

STUDY ON BEHAVIOURAL FACTORS OF POSTAL INVESTORS: A CASE STUDY OF RAYALASEEMA REGION OF ANDHRA PRADESH

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Abstract

Postal services are critical for economic growth and investment, with rural and urban residents saving and investing due to their ability to earn a living independently. Demographics, psychographics, age, gender, income, and emotional aspects are all considered in saving behaviour analysis. Investors now have a broader range of investing possibilities because to the rise of financial institutions. The purpose of this study is to examine the importance of postal saving plans among investors. Behavioural finance is the study of human Psychology as it relates to investing decisions. Disposition bias, conformational bias, mental accounting, and experience prejudice are examples of behavioural studies. Behavioural finance can be used to investigate various outcomes in a given field. The study's sample size is 200, and it is drawn from the population using a practical sampling technique.

Keywords: Postal saving schemes, investment decisions, Behavioural finance etc.

JEL Classification: G12, D91

1.0 INTRODUCTION

Saving has always been a crucial aspect of personal finance and economic behavior, with traditional societies preserving resources for emergencies and future security. With the growth of institutionalized financial institutions and the introduction of banking, saving money has become easier and more secure. Savings are crucial for supporting economic growth and stability, and fractional reserve banking encourages investment and economic activity. The Indian Post has played a vital role in connecting the country and providing banking and financial services for over 150 years. The Department of Post has evolved into an investment channel, encouraging investment behavior among the people of India. POSB schemes cater to different investors and provide adequate returns on investment, benefiting small investors, households, and senior citizens. The Ministry of Communication and Information Technology monitors the Indian Post, which has a network of 1,56,600 and aims to maintain its position as the world's largest postal network. The postal system in India has a long history, dating back to the British colonial era. The first organized postal service was established in 1688 by the East India Company in Kolkata. The Indian Post Offices Act was passed in 1837, followed by the Indian Post Offices Act of 1854, which laid the groundwork for the modern-day postal system. Railway Mail Services were introduced in 1854, and sea postal routes between India, the United Kingdom, and China were established in 1898. The Indian Postal Service is a government agency that has grown to meet the needs of the Indian population and provide critical services.

1.1 Services provided by India Post in Covid-19 Pandemic:

1. Delivering essential goods
2. Delivering Medicines
3. Postal Supply chain
4. Digital services
5. Sanitisation
6. Food distribution

1.2 Postal Saving Schemes:

- Post Office Savings Account
- Post Office Monthly Income Scheme (POMIS)
- Senior Citizen's Savings Scheme
- Public Provident Fund (PPF)
- National Savings Certificate (NSC)
- Sukanya Samriddhi Scheme
- Post Office Recurring Deposit
- Post Office Time Deposit
- Kisan Vikas Patra
- PM CARES for Children Scheme, 2021

1.3 Need for the Study:

Behavioral finance is a complex concept examining the cognitive domain and psychology of investors, particularly focusing on optimism. The Indian economy is expanding, offering numerous investment opportunities, but traditional postal businesses face challenges due to underutilization of postal savings initiatives and the changing postal environment. Understanding these factors is crucial for evaluating the impact of investment behavior on POSB schemes.

1.4 Review of literature:

- **Anuradha and Hema (2023)** State that women who are financially literate not only have the information but also have the ability to make wiser financial judgements. It motivates people to support their families, take care of their own finances, etc. There are many measures being conducted by different organizations to increase financial literacy, but awareness campaigns through seminars, commercials, etc. are still needed.
- **Beriwala et al. (2022)** the expansion of postal authority in India has made it more challenging for investors to select a particular savings plan. To determine investor preferences and awareness of the Postal Savings Programme, research was performed. On the basis of the study's findings, suggestions have been made to help investors. Small

postal savings banks provide a respectable return for investors' surplus funds in the face of declining interest rates and unreliable capital markets. The success of postal service programs depends on recruiting new investors and retaining current ones. Any savings program's effectiveness hinges on its ability to satisfy investors.

