



IJM

International Journal of Management

Publishing Refereed Research Article, Survey Articles and Technical Notes.

ISSN Print: 0976-6502 / ISSN Online: 0976-6510



IAEME Publication

Chennai, India

editor@iaeme.com / iaemedu@gmail.com

<https://iaeme.com/Home/journal/IJM>





THE SIGNIFICANT ROLE OF POST OFFICE SAVINGS BANK SCHEMES IN MOBILIZING DOMESTIC SAVINGS IN INDIA: AN EMPIRICAL ANALYSIS

Sanjay Kumar Panchal ¹, Dr. Renu Yadav ²

¹ Research Scholar (PhD Commerce), Department of Commerce & Management, Jayoti Vidyaapeeth Women's University, Jaipur, Rajasthan, India.

² Research Guide & Assistant Professor, Department of Commerce & Management, Jayoti Vidyaapeeth Women's University, Jaipur, Rajasthan, India.

ABSTRACT

This study tests the hypothesis that Post Office Savings Bank (POSB) schemes play a significant role in the procurement of domestic savings in India. In order to mobilize household savings, especially in rural and semi-urban regions, the Department of Posts operates POSB programs, such as the National Savings Certificates (NSC), Public Provident Fund (PPF), and Recurring Deposits (RD). This study evaluates the effect of POSB schemes on domestic savings rates using econometric models and time-series data from 2000 to 2023. The findings cast doubt on the idea because they show a statistically small contribution. Declining interest rates, limited digital outreach, and rivalry from commercial financial institutions are some of the factors that could account

for this result. In the current financial environment, the results highlight the necessity of regulatory changes to improve the efficacy of POSB schemes.

Keywords: Domestic Savings, Department of Posts, India, POSB Schemes.

Cite this Article: Sanjay Kumar Panchal, Renu Yadav. (2025). The Significant Role of Post Office Savings Bank Schemes in Mobilizing Domestic Savings in India: An Empirical Analysis. *International Journal of Management (IJM)*, 16(3), 207-214.

https://iaeme.com/MasterAdmin/Journal_uploads/IJM/VOLUME_16_ISSUE_3/IJM_16_03_015.pdf

1. Introduction

India's economic growth is significantly fueled by domestic savings, which provide capital for investments and financial stability. The Post Office Savings Bank (POSB), one of the oldest and easiest-to-access savings banks in India, is run by the Department of Posts within the Ministry of Finance. With its extensive network of more than 155,000 post offices, POSB targets small depositors, especially in rural and semi-urban regions, with programs including the National Savings Certificates (NSC), Public Provident Fund (PPF), Kisan Vikas Patra (KVP), and Recurring Deposits (RD). These programs are intended to encourage frugal living and offer safe, financially supported returns. But with the financial sector in India becoming more liberalized and private banks, mutual funds, and digital investment platforms becoming more popular, there are now concerns about how well POSB plans work to mobilize savings in the country. The hypothesis is tested in this study: In India, Post Office deposits Bank programs are crucial to the acquisition of domestic deposits. In order to evaluate the effect of POSB schemes on domestic savings rates, this study uses econometric analysis on time-series data from 2000 to 2023. The purpose of the research is to guide policy changes that will enhance the POSB's role in promoting financial inclusion and economic development. This is how the paper is organized: After reviewing the literature in Section 2, the methodology is described in Section 3, the results are presented in Section 4, the findings are discussed in Section 5, and policy recommendations are made in Section 6.

2. Literature Review

2.1 Domestic Savings in India: - For India's capital development, domestic savings—which include corporate, public, and personal savings—are essential. Household savings, which make up between 20 and 25 percent of GDP, are impacted by financial inclusion, interest rates, and income levels. The Reserve Bank of India (RBI) forecasts steady growth in family savings,

even though contemporary financial instruments are a threat. Because they have less access to banks, rural families depend on easily accessible savings choices like POSB schemes.

2.2 Role of Post Office Savings Bank Schemes: - The purpose of POSB plans is to provide low-risk, government-backed investment choices to small savers. While RD targets regular savers, PPF and NSC schemes offer long-term savings opportunities. According to Tumbe, C. (2015), the POSB's wide post office network is a significant asset that contributes to financial inclusion. However, Singh, R. (2015) contends that because private banks and mutual funds compete with POSB schemes and provide greater yields and digital accessibility, POSB plans only slightly add to overall savings. According to Sayyed & Sayyad (2015), limited promotional efforts and lower interest rates are to blame for the decline in investor interest in POSB programs in urban areas.

2.3 Challenges and Opportunities: - Fin-tech platforms and private financial institutions, which provide competitive returns and user-friendly interfaces, pose a threat to the POSB. Their attractiveness has diminished due to declining interest rates on POSB schemes (for example, NSC rates have decreased from 8% to 6.8% in recent years). Furthermore, outreach is limited in the digital age by the use of post offices as the main distribution method. Notwithstanding these obstacles, the POSB's wide network and solid reputation offer chances to improve savings mobilization using updated tactics.

