

Role of India Post in Financial Inclusion in Tamil Nadu: An Empirical Study

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Abstract

The term financial inclusion was coined to financially strengthen all the people in formal financial sector in every part of the world. This is a very important consideration for both developing and developed countries. Thus, the ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector in specific unbanked and rural areas. Though, many formal financial institutions in India are involved in financial inclusion programme, India post is one of the largest physical network institutions in India. Therefore, the role of India Post in financial inclusion program in a sample village, named Melaiyur under Mayiladuthurai District of Tamil Nadu was considered for this study. The descriptive research method was adopted. Data collected for the study was both qualitative as well as quantitative in nature. It was collected from both primary and secondary sources. The village was selected purposively as a study area. In this village, India post plays a vital role to provide financial services. The researcher has attempted to get a number of customers from the sample post office situated in the study area. Hence, the population of the study was treated as unknown. To determine the sample size, the unknown sample size Cochran formula was used. From the formula there are 384 customers was determined as sample respondents. The result of the study shows that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users state that the post office provides better financial services to include the rural people in formal financial sector in the study area.

Key words: Financial Inclusion, Post office, User Perception, Rural India, Socio-Economic Development, Financial Services, Rural Development

Introduction

At the outset, the term 'Financial Inclusion' was coined to financially strengthen all the people in formal financial sector in every part of the world. This is a very important consideration for both developing and developed countries. Thus, the ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector, in specific unbanked and rural areas. Though, many formal financial institutions in India are involved in financial inclusion programme, India post is the largest physical network institution in India. On April 1, 1882, onwards the post office offering Savings Deposit Schemes in India, however, on January 30, 2017, the Department of Posts has launched India Post Payment Bank (IPPB). Through IPPB the post department provides various financial services especially to people in rural and unbanked areas. In most rural and unbanked areas, the post office is the primary formal financial institution for providing financial services to all types of people. Therefore, it is important to know the contribution of post office to financial inclusion in rural areas. In this background, a study on " Role of India Post in Financial Inclusion in Tamil Nadu: An Empirical Study" has been undertaken to gain more insight into the study area, Melaiyur Village, Mayiladuthurai District of Tamil Nadu, India, as it is considered as a need of the hour contemporarily.

Statement of The Problem

Before the introduction of financial inclusion program in India, most people used semi-formal and informal financial institutions like moneylenders, chit funds, neighbors and friends to save their money and get loans. Therefore, lack of formal financial institution was the biggest problem in regulating financial transactions in rural India. Due to this issue, people faced many problems like lack of knowledge about proper saving habits, exploitation of savings, decrease in value of savings, higher interest on loans, exploitation of loans, insufficient credit and more. Hence, in the study area, the role of post office in financial inclusion program was examined in this study.

Literature Review

The researcher has undertaken a review of literature to identify the research gap to justify the current research. Few of them are enlisted below;

Aggarwal R.,(2012)¹ research deals with the preference of investors for different post office saving options and to find out the factors that influencing the investors towards Post office savings schemes. The study relates to the impact of occupation and education variables on the investors behavior towards post office saving schemes. The study points out, the respondents prefer postal savings due to its safety, security and tax benefits features; and unaware of the new schemes introduced due to less advertisement and promotion. Finally the researcher suggested that the post office needs strong marketing efforts that support the positioning strategy and the revolution in IT.

Anand (2013)² examined the performance of Indian postal services. The growth and performance is measured through the different aspects of the services provided the India post. The results found were not impressive with the communication services but its strategy moving to remove all hurdles and challenges. Revival of post office by financial service is highly recommended because of its long tradition of handling financial services, its wide reach among the mass market and its credibility and trust. To improve the service quality and operational efficiency, India post has introduced a centralized core banking solution with alternate delivery channels facilitating anytime anywhere banking environment.

Gupta and Nidhi Gupta (2012)³ studied about the customer satisfaction with respect to the service provided by the post office and also make comparison with the banking services. After the analysis, it is concluded that to attract and retain more customers Post-offices should initiate modern banking facilities. They have provided certain recommendations such as, development of new deposit schemes, increase in service counters to maintain a good rapport with the customers and increase their satisfactory rate.

