



Benefits and constraints faced by usage of government saving schemes by rural and urban people

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Abstract

India is currently undergoing rapid changes mainly because of the liberalization of the economy. Along with the economic changes, social values and social structures are also rapidly changing and affecting one another. In recent years the Indian Government and the Reserve Bank of India have been pushing the concept of financial inclusion. Central government announced some saving schemes and called it as the National Mission on Financial Inclusion (NMFI) for weaker section and low income groups. The present study was conducted in Hisar district of Haryana state with the objective to find out knowledge and adoption/use of government saving schemes. Two villages i.e. Dabra and Devan from two different blocks and two urban localities from two different wards were randomly selected. Fifty rural respondents from the two blocks (25 from each village) and 50 urban respondents from the two wards (25 from each urban locality) were randomly selected. Thus, the total number of respondents was 100. An interview schedule was developed for the collection of data. The results show that 71 per cent respondents were having accounts in banks and 29 per cent were having accounts in both banks and post office. Cent per cent of rural and 72 per cent of urban respondents adopted at least one government saving scheme while 28 per cent of urban respondents did not adopt any saving scheme. In total, 115 saving schemes were adopted by 50 (100%) rural respondents while only 60 saving schemes were adopted by 36 (72%) urban respondents. Amongst saving schemes, 94 per cent respondents were aware about *Pradhan Mantri Jan Dhan Yojana* but only 50 per cent of the respondents adopted it followed by *Kisan Vikas Patra*. Major source of information about government saving schemes was newspaper and television. Cent percent respondents were aware that government saving schemes were offered by State Bank of India. Thus it can be concluded that urban and rural people both were quite aware and were using government saving schemes but there was still need that knowledge about these saving schemes should be disseminated more to rural and urban masses so that more people should adopt them and be benefitted from these useful schemes. The constraints faced by the users of these saving schemes should also be taken care of by the government.

Keywords: economic change, financial inclusion, saving scheme, awareness, adoption

Introduction

India is currently undergoing rapid changes mainly because of the liberalization of the economy. Small savings were considered a priority concern of the Government. The primary objectives of the small savings programme have been to promote the habit of thrift and savings among citizens of the country. The Post Office Savings Bank has been the main vehicle for these plans across the length and breadth of India since its establishment 123 years ago. All deposits under small savings schemes are credited to the 'National Small Savings Fund' (NSSF), established in the Public Account of India with effect from 1.4.1999. The financial institutions play a dominant role in mobilizing savings and then channelizing those savings for investment into productive activity. In recent years the Indian Government and the Reserve Bank of India have been pushing the concept of financial inclusion, but no palpable effect could be seen in the plight of these financially vulnerable people. To mitigate these long drawn financial sufferings, central government announced some loan and saving schemes and called it as the National Mission on Financial Inclusion (NMFI) for weaker section and low income groups. This effort will certainly go a long way in promoting economic growth and reducing poverty, while

mitigating systematic risk and maintaining financial stability. Sarma and Paise (2008) ^[4] stated that financial inclusion has been a priority in many countries. Financial inclusion and human development are positively correlated and move in same direction most often. Hence, better the level of financial inclusion better will be the chances of speedier growth and development.

Jain and Kothari (2012) ^[1] showed that demographic factors had no significant influence over the opinion towards Post Office Deposits Schemes except monthly income and educational qualification. The level of awareness of the respondents about various Deposits schemes was very low except Recurring Deposits and Post Office Saving Bank account.

Kunthia (2014) ^[2] attempted to study the recent developments on Financial Inclusion in India with special reference to the recently launched "*Pradhan Mantri Jan Dhan Yojana*" (PMJDY). The author had presented an analysis of its different important areas, roadblocks in the process and had suggested strategies to attain universal coverage of the PMJDY for the underprivileged population and the large unbanked areas of the country.

Mathumitha (2015) ^[3] concluded that 69 (57.5%) of the

respondents were female, mostly the females were interested in investing their savings in post office. Out of 120 respondents, 49 (40.8%) of the respondents saved 10 per cent to 15 per cent of the income as their savings; 23.3 per cent of the respondents mentioned the low return on investment.

