

**CUSTOMER LOYALTY ON FINANCIAL SERVICES OF
INDIA POST: A STUDY WITH REFERENCE TO KERALA**

Thesis Submitted to
Cochin University of Science and Technology
for the award of the Degree of
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under the Faculty of Social Sciences

by

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Declaration

I, Sankaran U. M., hereby declare that the thesis entitled '**Customer Loyalty on Financial Services of India Post: A Study with Reference to Kerala**' is a record of bonafide research work done by me under the supervision and guidance of Dr. S. Rajitha Kumar, Professor, School of Management Studies for the award of the Degree of Doctor of Philosophy under the Faculty of Social Sciences. I further declare that no part of the thesis has been presented before for the award of any Degree, Diploma, Associateship, Fellowship or any other title of any University or Board.

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Dr. S. Rajitha Kumar
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||| List of Abbreviations |||

KVP	Kisan Vikas Patra
MO	Money Order
NSC	National Savings Certificate
PLI	Postal Life Insurance
POMIS	Post Office Monthly Income Scheme
PORD	Post Office Recurring Deposit
POSB	Post Office Savings Bank
POTD	Post Office Time Deposit
PPF	Public Provident Fund
RPLI	Rural Postal Life Insurance
SCSS	Senior Citizen Savings Scheme
SSA	Sukanya Samridhi Account
UPU	Universal Postal Union

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Chapter 1

INTRODUCTION

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1.1 Introduction

Communication is regarded as the exchange of ideas from one person to another and is the base for all economies. Medium of communication has been playing a major role in the success of communication. Communication is the basic instinct of human beings. For more than a century postal service was the basic and most common means of communication in almost all countries. It was the only link serving the entire populace ranging from rich to poor, rural to urban, mountain to plain, desert to forest, individuals to business people and so on. Sending and receiving mail was central to our lives. Post Office and Postman were part and parcel of day to day life of

common man and they knew each customer under the jurisdiction of their post office personally. In olden times, postman was just like a family member who knew even personal matters of each family under his jurisdiction. He was a friend, guide and philosopher. Post Office being the singular Central Government institution in that area/village, postal staff was held in high esteem also. People sent mails to their kith and kin residing in different parts of the country. Official communication was also dependent on postal systems. It was a time that, for millions of countrymen, there could be no life without post offices.

Speed is considered as the indicator of success in the modern era. This required the development of reliable and speedy communication which is essential for the success of business and industry. Now-a-days postal systems all over the world have undergone radical changes in the fields of regulatory mechanism, operational system and technological advancements. Postal systems all over the world are facing the impact of liberalisation and some of the postal operators have been privatized or corporatized. Technological developments created a new category (e-mail, internet and mobile phone) of competitors for postal system. Consequently State monopoly in this traditional communication system got diluted.

Postal system is considered as the major factor in converting a country from under developed to developed economy. It is the postal system which is considered as the initial form of communication system in any country. Technology has changed very fast and institutions and individuals have shifted their media of communication. Individuals shifted from the traditional letter systems to Facebook, whatsapp, twitter and other social communication

networks and media. Institutions are resorting to e-mail facilities for transfer of communication which is of low cost and speedy. Within seconds, thousands of copies of mail can be transferred from senders to receivers.

Role of traditional post office in creating, cultivating and nourishing emotional bondage has been decreasing due to the technological developments. Personal letters have dwindled and booklets, magazines etc. have become the major mail items in rural and urban areas. People no longer tend to wait for a postman because they have the opportunity to receive mails instantaneously from the sender. The changes in the methodology of communication have impacted post offices across the world. Even though technological development has affected postal system in a negative way by reducing its mail content, it has also presented an opportunity to revamp the postal system and make it more competitive.

1.2 Role of Post Offices in a Developing Society

Post Offices have been contributing a larger share to the socio-economic development of a country. Many studies highlighted the contributions of post offices in supporting the local communities such as assisting vulnerable sections of the society (older and disabled people) by interpreting personal and official letters and offering them emotional support. In some of the rural areas post masters were considered as the sole source of informal advice. It was a common place for people to come together and provided information to agencies like local authorities, police, banks and other institutions.