Gupta and Nidhi Gupta (2012)⁴ in their study compared the perception of the customers towards the life insurance policies provided by Postal Life Insurance, LIC and Private insurance organizations. The study suggested the India post to improve its infrastructure facilities, decrease interest rate for loan against policy, quick settlement of claim, reduce procedural work during the renewal of lapsed policy, increase its agents network, introduce innovative products, provide insurance to all segment people and so on. It concludes with the words that the future direction of Postal Life Insurance depends on the innovative, attractive and futuristic strategies in marketing adopted by post offices.

Mathew Suma (2015)⁵ in the study titled “ Strategic Role of Post Office Savings Bank towards Prosperity of India” concluded that the combination of India Post outreach and credibility with its extensive experience with delivering savings accounts and payments on a pan-India basis can serve as a critical building block for broad-based financial inclusion. Further it highlighted that over the years, the post office savings bank has emerged as significant component of India Post operations and its revenues from financial services as a share of its total revenue have steadily increased over time to 45 per cent today.

Mathumitha(2015)⁶ conducted a study on “Investors attitude towards Post Office Savings Schemes in Cumbum Town”. The study found that majority of the respondents preferred Recurring Deposit and majority of the respondents preferred to meet future plan of their children’s. The study suggested that necessary steps can be taken to adopt advertisement strategy.

Muthukrishnan (2013)⁷ portrays an outlook of the postal life insurance in current scenario based on the secondary data. The paper discussed the features of various schemes and policies provided under the Postal Life Insurance.

Nalini (2013)⁸ assessed the customers' perception towards post bank of Indian through the data collected from 120 samples. The study revealed that the India Post has to concentrate on some new initiatives such as ATM service, loan availability, electronic fund transfer etc. to be more competitive. Further this study suggested that the government must take necessary steps to transform the post office into pos banks for the satisfaction of the customers.

Objectives of The Study

This study has the following primary objectives;

1. To identify the relationship between the demographic variables and the users' perception towards the role of India Post in Financial Inclusion in Melaiyur Village of Mayildathurai District of Tamil Nadu, India i.e. the study area, and
2. To explore the role of India Post in Financial Inclusion and suggest remedial measures to improve its services to the rural masses especially in the study area in particular and India in general.

Research Methodology

The present study is empirical in nature as it is predominantly based on primary data. It was collected by the researcher directly from the sample respondents selected for the study. The data collected for the study was both qualitative as well as quantitative in nature.

It was collected from both primary and secondary sources. The primary data was collected with the help of an interview schedule. The secondary data was collected from various sources such as reports, books, magazines, journals etc.

Sampling Design

In India, there are currently 29 States and 8 Union Territories altogether viz; Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Telungana, Tripura, Uttar Pradesh. The Union Territories include New Delhi, Jammu & Kashmir, Ladakh, Dadra and Nagar Haveli, and Daman and Diu, Puducherry, Chandigarh, and Lakshadweep. The population of India was reportedly about 140.76 crore. According to the Census, 2011, the population of Tamil Nadu was 7.21 million.

In Tamil Nadu, there are 38 districts viz; Ariyalur, Chengalpattu, Chennai, Coimbatore, Cuddalore, Dharmapuri, Dindigul, Erode, Kallakurichi, Kanchipuram, Kanyakumari, Karur, Krishnagiri, Madurai, Mayiladuthurai, Nagappatinam, Namakkal, Neelgiris, Perambalur, Pudukottai, Ramanathapuram, Ranipet, Salem, Sivagangai, Tenkasi, Thanjavur, Theni, Tuticorin, Tiruchirappalli, Tirunelveli, Tiruppattur, Tirupur, Tiruvallur, Tiruvannamalai, Tiruvarur, Vellore, Vizhupuram, and Virudhunagar. The recent census reveals that the population of the State of Tamil Nadu is 72,147,030 people. Of them, 36,137,975 are males and 36,009,055 females.

The total population of Mayiladuthurai District was 1,64,985, according to the Census, 2011, comprising 81,857 males and 83,128 females. Recent report in 2023 reveals that there are 2,17,780 people living in the District. Further, it is also worth-mentioning that there are 287 revenue villages in Mayiladuthurai District.