According to Sharma (2015) [5], *Sukanya Samridhi* Account was a good start to treat a woeful state of the girl child and give her financial independence. It did not have adequate returns like the equity market or mutual funds, but it was a less or zero risky investment avenue.

In light of the above facts, the present study was conducted in Hisar district of Haryana state with the objectives to find out knowledge, adoption, benefits and constraints faced by

Results and Discussion

Table 1: Respondents having account in banks/post office and adoption and source of information of saving schemes

| Account in Bank/ Post office/ Both | Rural Respondents (n=50) | Total Accounts | Urban Respondents (n=50) | Total accounts | Total Respondents (n=100) | Total Accounts |
|-------------------------------------|--------------------------|------------------------|--------------------------|------------------------|---------------------------|------------------------------|
| Bank | 38 (76) | 50 | 33 (66) | 50 | 71 (71) | 100 |
| Both (bank and post office) | 12 (24) | | 17 (34) | | 29 (29) | |
| Adoption of saving schemes | No. of rural respondents | No. of schemes adopted | No. of urban respondents | No. of schemes adopted | No. of total respondents | No. of total schemes adopted |
| | 50 (100) | 115 | 36 (72) | 60 | 86 (86) | 175 |
| Source of information about schemes | Rural (n=50) | | Urban (n=50) | | Total (n=100) | |
| Newspaper | 42(84) | | 48(96) | | 90(90) | |
| Television | 43(86) | | 40(80) | | 83(83) | |
| Radio | 25(50) | | 23(46) | | 48(48) | |
| Relatives | 20(40) | | 26(52) | | 46(46) | |
| Friends | 28(56) | | 18(36) | | 46(46) | |
| Bank | 18(36) | | 22(44) | | 40(40) | |
| Internet | 13(26) | | 15(30) | | 28(28) | |
| Magazine or any other literature | 11(22) | | 16(32) | | 27(27) | |

Figures in parentheses indicate percentages, Multiple responses

Table 1 reveals that all the rural and urban respondents were having accounts in banks or post office. More than half of the respondents were having account in bank (71%) and 29 percent were having account both in bank and post office. No respondent had account only in post office.

Table 1 further reveals that in case of government saving schemes, all the fifty rural respondents were having at least one saving scheme and these 50 respondents adopted 115 saving schemes in total. Out of 50 urban respondents, 36

respondents in usage of government saving schemes.

Methodology

The present study was conducted in Hisar district of Haryana state. Two villages i.e. Dabra and Devan, from two different blocks and two urban localities from two different wards were randomly selected. 50 rural respondents from the two blocks (25 from each village) and 50 urban respondents from the two wards (25 from each locality) were randomly selected. Thus, the total number of respondents was 100. An interview schedule was developed for the collection of data. The data thus collected was suitably coded, tabulated and analyzed using frequency and percentages.

respondents adopted at least one government saving scheme and these 36 respondents adopted total 60 saving schemes. Both rural and urban respondents adopted 175 government saving schemes in total.

Table 1 further depicts the source of information about saving schemes. Most of the respondents were having information about saving schemes through newspaper (90%) followed by television (83%) and radio (48%).

Table 2: Awareness and adoption of government saving schemes by rural respondents

| Name of the saving scheme | Offered by | Rural respondents (n=50) | | |
|---|------------|--------------------------|----------|------------------|
| | | Awareness | Adoption | Rank of adoption |
| <i>Pradhan Mantri Jan Dhan Yojana</i> (PMJDY) | (B&PO) | 45(90) | 38(76) | II |
| <i>Kisan Vikas Patra</i> (KVP) | (PO) | 45(90) | 41(82) | I |
| Senior Citizen Saving Scheme (SCSS) | (B&PO) | 34(68) | 25(50) | III |
| Public Provident Fund (PPF) | (B&PO) | 26(52) | 2(4) | VI |
| <i>Sukanya Samridhi Yojana</i> (SSY) | (B&PO) | 29(58) | 5(10) | IV |
| National Saving Certificate (NSC) | (PO) | 15(30) | 1(2) | VII |
| <i>Atal Pension Yojana</i> (APY) | (B) | 30(60) | 3(6) | V |
| Monthly Income Scheme (MIS) | (PO) | 9(18) | - | - |
| National Pension Scheme (NPS) | (B) | 16(32) | - | - |
| Rajiv Gandhi Equity Saving Scheme (RGESS) | (B) | 10(20) | - | - |

Figures in parentheses indicate percentages, multiple responses (B=Bank, PO=Post Office, B & PO= Bank & Post Office)

Table 2 shows that majority of the rural respondents were aware about PMJDY and KVP (90%) and KVP were adopted

by majority of the respondents followed by PMJDY, SCSS and SSY.