Post offices helped in increasing the local retail and in olden times major shops and business were attached to post offices. In rural areas post office was the only institution which dealt with cash and business houses

deposited and transferred money with the help of post offices. Even now in some rural areas the situation remains the same. Post offices enjoy a pivotal position because of its magnitude of presence and unique nature of services rendered.

1.2.1 Social Role of Post Offices

Postal systems all over the world have played the major role of connecting people and society through their vast networks. Social role of post offices in a society consists of:

- Providing access to postal services to people in rural and urban areas irrespective of caste, creed, income, geographical location etc.
- Useful for vulnerable groups such as older people, disabled citizens etc. who are facing constraints of mobility and income.
- Acting as a hub of community where people meet together and create an informal communication network
- Bearing the role of friend, philosopher and advisor in the community by Postal Staff.

1.2.2 Economic Role of Post Offices

Apart from social role, postal systems are also playing economic role in rural and urban communities through providing some basic financial services.

- a) Post offices promote financial inclusion through providing access to financial services where there is no banking system.
- b) Post offices help vulnerable groups such as elderly and disabled persons. People who have less or no access to banks and financial institutions also depend on post offices.

- c) Post offices help the development of local economy and facilitate the growth of business houses especially in rural areas.

1.2.3 Post Office and Financial Inclusion

Postal systems contribute to the financial inclusion, especially in rural areas. Universal Postal Union website noted that one billion people use the postal sector for savings and deposits accounts and postal systems contribute, second to banks, a major portion to financial inclusion.

Berthaud & Davico (2013)¹ opined that the postal sector is the second largest contributor to financial inclusion worldwide, with almost 1.6 billion accounts held in post offices. One billion people in more than 50 countries are currently banked through the post office. They opined that revenue from the core mail business have declined by nearly 20 per cent while financial services revenue have increased by 28 per cent over the same period. Authors stressed that postal operators should seize the opportunity to develop their financial services offering as a matter of survival.

Kachingwe & Berthaud (2013)² conducted a study for Universal Postal Union on the branchless banking innovations of post offices in Bangladesh. They noted that mobile banking services are becoming increasingly important for financial inclusion.

Anson, Berthaud, Klapper, & Singer (2013)³ studied the role of post offices in financial inclusion. They studied the account ownership patterns at post offices in comparison with traditional financial institutions using the global financial inclusion indicators in 60 selected countries. They observed that post offices are relatively more likely than traditional financial institutions

to provide accounts to individuals who are most likely from vulnerable groups such as the poor, less educated and those out of the labour force. They suggested that post offices can boost account ownership by acting as cash-merchants for transactional financial services.

1.3 An Overview of Mail Traffic of India Post

India post has played an important role in the development of communication system in our country. Postal network consists of more than 1,50,000 branches/post offices located in every nook and corner of our country. More than 89 per cent of post offices are located in rural areas and have been fulfilling a major social purpose of connecting the villages of India. On an average, a Post Office in India serves an area of 21.21 sq. km. and a population of 7,175 people. India Post is one of the largest employers of our country with more than 5,00,000 employees. (*Source: Annual Report of India Post, 2016*). It has a tradition of more than a century and has been connecting almost all villages of the country. Post offices are offering a number of mail services ranging from inland mail to parcel services. The mail services of the department are very much important in connecting the rural and urban areas in our country being the core product of Post Offices. Post Offices across the world have been facing the problems of increased level of competition from private players in parcel services; customer switching and decrease in mail volume due to the development of information technology; and increased level of deficit due to the obligation of offering mail service at a subsidized rate.