- **Mr. Naveen. M., Mr. D. Shanmugavadivel (2021)** “A study of customer satisfaction in post office saving schemes with special reference in Coimbatore study”, this study is mainly empirical in nature based on primary and secondary data. The researcher concludes that India Post is all set to become stronger and strong, spreading a joyful light to people everywhere. It is bound to overcome all the hurdles presented by the new environment in the electronic age.
- **Research work by Lather *et al.* (2020)** focusses on biases like overconfidence bias, reference point bias, self-attribution bias, framing effect bias, regret avoidance bias and overreaction amongst male and female investors and their impact on investment decisions. The study observed that the impact of gender was significant on overconfidence bias, self-attribution bias and regret avoidance bias.
- **S. Meena et.al (2020)** Everyday investors, regardless of financial capabilities, have access to fund managers' knowledge through mutual funds, allowing anyone to participate in the Indian capital market. The assets under management of various fund firms have expanded, showing the growing popularity of mutual funds in India. If you want a more secure investment option than individual stocks, mutual funds may be a better fit. This study will look at institutional investors' preferences for mutual funds and the factors that impact those preferences.
- **Dr. A. Benazir (2020)** he analysed the Parent's Perception towards Post Office Saving Schemes with 70 respondents of Palayamkottai region. He made this research to understand the various post office saving schemes available for children and it conclude that the respondents are not aware of various schemes of post offices and Interest rate is low in post office as per parents. Overall, he suggested that the post office department should create awareness, increase interest rate to be increased and the special officials should be appointed to monitor the grievances of the customers.
- **Karunakaran et al. (2020)** "Post Office Savings and Attitude of Rural Investors in Kerala: A Study from Kasaragod District," the postal department has introduced a number of post office schemes to the public in order to develop rural areas, but they need to re-orient their services in order to draw in new customers

1.5 Objectives of the Study:

- To identify the factors influencing the saving behavior of investors towards Post office Savings Schemes in the study area.
- To Study the Satisfaction level of Investors towards Postal Services offered by India Post.
- To study the impact of financial behaviour of postal customers on various schemes of post office.

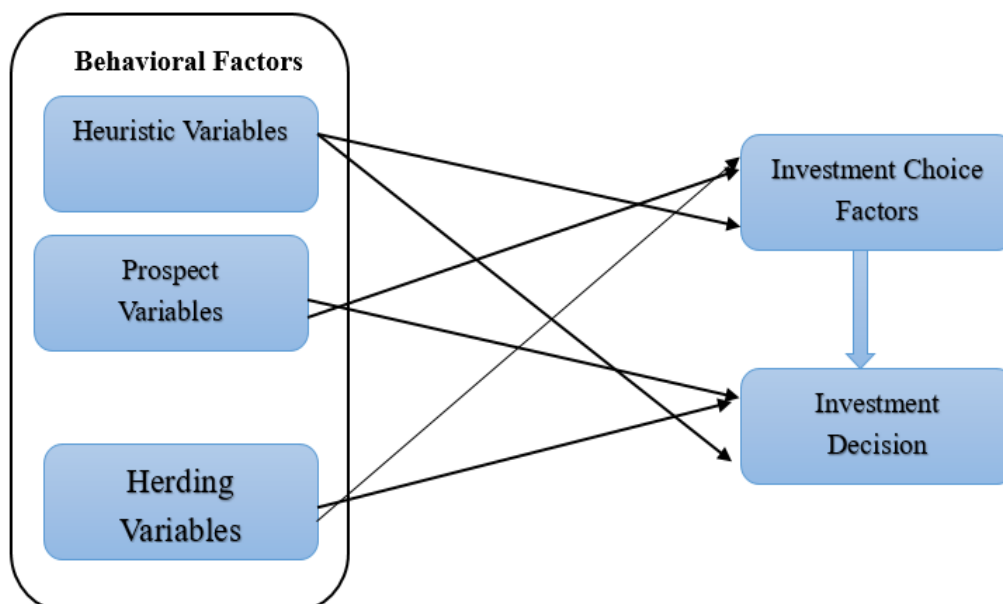
1.6 Hypothesis:

- a. H_0^1 : (Null Hypothesis): there are no significant POSB schemes available with investors.
- b. $H_0-1x = 0$. H_{1-1} : (Alternative Hypothesis): there are so many significant investment schemes made available with the customers.
- c. H_0^2 : (Null Hypothesis): there is no significant impact of investors behavior on growth of POSB.
- d. H_{1-2} : (Alternative Hypothesis): there is significant impact of investors behavior on the growth of various POSB Schemes.
- e. H_0^3 : (Null Hypothesis): the behavior of postal customers can't change with futuristic and financial needs
- f. H_{1-3} : (Alternative Hypothesis): investment behavior may change with futuristic and financial goals.

1.7 Conceptual Framework:

The conceptual framework for understanding the behavioural factors influencing investors' choice of post office saving schemes in the Rayalaseema region can be organized into four main categories: cognitive factors, emotional factors, social factors, and situational factors. These factors interact with each other and shape investors' decision-making processes. Let's explore each category in detail:

Figure 1.4: conceptual framework



1.8 Sample Collection:

Primary Source: The primary data were collected with the help of Telephone interviews. It was consulted with the research Supervisor, research experts, and the employees of the post office and with experienced agents.