3. Gaps in the Literature

While existing research examines macroeconomic determinants of savings, the specific contribution of POSB schemes remains underexplored. Most studies focus on aggregate savings trends or private sector instruments, with limited empirical analysis of POSB's impact. This study addresses this gap by testing the role of POSB schemes using econometric methods, providing evidence to guide financial policy.

4. Methodology

4.1 Data Collection

This study uses annual time-series data from 2000 to 2023, sourced from credible institutions:

- Domestic Savings Rate (DSR): Measured as a percentage of GDP, obtained from RBI's Handbook of Statistics on Indian Economy.

- POSB Savings Mobilization (POSB-SM): Total collections under POSB schemes (in INR crores), sourced from Department of Posts and Ministry of Finance reports.

- Control Variables:

- Real GDP growth rate, sourced from RBI.
- Average interest rate on POSB schemes, derived from Ministry of Finance data.
- Financial inclusion index, based on the CRISIL Inclusix report.

The dataset covers 24 years, ensuring sufficient observations for robust analysis.

4.2 Econometric Model

A multiple regression model is specified to test the hypothesis:

$$DSR_t = \beta_0 + \beta_1 POSB-SM_t + \beta_2 GDP_t + \beta_3 IR_t + \beta_4 FIt + \epsilon_t$$

Where:

- DSR_t : Domestic savings rate at time t .
- $POSB-SM_t$: POSB savings mobilization (log-transformed to address scale differences).
- GDP_t : Real GDP growth rate.
- IR_t : Average interest rate on POSB schemes.
- FIt : Financial inclusion index.
- ϵ_t : Error term, assumed to be normally distributed.

The null hypothesis ($H_0 : \beta_1 = 0$) posits that POSB savings mobilization has no significant effect on DSR.

The alternative hypothesis ($H_1 : \beta_1 \neq 0$) suggests a significant effect, supporting the study's hypothesis.

4.3 Estimation Technique

The model is estimated using Ordinary Least Squares (OLS). Robustness checks include:

- Stationarity: Augmented Dickey-Fuller (ADF) test to ensure variables are stationary.
- Multicollinearity: Variance Inflation Factor (VIF) to check for excessive correlation among independent variables.
- Heteroskedasticity: Breusch-Pagan test to verify constant variance in residuals, with robust standard errors applied if needed.

5. Data Limitations

The study relies on aggregate data, which may not capture regional variations in POSB scheme uptake. Data on POSB collections is limited to official reports, potentially underreporting informal savings. Despite these limitations, the dataset provides a reliable basis for analysis.

6. Results

6.1 Descriptive Statistics

Table 1 summarizes the variables.

| Variable | Mean | Standard Deviation | Minimum | Maximum | Observations |
|---------------------------|-------|--------------------|---------|---------|--------------|
| DSR (% of GDP) | 23.45 | 2.31 | 19.80 | 27.10 | 24 |
| POSB-SM (INR crores, log) | 12.85 | 0.62 | 11.90 | 14.10 | 24 |
| GDP Growth (%) | 6.12 | 1.89 | 3.10 | 9.70 | 24 |
| Interest Rate (%) | 6.25 | 0.85 | 4.50 | 7.80 | 24 |
| Financial Inclusion Index | 62.34 | 12.67 | 40.10 | 85.20 | 24 |

The DSR averaged 23.45% of GDP, with POSB-SM showing steady growth but constituting less than 10% of total savings.

6.2 Regression Results

The OLS regression results are presented in Table 2.

Table 2: Regression Results for Domestic Savings Rate (2000–2023)

| Variable | Coefficient | Std. Error | t-Statistic | p-Value |
|---------------------|------------------------------|------------|-------------|---------|
| POSB-SM (log) | 0.014 | 0.009 | 1.56 | 0.134 |
| GDP Growth | 0.310 | 0.043 | 7.21 | 0.000 |
| Interest Rate | 0.098 | 0.037 | 2.65 | 0.015 |
| Financial Inclusion | 0.210 | 0.050 | 4.20 | 0.001 |
| Constant | 5.890 | 1.200 | 4.91 | 0.000 |
| R-squared Adjusted | 0.770 0.732 24 | | | |
| R-squared | | | | |
| Observations | | | | |

The coefficient for POSB-SM ($\beta_1 = 0.014$) is statistically insignificant ($p = 0.134$), rejecting the alternative hypothesis that POSB schemes have a significant role. GDP growth ($\beta_2 = 0.310$, $p < 0.01$), interest rates ($\beta_3 = 0.098$, $p < 0.05$), and financial inclusion ($\beta_4 = 0.210$, $p < 0.01$) are significant predictors. The model explains 77.0% of the variation in DSR.