The report titled Role of Mail 2020, prepared for the International Post Corporation by the Copenhagen Institute for Future Studies (2011)⁴ observed

that major forces for decline in transactional mail volumes include efforts to cut costs among large mailers, growing digital acceptance in society at large and increasing broadband penetration. Moreover banks, companies and other institutions also change their transaction to digital methods. There has been a wide decline in social, transactional and government communication which in turn reduced the scope for postal mail services. Market liberalization has also created threat of competition. Moreover telecommunication companies, internet service providers, social network services and online search companies are providing instant and bulk information/communication transfer to customers. Drastic changes have occurred in the communication system due to the developments of technology. It started with the invention of telephones and is having a negative impact on the mail communication system. As compared to 1950s, now mail services are becoming outdated and recently India Post has stopped one of its prestigious mail service i.e., telegram. All these are due to the development of technologies. Use of internet and mobile phones by new and old generation reduced the volume of mail services.

Mail services of India Post consist of letter, inland letter card, post card, printed post card, meghdoot post card, book packet parcel registration, speed post, VPP insurance etc. Table 1.1 shows the mail traffic of India Post over a period of last 10 years from 2006-07 to 2015-16. Annual growth and CAGR reveal that there is decrease in mail traffic in India over a period of 10 years.

Table 1.1: Mail Traffic of India Post 2006-07 to 2015-16 (in crores)

Year	Registered mail	Annual Growth %	Unregistered Mail	Annual Growth %	Premium products	Annual Growth %	Total	Annual Growth %
2006-07	21.73	----	645.99	----			667.72	
2007-08	19.98	-8.05	619.13	-4.16			639.11	-4.28
2008-09	19.82	-0.80	634.27	2.45			654.09	2.34
2009-10	19.58	-1.21	614.65	-3.09	24.75	-----	658.98	0.75
2010-11	17.79	-9.14	615.76	0.18	28.27	14.22	661.82	0.43
2011-12	19.11	7.42	577.87	-6.15	40.20	42.20	637.18	-3.72
2012-13	17.93	-6.17	541.63	-6.27	45.98	14.38	605.54	-4.97
2013-14	20.08	11.99	550.79	1.69	37.95	-17.46	608.83	0.54
2014-15	20.48	1.99	540.71	-1.83	41.26	8.72	602.45	-1.05
2015-16	19.83	-3.17	561.49	3.84	42.72	3.54	624.04	3.58
	CAGR	-1.01	CAGR	-1.55	CAGR	9.52	CAGR	-0.75

Source: Annual Reports of India Post

From the Table 1.1 it is clear that the volume of mail transfer of India Post is not in a satisfactory position. Registered mail volume decreased by 3.17 per cent in 2015-16 and the Compound Annual Growth Rate is -1.01 for the 10 years. Unregistered mail has 3.84 per cent growth in 2015-16 compared to 2014-15. However, CAGR of unregistered mail is -1.55 for the ten years. Premium products show a positive CAGR 9.52 for the 7 year time period from 2009-10 to 2015-16. However, it contributes to less than 10 per cent of total mail volume of India Post (6.85 per cent of total mail traffic in 2015-16). CAGR of total mail traffic shows a decrease of 0.75.

1.3.1 Universal Service Obligations in the Postal Sector

Universal Service in Postal Service sector is based on the instructions of Universal Postal Union for member countries to offer postal service to everyone at the same price and with the same standard. India Post, being a member in UPU, is responsible for providing mail services to every individual in India at reasonable rates. Annual reports of India Post state that average costs of most of the mail products are more than average revenue. The average revenue and cost associated to major mail products are: Post card Revenue 50 paise (Cost ₹ 9.94), Printed post card ₹ 6.00 (₹ 9.28), Inland letter ₹ 2.50 (₹ 9.69), Registered newspaper 47 paise (₹ 12.23), Book post ₹ 8.02 (₹ 12.09) and so on (*Source: Annual Report, India Post 2016*). Post card, printed post card, letter card, letter, registered newspaper, book post acknowledgement, parcel, registration, speed post and value payable post products have cost more than revenue.

1.3.2 Deficit of India Post

The data presented in Table 1.2 gives the picture of the deficit position of India Post. In 2014-15, there is more than 5 times increase in deficit compared to 2004-05. Major reasons for the deficit are the large quantum of subsidy provided on postal stationery to fulfill Universal Postal Obligation and the escalation of operating expenditure. Highest amount of deficit recorded in 2009-10 i.e., ₹ 6,641.30 crores. Operational expenditure shows an escalating trend which India Post is not able to cover with the revenue from postal operations.