For the current study, Melaiyur village, under the Mayiladuthurai District of Tamil Nadu, was selected purposively. It is one of the thickly populated villages under the district, having 5,883 people living thereat,

consisting of 2963 males and 2920 females, according to the 2011 census report. The literacy rate of the village was 84.06 per cent, as compared to 80.09 per cent of the entire state of Tamil Nadu. In the village, the male literacy accounts for 90.60 per cent whereas the female literacy rate was 77.56 per cent. The village is having only one commercial bank branch. In this village, there are few educational institutions which include an Arts and Science College, a Government Higher Secondary School, and two Private Schools.

Likewise, there is an India post branch. The Melaiyur Tvg Post Office is situated at Melaiyur Tvg, Tharngmbadi, Mayiladuthurai District of Tamil Nadu. It falls under Mayiladuthurai Postal division of the Tamil Nadu Postal Circle. The related sub-post office is Sirkali Head Post Office under Mayiladuthurai District.

As far as the work profile of the village was concerned, there were 2405 people engaged in various main work activities. Of them, about 66.78 per cent of them was on employment while other 33.22 per cent was involved in marginal activities which provides them livelihood for less than 6 months. Additionally, it was also reported that there were 170 cultivators while 589 of them were engaged in agriculture as labourers.

In the study area, India post plays a vital role to provide financial services. Owing to complexity of obtaining the accurate number of customers availing the financial services from the branch, the population parameter for the current study has been considered as unknown and larger in number. Hence, the following Cochran's formula, 1977, $n_0 = z^2 \cdot p \cdot (1-p) / e^2$ was used to determine an ideal sample size of 384 customers as sample respondents for the present study.

The following steps were followed to decide the sample size by applying the Cochran's formula as the nature of data is identified as categorical for an alpha level a priori at .05 (error of 5%) = $n_0 = (t)^2 \cdot (p)(q) / (d)^2 = 384$

Where,

n_0 - the sample size,

t = the value for the selected alpha level, For example, 1.96 for (0.25 in each tail) a 95 percent confidence level

p = the estimated proportion of an attribute which is present in the population

$q = 1-p$. where $(p)(q)$ are the estimate of variance.

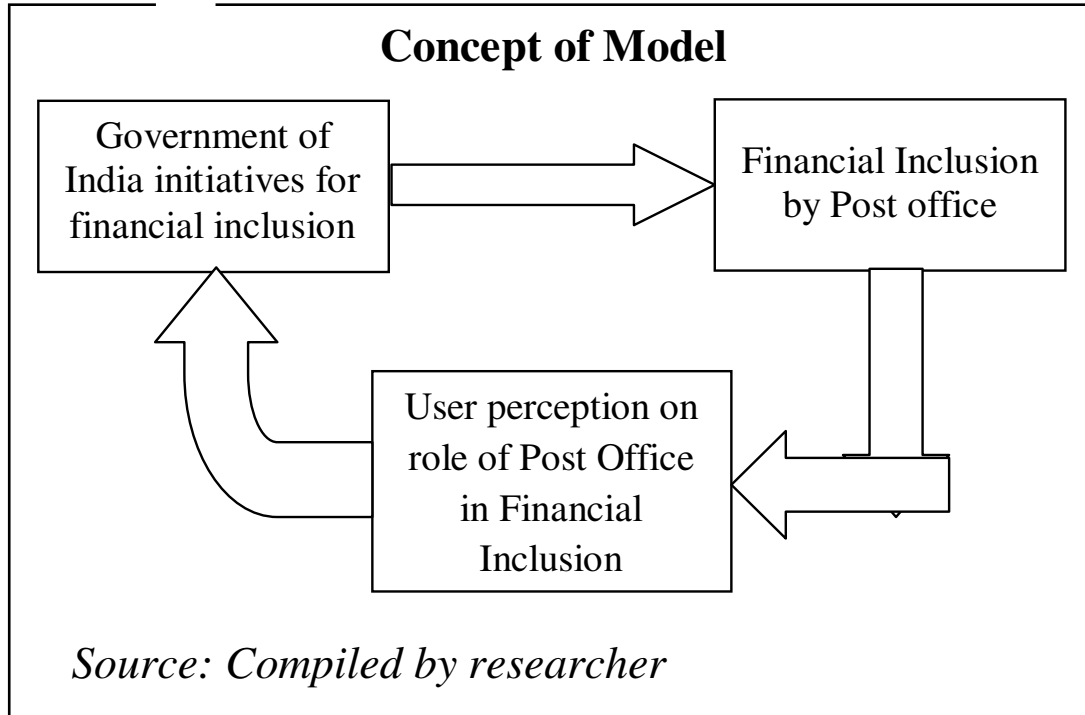
d is the acceptable margin of error for proportion being estimated and hence, the confidence interval is in decimals.