6.3 Robustness Checks

- Stationarity: ADF test confirms all variables are stationary at levels ($p < 0.05$).
- Multicollinearity: VIF values are below 5, indicating no multicollinearity.
- Heteroskedasticity: Breusch-Pagan test ($p = 0.33$) suggests no significant heteroskedasticity.

7. Discussion

7.1 Interpretation of Findings

The study reveals that POSB schemes have a limited impact on domestic savings rates, contradicting the hypothesis of a significant role. This is due to competition from private financial institutions, which offer higher returns and digital convenience. Private Banks and mutual funds also attract savers away from POSB schemes, as mutual fund assets have grown by over 15% annually since 2010. Additionally, POSB schemes have decreased interest rates, limited digital outreach due to reliance on post offices, and low awareness among younger savers due to limited promotional efforts.

7.2 Policy Implications

The results imply that domestic savings are not sufficiently mobilized by POSB schemes. Policymakers should strengthen their influence by:

- Digital Integration: Create mobile applications or combine UPI-based platforms with POSB initiatives to increase accessibility.
- Rural Outreach: To advertise programs in underserved areas, collaborate with self-help organizations and rural banks.
- Product Innovation: To draw in a variety of savers, offer adaptable plans with attractive returns.
- Awareness Campaigns: Start financial literacy initiatives to inform savers of the advantages of POSB plans.

7.3 Limitations and Future Research

The study's dependence on aggregate data might obscure regional differences in the adoption of POSB schemes. Future studies could examine the effects of urban and rural areas

using disaggregated data. To gain a better understanding of savers' preferences for POSB over private instruments, qualitative research may be necessary. Modernization plans could also be informed by examining how digital banking trends affect POSB efficacy.

8. Conclusion

This study finds that Post Office Savings Bank schemes do not play a significant role in procuring domestic savings in India, rejecting the hypothesis. Econometric analysis reveals that POSB schemes have a negligible impact on domestic savings rates, overshadowed by macroeconomic factors like GDP growth, interest rates, and financial inclusion. The limited effectiveness stems from competition, declining interest rates, and outdated distribution channels. To strengthen their role, the Department of Posts should adopt digital platforms, enhance rural outreach, and innovate savings products. These reforms could revitalize the POSB's contribution to India's savings ecosystem, supporting financial inclusion and economic growth.

9. Acknowledgment

For their key knowledge and insights that enabled us to finish the research paper, I would like to sincerely thank the faculty members of Jayoti Vidyapeeth Women's University Jaipur's Department of Commerce & Management. My colleagues and high-ranking government officials who helped me complete my questionnaire and provided insightful criticism are also deserving of my gratitude. I am particularly appreciative of the assistance my research guide has provided me with regarding my internet problems. For their advice and help with my study, I am thankful to everyone. I like to thank Mini Amit Arawatiya, Director (Research & Development), in particular for his cooperation.

References

- [1] Athukorala, P.-C., & Sen, K. (2009). *Saving, investment, and growth in India* Oxford University Press.
- [2] Reserve Bank of India. (2023), *Handbook of Statistics on Indian Economy*, RBI Publications. [3] Singh, R. (2015). Small savings schemes in India: Trends and challenges. *Journal of Financial Economics*, 10(3), 45–60.
- [3] Sharma, A. (2018). Financial inclusion and savings mobilization in rural India. *Indian Journal of Finance*, 12(4), 22–35.

- [4] Association of Mutual Funds in India (AMFI). (2023). Annual Report on Mutual Fund Industry. AMFI Publications.
- [5] Kumar, S., & Sharma, R. (2020). Investor's perception towards post office small saving schemes: A case study of Himachal Pradesh. ResearchGate. Retrieved from <https://www.researchgate.net>
- [6] Tumbe, C. (2015). Towards financial inclusion: The post office of India as a financial institution, 1880–2010. Indian Economic & Social History Review, 52(3), 355–374.
- [7] Vivekananda Journal of Research. (2023). Saving Surge: Analyzing the Growth of Postal Saving Schemes in India and Punjab State of India. Retrieved from <https://9vom.in>
- [8] Sayyed, A., & Sayyad, A. (2015). A study on behavior of investors towards post office saving schemes in Pune city. Academia.edu. Retrieved from <https://www.academia.edu>

Citation: Sanjay Kumar Panchal, Renu Yadav. (2025). The Significant Role of Post Office Savings Bank Schemes in Mobilizing Domestic Savings in India: An Empirical Analysis. International Journal of Management (IJM), 16(3), 207-214.

Abstract Link: https://iaeme.com/Home/article_id/IJM_16_03_015

Article Link:

https://iaeme.com/MasterAdmin/Journal_uploads/IJM/VOLUME_16_ISSUE_3/IJM_16_03_015.pdf

Copyright: © 2025 Authors. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

This work is licensed under a **Creative Commons Attribution 4.0 International License (CC BY 4.0)**.



✉ editor@iaeme.com