Table 1.2: Deficit Position of India Post

Year	Deficit (₹ in crores)	Operational Expenditure (₹ in crores)
2006-07	1,249.53	4,347.23
2007-08	1,511.44	4,628.18
2008-09	3593.09	6,035.97
2009-10	6,641.30	8,259.66
2010-11	6,345.62	8,878.98
2011-12	5,805.92	8,792.20
2012-13	5,425.89	9,555.45
2013-14	5,473.03	10,242.51
2014-15	6,258.6	11,191.01
2015-16	6,007.18	11,895.89

Source: Annual Reports of India Post

1.3.3 Revenue from Mail and Financial services

Postal service was the major source of income for the department of post. However, at present the situation has changed and now India Post has been offering a number of services such as financial services, premium products, retail products etc. supplementing their core area of business. Table 1.3 shows the revenue from postal operations, financial services and other premium products. Revenue from mail services shows an increasing trend but that is not enough for the survival of the Department. Increase in deficit is higher than the increase in revenue from postal operations. Postal financial services accounted for more than 50 per cent of total revenue of India Post which shows the significance of postal financial services in the

product portfolio of India Post. In short, the major Challenges faced by India post can be summarized as below.

- Reduction of traditional letter mail services due to growth of telephone, mobile phones, internet etc.
- Competition with private couriers resulted in business loss to India Post.
- Poor service perception of customers about the services offered by India Post.

Table 1.3: Revenue from Postal Operations and Financial Services (₹ in crores)

Year	Postal operations ₹	Annual Growth	Others (Service charges) ₹	Financial Services ₹	Annual Growth	Percentage of Financial Services Revenue to Total Revenue
2006-07	2352.56	-----	126.01	2,843.88	----	53.43
2007-08	2531.61	7.61	112.11	2,851.15	0.26	51.89
2008-09	2642.11	4.36	79.46	3,140.76	10.16	52.96
2009-10	2715.09	2.76	78.99	3,472.61	10.57	55.41
2010-11	2929.26	7.89	69.76	3,963.32	14.13	56.93
2011-12	2940.64	0.39	163.84	4,794.86	20.98	60.69
2012-13	3401.17	15.66	418.86	5,546.47	15.68	59.22
2013-14	3831.78	12.66	375.86	6,522.16	17.59	60.78
2014-15	3816.28	-0.40	507.69	7,312.01	12.11	62.84
2015-16	3910.16	2.46	780.91	8248.72	12.81	63.75
CAGR		5.81	CAGR		12.56	

Source: Annual Reports of India Post

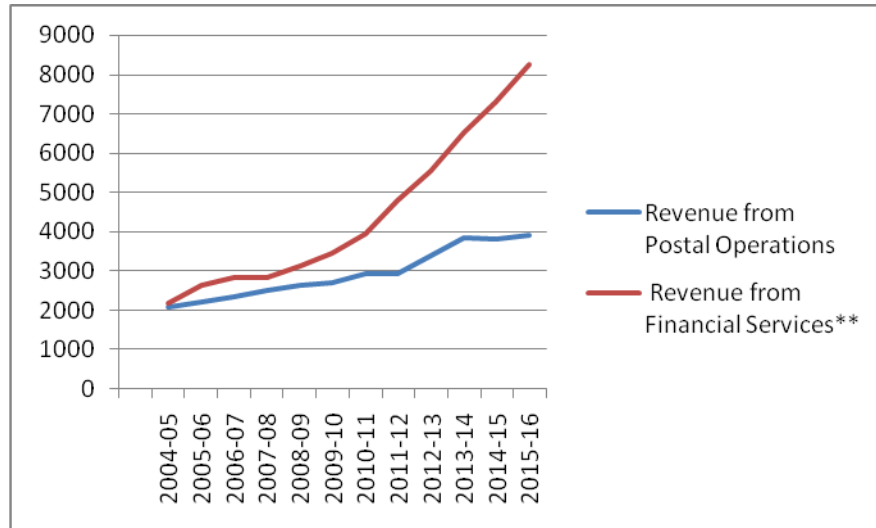


Figure 1.1: Revenue Position of India Post

1.3.4 Financial Services of India Post

India Post has been offering wide range of financial services such as postal banking products, money transfer services and insurance products. It has a long tradition of providing financial services. It started the financial services by offering savings bank in 1890. Now the products range has widened.