Table 3: Awareness and adoption of government saving schemes by urban respondents

| Name of the saving scheme | Offered by | Urban respondents (n=50) | | |
|---|------------|--------------------------|----------|------------------|
| | | Awareness | Adoption | Rank of adoption |
| Pradhan Mantri Jan Dhan Yojana (PMJDY) | (B&PO) | 49(98) | 12(24) | II |
| Kisan Vikas Patra (KVP) | (PO) | 31(62) | - | - |
| Senior Citizen Saving Scheme (SCSS) | (B&PO) | 27(54) | 12(24) | II |
| Public Provident Fund (PPF) | (B&PO) | 37(74) | 21(42) | I |
| Sukanya Samridhi Yojana (SSY) | (B&PO) | 34(68) | 8(16) | III |
| National Saving Certificate (NSC) | (PO) | 25(50) | 4(8) | IV |
| Atal Pension Yojana (APY) | (B) | 34(68) | - | - |
| Monthly Income Scheme (MIS) | (PO) | 12(24) | 3(6) | V |
| National Pension Scheme (NPS) | (B) | 20(40) | - | - |
| Rajiv Gandhi Equity Saving Scheme (RGESS) | (B) | 13(26) | - | - |

Figures in parentheses indicate percentages, multiple responses
B=Bank, PO=Post Office, B & PO= Bank & Post Office

Table 3 shows that almost all the urban respondents were aware about PMJDY (98%) followed by PPF (74%) and SSY

(68%) and majority of the respondents adopted PPF followed by SCSS and PMJDY (24%).

Table 4: Benefits felt by rural respondents by usage of saving schemes n=50

| S. No. | Benefits | KVP | PMJDY | SCSS | SSY | APY | PPF | NSC |
|-------------------------------|-------------------------------------|--------|--------|--------|-------|------|------|------|
| During opening saving schemes | | | | | | | | |
| 1. | Less paper work | 28(56) | 29(58) | 22(44) | 2(4) | 2(4) | 2(4) | 1(2) |
| 2. | Convenient and Accessible | 23(46) | 30(60) | 12(24) | 4(8) | 2(4) | 2(4) | 1(2) |
| After opening saving schemes | | | | | | | | |
| 3. | Safety and security | 41(82) | 38(76) | 25(50) | 5(10) | 3(6) | 2(4) | 1(2) |
| 4. | Tax benefit | 22(44) | 19(38) | 14(28) | - | 1(2) | 1(2) | 1(2) |
| 5. | High rate of interest | 28(56) | 27(54) | 12(24) | 3(6) | 2(4) | 2(4) | 1(2) |
| 6. | No unnecessary expenditure of money | 36(72) | 28(56) | 23(46) | 2(4) | 3(6) | 2(4) | 1(2) |
| 7. | No legal issue | 31(62) | 25(50) | 10(20) | 1(2) | 1(2) | 2(4) | 1(2) |
| 8. | Less investment/input | 40(80) | 30(60) | 23(46) | 2(4) | 1(2) | 2(4) | 1(2) |

Figures in parentheses indicate percentages
Multiple Responses

Benefits felt by rural respondents by usage of saving schemes

Data in Table 4 depict that ‘safety and security’ was the main benefit felt by the rural respondents while using KVP (82%),

PMJDY (76%), SCSS (50%), SSY (10%), APY (6%) and PPF (4%) whereas ‘less investment/input’ was the benefit felt by the respondents while using KVP (80%), PMJDY (60%) and SCSS (46%).