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

Sample Size: sample size was selected is only 25 Post offices out of 344 Post offices in all eight Districts in Rayalaseema region, and amongst 344 post offices I can select Randomly 10 investors from each 25 Post offices. So that Sample size may take only 250 respondents only.

Sample Method: Non-Probability Sampling (Convince Sampling method)

1.9 Background of the study:

Behavioural finance is very crucial aspect to study and inculcate in the real-life situation. Majority of the rural and semi urban people don't have much knowledge about investment but they have excess monetary sources with them after meeting their primary needs to run their livelihood. The behavior of investor can impact on the investment instruments.

1.10 Analysis of Data and Interpretation:

Table 1: Exhibits Age, Education Qualification and Gender of the Respondents

Age Group (Years)	Education Qualification										Total	
	Uneducated		Up to SSLC		Up to PUC		Up to Degree		PG & Above			%
	M	F	M	F	M	F	M	F	M	F		
Up to 25	0	1	4	3	5	3	3	2	2	1	24	12
25 to 50	0	1	10	9	25	15	49	14	1	0	124	62
50 to 75	1	1	13	5	7	3	3	3	0	0	36	18
75 and above	1	1	6	2	3	1	1	1	0	0	16	8
Total (n)	2	4	33	19	40	22	56	20	3	1	200	100
%	1	2	18.5	9.7	20	11	29	10	1.6	0.5		

Source: Primary Data

The table shows that 62% of respondents are between 25-50 years old, with 12% below 25, and 38% are graduates or pre-university educated. Only 33% are women, indicating a preference for youth investment decisions.

Table 2: Exhibits Occupation and Annual Income of Respondents

Occupation	Annual Income					Total	
	Up to ₹ 1L	₹ 1L to 2L	₹ 2L to 3L	₹ 3L to 4L	₹ 4L & Above	N	%
Pvt. Employee	14	34	38	11	8	105	52.5
Govt. Employee	0	8	11	6	2	27	13.5
Own Business	0	5	7	13	11	36	18
Professional	6	8	7	2	1	24	12
Student	3	3	0	0	0	6	3
House Wife	2	0	0	0	0	2	1
Total/%	28/12.5	58/29	63/32.5	32/16	24/11	200	100

Source: Primary Data

Table 3: Exhibits Savings Made by the Customers in Different POSB Schemes

POSB Schemes	Frequency	%	Cum. %
1. Post Office Savings Account	56	28	28
2. National Savings Recurring Deposit A/c	50	25	53
3. National Savings Time Deposit A/c	10	5	58
4. National savings Monthly Income A/c	14	7	65
5. Senior Citizens Savings Schemes A/c	8	4	69
6. Public Provident Fund A/c	32	16	85
7. Sukanya Samridhi A/c	27	13	98
8. National Savings Certificate (VIII Issue)	3	2	100
9. Kisan Vikas Patra	0	0	100
Total	200	100	-

Source: Primary Data

The table shows that 28% of postal customers prefer to save through PO SB account, 25% prefer National Savings RD account, 16% prefer PPF offered by post office, and 13% prefer Sukanya Samridhi account.

Table 4: Exhibits Behavioural Factors Influencing on Investment in POSB Schemes

Factors	Opinion										Total	
	SA	%	A	%	N	%	DA	%	SDA	%	n	%
A	79	39	52	26	20	10	28	14	24	12	200	100
B	58	29	67	33	26	13	24	12	26	13	200	100
C	50	25	38	19	53	26	26	13	34	17	200	100
D	68	34	46	23	24	12	36	18	26	13	200	100
E	66	32	56	29	34	18	26	13	20	10	200	100
F	44	22	10	5	44	22	30	15	72	36	200	100
G	66	33	58	29	16	8	26	13	34	17	200	100
H	23	12	30	15	40	20	48	24	58	27	200	100
I	78	39	54	27	18	9	24	12	26	13	200	100

Source: Primary Data

SA-Strongly Agree, A-Agree, N-Neutral, D-Disagree, SDA-Strongly Disagree A-Overconfidence Bias, B-Representative Bias, C-Regret Aversion, D-Mental Accounting (taking irrational decisions), E-Herd Behavior, F-Loss Aversion (avoiding loses), G-Sentiment, H-Halo Effect, I-Ambition in Future. Above table predicts nine factors influencing investment behavior of postal customers in POSB schemes. Overconfidence bias, bias in selecting investment instruments, regret aversion, market risk awareness, herd behavior, withdrawal of investments, and future ambition are the most influential factors. However, 51% of respondents disagree, stating that POSB schemes do not have investment risk.