Role of India Post in Financial Inclusion

The Government of India has been taking various initiatives via policies for attaining the broader goal of financial inclusion. Amongst all the financial institutions are attempting to provide financial services, including the India Post, for ensuring financial services to the weaker sections of the society at affordable costs.

Hence, it becomes very essential to evaluate the impact of such services in terms of perception and satisfaction of the India Post customers from time to time. Having obtained their feedback on such services, the India Post may either launch new services or improve the effectiveness of the existing services to the disadvantaged sections of the society.

The core concept of financial inclusion and the role of India post have been shown below;



At micro level, in line with the broader outlook of the India Post, the branch post office in Melaiyur has been providing the following financial services;

1. Savings Bank Account
2. Recurring Deposit Account
3. Monthly Income Scheme (MIS)
4. Monthly Public Provident Fund (PPF)
5. Time Deposits (TDs)
6. Senior Citizen Savings Scheme (SCSS)
7. National Savings Certificate (NSC)
8. Kisan Vikas Patra (KVP)
9. Suganya Samriti Account (SSCA)

In addition, the branch has been extending the following services too to the rural masses in the study area which include Mail Services, Parcel Services, Retail Services, Premium Services, Speed Post, Express Parcel Post, Media Post, Greetings Post, Logistics Post, and E-post Office.

Results and Discussion

For the purpose of study, the researcher has further used Five-Point Likert Scale to collect the data from the sample respondents to measure their degree of perception on the role of India Post in financial inclusion in the study area i.e., availability, accessibility, cost, usage and reliability. Further, for the effective presentation, the collected information was converted from five points to three points. The outcome of the analysis has been tabulated as follows;

Table 1
User perception of the Role of India Post in Financial Inclusion
in different Dimensions (Total Score Value)

S N	User perception on	Members' response			Total Response
		Agree	Neither nor	Disagree	
1	Availability	1412 (73.54)	426 (22.19)	82 (4.27)	1920 (100)
2	Accessibility	1219 (63.49)	564 (29.38)	137 (7.14)	1920 (100)
3	Cost	1169 (60.89)	461 (24.01)	290 (15.10)	1920 (100)
4	Usage	1395 (72.66)	429 (22.34)	96 (5.00)	1920 (100)
5	Reliability	887 (46.20)	670 (34.90)	363 (18.91)	1920 (100)

Source: Computed from Primary Data

The user perception of the role of India Post in financial inclusion in the rural areas shows that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users states that the post office provides better and convenient financial services to rural areas. It means that, the post office plays a better role for inclusion of rural people in formal financial sector. Further, to test the relationship between demographic variables of the sample respondents and user perception of the role of post office in financial inclusion the Multiple Linear Regression model was used. Demographic variables age, gender, education, occupation and income were considered as independent variables and variables of postal financial service availability, access, cost, usage and reliability were used as dependent variables. The result of analysis is as follows.

Table 2

The relationship between demographic variables and user perception on the role of India Post in Financial Inclusion using MLR

S N	Independent Variables	Dependent Variables				
		Availability	Accessibility	Cost	Usage	Reliability
1	Age	2.671**	-2.833**	1.249	3.397*	1.832
2	Gender	-3.018**	-3.415*	2.014	-2.803**	0.310
3	Education	-2.644**	-0.231	2.631**	0.552	2.930**
4	Occupation	-2.896**	-2.819**	-2.655**	-3.682*	0.854
5	Income	-2.611**	1.600	-2.793**	-2.819**	1.328
	R square	0.691	0.514	0.502	0.583	0.437
	N	384	384	384	384	384

Source: Compiled from Primary Data

Age: The demographic variable age positively significant at 1 percent level for usage aspects and five percent level for availability aspects and negatively significant at 5 percent level for access aspects about the role of post office in financial inclusion. It means that, most of the higher age group respondents states that the post office gives user friendly services, majority of the higher age group respondents states that financial services available in post office at their convenient and majority of the young age group respondents states that the post office services is easily accessible. However, the analysis result reveals that there is no relationship between the age of respondents and cost and reliability aspects of using postal financial services.