Table 5: Benefits felt by urban respondents by usage of saving schemes n=36

| S. No. | Benefits | PPF | PMJDY | SCSS | SSY | MIS | NSC |
|-------------------------------|-------------------------------------|--------|--------|--------|-------|-------|--------|
| During opening saving schemes | | | | | | | |
| 1. | Less paper work | 13(36) | 9(25) | 10(27) | 6(16) | 6(16) | 3(8.3) |
| 2. | Convenient and accessible | 12(33) | 10(27) | 12(33) | 7(19) | 5(13) | 2(5.5) |
| After opening saving schemes | | | | | | | |
| 3. | Safety and security | 20(55) | 10(27) | 12(33) | 7(19) | 7(19) | 4(11) |
| 4. | Tax benefit | 17(47) | 6(16) | 11(30) | 5(13) | - | 3(8.3) |
| 5. | High rate of interest | 11(30) | - | 10(27) | 8(22) | 6(16) | 4(11) |
| 6. | No unnecessary expenditure of money | 15(41) | 12(33) | 11(30) | 5(13) | 7(19) | 2(5.5) |
| 7. | No legal issue | 19(52) | 6(16) | 8(22) | 6(16) | 4(11) | 2(5.5) |
| 8. | Less investment/input | 17(47) | 12(33) | 9(25) | 7(19) | 5(13) | 3(8.3) |

Figures in parentheses indicate percentages
Multiple Responses

Benefits felt by urban respondents by usage of saving schemes

Data in Table 5 reveal that in case of PPF, ‘safety and

security’ was the main benefit felt by the urban respondents (55%) followed by ‘no legal issue’ (52%). In case of PMJDY, ‘less investment/input’ and ‘no unnecessary expenditure of

money’ were the main benefits felt by the respondents (33%) followed by ‘being convenient and accessible’ (27%). In case of SCSS, ‘safety and security’ and ‘convenient and accessible’ were the main benefits felt by the respondents (33%) followed by ‘no unnecessary expenditure of money’ and ‘tax benefit’ (30%). In case of SSY, 22 per cent of the respondents felt benefit of ‘high rate of interest’ followed by ‘safety and security’, ‘convenient and accessible’ and ‘less

investment/input’ (19%). In case of MIS, ‘safety and security’ and ‘no unnecessary expenditure of money’ were the main benefits felt by the respondents (19%) followed by ‘high rate of interest’ and ‘less paper work’ (16%). In case of NSC, ‘high rate of interest’ and ‘safety and security’ were the main benefits felt by respondents (11%) followed by ‘tax benefit’ and ‘less paper work’ (8.3%).

Table 6: Constraints faced by rural respondents by usage of saving schemes n=50

| S. No. | Constraints | KVP | PMJDY | SCSS | SSY | APY | PPF | NSC |
|-------------------------------|---|--------|--------|--------|--------|--------|--------|--------|
| During opening saving schemes | | | | | | | | |
| 1. | Large amount required for opening saving account | 5(10) | - | 9(18) | 15(30) | 19(38) | - | 10(20) |
| 2. | No knowledge about account opening procedure | 26(52) | - | 19(38) | 23(46) | 14(28) | 23(46) | 29(58) |
| 3. | Lengthy account opening procedure | 29(58) | 27(54) | 18(36) | 21(42) | 20(40) | 18(36) | 21(42) |
| 4. | No co-operation/ guidance from the bank and post office staff | 25(50) | 29(58) | 16(32) | 12(24) | - | 25(50) | 20(40) |
| 5. | Crowd in bank and post office | 19(38) | 12(24) | 20(40) | 22(44) | 21(42) | 20(40) | 17(34) |
| After opening saving schemes | | | | | | | | |
| 6. | Low rate of interest | 10(20) | - | 19(38) | 20(40) | 19(38) | 8(16) | 14(28) |
| 7. | Limited no. of withdrawals | 21(42) | 31(62) | 10(20) | 16(32) | 15(30) | 33(66) | 28(56) |
| 8. | Penalty on premature withdrawals | 15(30) | - | 15(30) | 19(38) | 10(20) | 6(12) | 32(64) |