ANOVA

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.176 ^a	.030	-.001	3.83372	.032	.968	8	241	.463	1.979

a. Predictors: (Constant), BFRA_SUM, BFLA_SUM, BFH_SUM, BFAB_SUM, BFCB_SUM, BFCD_SUM, BFSAB_SUM, BFMA_SUM

The regression model is not fitting the data well, with only 3.1% of the variation in satisfaction explained by independent variables. The adjusted R-squared value of -0.001 suggests that adding more independent variables did not improve the model's fit, possibly worsening it. The standard error of the estimate is 3.83372. Most investors are influenced by sentiment, future ambition, herd behavior, and halo effect, which can positively impact investment. However, 31% are aware of market risk and its benefits, and 51% disagree that POSB schemes do not have investment risk.

2.0 FINDINGS

- Indian Post offers various investment plans including savings bank accounts, time deposits, retirement plans, and Sukanya Samridhhi for girl children, with most investors opting for savings bank accounts.
- The behavior of investor has impacted lot on investment. Overconfidence of the investor and representative biases are impacted negatively on the investment decision. Postal customers has failed invest in a particular instrument.
- Personal bias, family sentiment, future goals such as children education, child's marriage, to construct a house etc. are most impacting factors. For the sake of accomplishing future goals, one has increased his volume and size of investment.
- The impact of Halo Effect is very less on the postal investors because the Indian Post purely

2.1 Suggestions:

- The world is moving faster than earlier and the coming generation is so faster than their ancients. Most of the postal investors have very poor knowledge in personal financial planning and less financially literate people.

- Thus, it is suggested that postal customers need to inculcate more financial knowledge, aware about the market risk and all other factors which influence on their investment pattern.
- Most of the postal customers are concentrated their investment on limited savings plans offered by Indian Post.
- Postal customers can maximize future returns by diversifying their investment in various POSB schemes.
- Sukanya Samriddhi Yojana is one of the best investment plans for girl child. Thus, the customers may purchase this plan for higher education or marriage purpose.

2.2 Conclusion:

This paper explores the importance of behavioral finance in measuring investment impact and its impact on developing economies. It considers nine behavioral factors, including representative bias, herd behavior, and sentiment, which significantly influence investment decisions of postal customers. The study suggests that customers should be aware of market risk, return factors, and other factors influencing their investment behavior.

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Appendices

- Behavioral Factors Influencing Post Office Savings

Representativeness:					
i	When I make a Post office savings Scheme, I believe it will be successful				
ii	I can identify Post office schemes that will be gained in the future				
Anchoring					
i	I rely depends on others experiences in investing in Postal savings.				
ii	I can guess the variations in Post office saving schemes in the future based on the recent experience.				
iii	I am always optimistic about my future				
Cognitive Dissonance:					
i	I change my opinion immediately if I hear views from an eminent expert that conflicts with my opinion about a Postal savings.				
ii	Usually, my mind tries to justify mistakes committed while making investment decisions.				
Availability Bias:					
i	I prefer to invest in post office saving schemes than other investment avenues because the information of Post office schemes is more available.				
ii	I consider the information from my close friends and relatives as a reliable reference for my investment choice in Post office savings.				

Self-Attribution bias:					
i	I invest more when I realize positive outcomes as expected in Post office savings.				
ii	I don't react to positive outcome as anticipated earlier.				
Mental Accounting:					
i	I tend to treat each Post office savings have given best gain to investors' expectations.				
ii	My savings are for Family Expenditure				
Conservatism Bias:					
i	I prefer to stick on to old information as future is uncertain				
ii	I prefer to Postal investment is one of the riskless Investment decisions.				
Herding:					
i	Family and Friends opinion has a significant role while I make my financial decisions				
ii	I usually react quickly to the changes of my investment decisions and follow others preferences				
10	Loss Aversion:				
i	I do not consider Street Talk / Rumors for taking any financial decision Particularly in Post office savings.				
ii	I believe that Post office investments is a long-term potential purpose.				
11	Regret Aversion:				
i	I am confident that my investment knowledge is above average.				
ii	I usually seek information to confirm my right decisions during investment in Post offices (Saving Schemes)				
iii	I only invest in the familiar schemes in post office				