respondents are female. 72 per cent of the customers having recurring deposits are in the age group of above 36 to 45 years. 47 per cent of the respondents are uneducated. 54 per cent of the respondents are employed in government jobs. 59 per cent of the employees have income within the range of Rs.10,000-25,000.

4.2 Impact of Having Recurring Deposits in Banks and Post Office

One way ANOVA test is employed to determine the impact of having recurring deposits in banks and post office.

Table 1. Test of Homogeneity of Variances

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Post office	54	4.07	1.385	.189	3.70	4.45	1	5
Banks	34	3.29	1.643	.282	2.72	3.87	1	5
Both	12	4.92	.289	.083	4.73	5.10	4	5
Total	100	3.91	1.485	.148	3.62	4.20	1	5

Table 2. ANOVA

	Sum of squares	df	Mean Square	F	Sig
Between groups	26.511	2	13.255	6.708	0.002
Within groups	191.679	97	1.976		
Total	218.190	99			

Tabulated value = 6.708; Calculated value= 4.79

$F = F_{cal} > F_{tab}$ $F = 6.708 > 4.79$

Alternate hypothesis is accepted as the calculated F value is higher than tabulated F value.

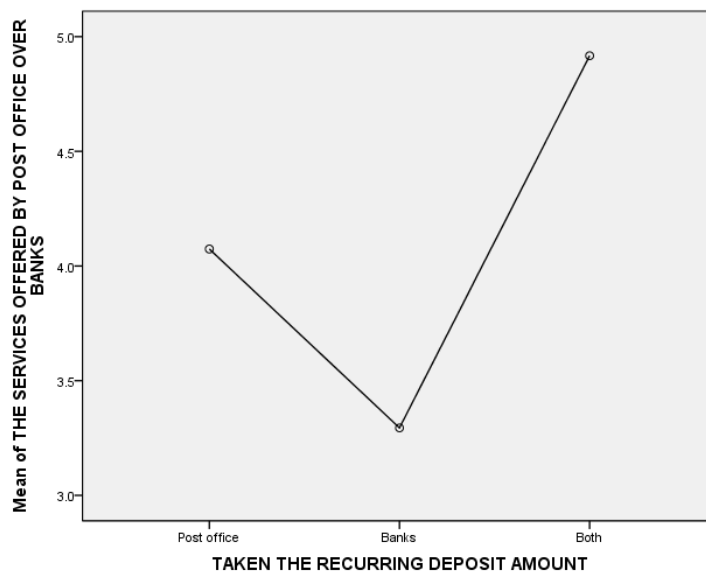


Figure 1. Mean Plot

4.3 Impact of the Satisfaction and Rate of Interest in Post Office

To determine the relationship between satisfaction of the respondents and the rate of interest in recurring deposit correlation analysis is performed.

Null hypothesis (H0):

There is no significant relationship between the satisfaction and rate of interest among the customers

Alternate hypothesis (H1):

There is a significant relationship between the satisfaction and rate of interest among the customers.

Table 3. Correlation Analysis

	Rate of Interest	Satisfaction
Rate of Interest	1	0.048
Satisfaction	0.048	1

Since the correlation values are significant null hypothesis stating There is no significant relationship between the satisfaction level and rate of interest among the customers is rejected.

4.4 Major Drawback of Recurring Deposit in Post Office

Based on the interview with the respondents drawbacks of recurring deposits in post office were found out. 82 per cent of the respondents are not satisfied about the services offered by post office. 74 per cent of the respondents feel that waiting in long queues acts as a major drawback for investing in recurring deposit's in post office over banks. 93 per cent of the respondents feel that the immediate need is to improve the number of RD

accounts in post offices is to improve basic facilities at the post office

4.5 Suggestions

Post offices across the country have to market about their features and interest rates in an aggressive manner through TV Ads, Online Ads and paper ads to get more customers for recurring deposit accounts in a short period. As customer prefer better ambience including waiting seats, water facilities and air-conditioned office. It is necessary for the post office to provide all these basic amenities to the customers in order to ease their payment process and waiting time. A separate customer care number has to be created to provide round the clock services for the post office account holders. Better service to the customers is the only means to retain the existing recurring deposit account holders. Interest rate for the recurring deposit accounts can be increased to pull more accounts from banks to the post office. With an improved ambience and interest rate, post office will continue to be the first and foremost choice to have a recurring deposit account. Post office can develop a Mobile App for easy payment transactions for all the recurring deposit account holders. This will enable the post offices to get more youth customers.

5. Conclusion

This study has been undertaken to understand the overall effectiveness of the RD services in the post office and assess the reason for customer's preference of Recurring Deposit's in post offices over banks. For this purpose, responses from the RD account holders of post offices have been collected and analyzed. Based upon the findings out of the research, few valuable suggestions have been given to the postal department to improve the overall RD services to retain and expand its RD accounts holder's base.

References

- Alinvi, F., & Babri, M. (2007). *Customers' Preferences of Insurance Services*. Bachelor Thesis, International Business Program.
- Das B., M. S., & Nikhil Chandra. (2008). Mutual Fund vs. Life Insurance: Behavioural Analysis of Retail Investors. *International Journal of Business and Management*, 3(10).
- Das, S. K. (2011). An Empirical Analysis on Preferred Investment Avenues among Rural and Semi-Urban Households. *Journal of Frontline Research in Arts and Science*, 1, 26-36.
- Ganapathi. (2010). *Investers attitude towards post office deposits schemes' in BVIMR Management Edge*, 3(2), 26-45
- Koreshashikant, D., & Teli, R. B. (2015). Investment behavior of postal customers towards post office savings bank schemes (posb): a case study of Kolhapur district. *International Multidisciplinary E-Journal*, 49-59.
- Kothari, C. R. (2007). *Research Methodology*. Wishwa Prakashan, Third Edition, Prentice Hall of India, New Delhi.
- Mathumitha, S. (2015). Investors Attitude towards Post Office Saving Schemes in Cumbum Town. *International Journal of Commerce, Business and Management*, 4(6), 798-806
- Nagpal Sushant & Bodla, B. S. (2009). Impact of Investor's Lifestyle on their Investment Pattern: An Empirical Study. *The IUP Journal of Behavioral Finance*, 6(2), 28-51.
- Singh Preeti. *Investment Management. Security analysis and Portfolio Management*, Himalaya Publishing House, Ninth Revised Edition Delhi, 2002.
- Thilakam, C., Ganesan. (2012). *Financial Literacy Among Rural Masses In India*. International Conference on Excellence in Business, Sharjah, United Arab Emirates, University of Sharjah, 9-10 May.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).