Figures in parentheses indicate percentages
Multiple Responses

Constraints faced by rural respondents by usage of saving schemes

Table 6 shows that in the case of KVP, 58 per cent respondents faced constraints during opening scheme (lengthy account opening procedure) and 42 per cent respondents faced constraints after opening scheme (limited number of withdrawals). In the case of PMJDY, more than half (62%) of the respondents faced constraints after opening scheme (limited number of withdrawals) and 58 per cent during opening scheme because of no co-operation/guidance from the bank and post office staff. In case of SCSS, 40 per cent respondents faced constraints during opening scheme due to crowd in bank and post office and 38 per cent respondents faced constraints after opening scheme (low rate of interest). In case of SSY, 46 per cent of the respondents faced

constraints during opening scheme because they did not know about account opening procedure followed by 38 per cent after opening scheme due to penalty on premature withdrawals. In case of APY due to crowd in bank and post office, 42 per cent respondents faced constraint while opening the scheme followed by ‘lengthy account opening procedure’ (40%). In case of PPF, 66 per cent respondents faced constraint after opening scheme due to limited number of withdrawals and 50 per cent faced constraint during opening scheme due to no co-operation/ guidance from the bank and post office staff; in case of NSC, 58 per cent respondents faced constraint during opening scheme due to no knowledge about opening scheme and 64 per cent faced constraint after opening scheme due to penalty on premature withdrawals.

Table 7: Constraints faced by urban respondents by usage of saving schemes n=36

| S. No. | Constraints | PPF | PMJDY | SCSS | SSY | MIS | NSC |
|-------------------------------|--|--------|--------|--------|--------|--------|--------|
| During opening saving schemes | | | | | | | |
| 1. | Large amount required for opening saving account | 5(13) | - | 4(11) | 10(27) | - | - |
| 2. | No knowledge about account opening procedure | 10(27) | - | 29(80) | 26(72) | 11(33) | 25(69) |
| 3. | Lengthy account opening procedure | 10(27) | - | - | - | - | - |
| 4. | No co-operation/guidance from the bank and post office staff | 8(22) | 8(22) | 18(50) | 21(58) | 4(11) | 17(47) |
| 5. | Crowd in bank and post office | 10(27) | - | 11(30) | 19(52) | 21(58) | 17(47) |
| After opening saving schemes | | | | | | | |
| 6. | Low interest rate | 18(50) | - | 19(52) | 20(55) | 4(11) | 14(38) |
| 7. | Limited no. of withdrawals | 11(30) | 10(27) | 29(80) | 22(61) | 9(25) | - |
| 8. | Penalty on premature Withdrawals | 21(58) | - | 19(52) | 23(63) | - | 29(80) |

Figures in parentheses indicate percentages
Multiple Responses

Constraints faced by urban respondents by usage of saving schemes

Table 7 shows that in case of PPF, 58 per cent respondents faced constraint due to penalty on premature withdrawals

followed by ‘no knowledge about account opening procedure, lengthy account opening procedure and crowded in bank and post office (27%). In case of PMJDY, 27 per cent respondents faced constraint after opening scheme and 22 per cent faced

constraint during opening scheme. In case of SCSS, 80 per cent respondents faced constraint during and after opening scheme due to no knowledge about account opening procedure and limited number of withdrawals respectively. In case of SSY, 72 per cent respondents faced constraint because they did not have knowledge about account opening procedure followed by penalty in premature withdrawals (63%). In case of MIS, 58 per cent respondents faced constraint because of crowd in bank and post office followed by 'no knowledge about account opening procedure' (33%). In case of NSC, 80 per cent respondents faced constraint due to penalty on premature withdrawals followed by 'no knowledge about account opening procedure' (69%).

Conclusion

Government of India launched many saving schemes which are offered by nationalized and private banks and post office. Respondents were aware about many saving schemes and different schemes were adopted by them. Newspapers and television were major sources of information about these saving schemes. Various benefits and constrains were faced by the respondents during opening and while availing different saving schemes. Though rural and urban people are making use of these government schemes, still government should disseminate more knowledge about these schemes in rural and urban areas so that more number of people should make use of these beneficial schemes. The constraints faced by the users of these saving schemes should also be taken care of by the government.

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