Gender: The availability and access aspects of using postal financial services and gender of the sample respondents negatively significant at 1 percent level and the usage aspects of using postal financial services and gender of the

sample respondent negatively significant at 5 percent level. It means that, most of the female respondents states that the post office gives easily available and access services to rural people and majority of the female respondents state that the post office provide user friendly services. However, the analysis result reveals that there is no relationship between the gender of respondents and cost and reliability aspects of using postal financial services.

Education: The relationship between level of education of sample respondents and their opinion on role of post office in financial inclusion in the aspects of cost and reliability positively significant at 5 percent level and availability aspects negatively significant at 5 percent level. It implies that, majority of the higher level educated sample respondents states that the cost of postal services is adequate and the post office provides reliable financial services and majority of the low level educated sample respondents states that the post office provide easily available financial services to public.

Occupation: The variable occupation negatively significant at 1 percent level for usage aspects and 5 percent level for availability, access and cost aspects about the role of post office in financial inclusion. It means that, most of the agricultural and allied sector workers states that the post office provides user friendly services and majority of the agricultural and allied sector workers states that the post office provides easily available financial services, easy to access and less cost services to public.

Income: The availability, cost and usage aspects of using postal financial services and income of the sample respondents negatively significant at 5 percent level. It means that, majority of the lower income group sample respondents states that the post office provides easily available services, less cost services and user friendly services.

Hence the analysis result clearly reveals that majority of the sample respondents opined that the post office provides better financial services to include the rural people in formal financial sector in the study area.

Key Findings of The Study

The following are the key findings of the study;

Indian Post's financial services';

- Accessibility by the rural people in the study area is easier.
- Availably with minimum efforts.
- Cost is less.
- Utility is more, and
- Reliability is better

Suggesstions and Recommendations

Based on the results and discussions of the study, the following recommendations are made;

- ✓ Awareness about the various financial services provided by the India Post may be created amongst the rural people in the study area.
- ✓ Adequate motivation is necessary to avail the services of India Post.
- ✓ More effective delivery of services may be attempted for.
- ✓ Constant monitoring and evaluation of the India Post performance against various dimensions in the context of financial inclusion objective may give better results.
- ✓ Employees' and the Beneficiaries' problems in providing/availing the services may have to be addressed instantly without delay.
- ✓ Actual reports on the effectiveness of various policies and schemes of the Government may be important for sound decision making on this aspect.

Limitations and Scope of The Study

The current study has the following limitations;

- Only primary data has been used. No secondary data is put at use.
- Carried out at micro level case study as it has taken only a small village, Melaiyur. Other regions of Nagapattinam district have been kept outside the purview of the study.
- Only demographic variables have been considered whereas all other variables are not included.
- Possibility of bias in the responses received from the sample respondents.

Keeping in view the above limitations, more researches may be carried out on the following topics to gain more insight into the phenomenon. It will certainly strengthen the existing literature available on the research area.

1. Role of India Post and Socio-Economic Development
2. Role of India Post and Other Financial Institutions in India: A Comparative Study
3. Problems and Prospects of India Post and Customers

Conclusion

In ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector, in specific unbanked and rural areas. In most rural and unbanked areas, the post office is the primary formal financial institution for providing financial services to all types of people. Therefore, the contribution of post office in financial inclusion in rural areas was analyzed in detail. The analysis result of the selected village, Melaiyur under Mayiladuthurai District of Tamil Nadu, India reveals that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users state that the post office provides better financial services to include the rural people in formal financial sector in the study area. In other words, it may conveniently be inferred that the India Post has been playing a positive role in achieving the broader goal of financial inclusion. However, it is suggested that the constant launching, monitoring and follow up activities on the affairs of the India post. Awareness may be created among the rural people in the villages about the various financial services provided by the India Post which may yield better results in future.

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