Kugeman (2010)⁵ expressed the view that with 1,55,000 post offices, 1,39,173 of which are located in rural areas, India Post has the potential to reach the financially excluded population, many of whom are farmers. India's 33,800 rural banking branches are mostly concentrated in selected pockets, covering no more than 5.2 per cent of its 6,50,000 villages. Posts, on the other hand, is represented in all villages and is often the only provider offering savings accounts especially to those of low incomes.

1.4 Need and Significance of the Study

Major postal networks in all over the world have identified financial service as a diversification strategy to survive in the new technological and liberalised era. Japan is one of the major countries which have identified the importance of postal savings system. It has huge amount in postal savings account and has been competing with banks.

Universal Postal Union (UPU) has opined that the provision of basic postal financial services contributes significantly to global economic and social development and plays an important role in improving the living standards. According to a UPU study, postal operators provide some 1.5 billion people worldwide with access to basic financial services (payments, money transfer and savings). Bishar A Hussein, UPU Director General opined that postal financial services can facilitate national economic growth and financial inclusion, as well as alleviate poverty and provide a lifeline to many migrants. Though Postal Financial Services have been in vogue for more than a century, they can still provide a large revenue stream for posts.

Nel (2003)⁶ expressed the opinion that more and more customers are giving their financial business to the post. Not just because of the convenience factor, but also because they trust the Post. And it is the trust together with easy-to handle products, quality service and the dense postal network, that ensure the success of postal financial services.

Werner (2003)⁷ opined that financial services are essential to the Post. It must find ways of providing them where they do not exist, as competition and deregulation are causing postal activity to decrease. National postal networks are also trying to make joint ventures with other private organisations

for facilitating international transfer of funds. African Post, India Post, Japan Post, US Post etc. are making such alliance with financial service providers.

Guislain & Lee (2004)⁸ stated that post offices could play a much stronger role in providing access to financial services especially to poor and rural communities with limited access to such services. They suggested that there is a scope for expanding postal financial services from fragmented mono-products to integrated product packages including payment cards, savings, deposits, insurance and credit.

Anderloni (2010)⁹ viewed that posts offering financial services should re-invent customer relations and develop strategies such as tailored outreach and targeted marketing, which would bring products and services to the migrant consumer. Posts could also play a role in providing financial education and accessible, transparent information, to help migrants understand pension schemes. To become more competitive in the remittance business posts should work on guaranteeing delivery time, reducing upfront fees and exchange spreads and ensuring access to a large network of pick up locations. Surveys in many countries revealed that for most of the migrants rapid delivery time is more important because it gives a sense of security.

Number of international and national articles/studies identified that financial services are a profitable area for postal systems. Wide network of post offices helps to reach every nook and corner of the countries. This had facilitated financial inclusion in some areas.

Postal network is the largest network of branches in India. The core product of Indian Postal network is also losing its importance as in other countries due to the technological developments and change in communication

media. Postal networks all over the world are facing the problem of decreasing mail volume and revenue and are trying to find a diversification strategy. Most of the postal networks have identified and implemented provision of financial services through post offices as a diversification strategy. The present study of customer loyalty on financial services of India Post in Kerala has got its significance due to the following reasons.

- Postal system in our country has a wide network which is more than the branches of nationalised banks in our country. Moreover, the network has more rural penetration and this comparative advantage may be used for offering the financial products and services to needy people in rural and remote areas. The study emphasised on the financial services offered by India Post in Kerala.
- The Reserve Bank of India, recently, issued license to India Post for starting a payment bank model for offering financial services to the needy people in India especially in rural areas. Therefore, a study on financial services is worthwhile at this time to know the customer views on postal financial services.
- India Post has to compete with commercial banks and other financial institutions for gaining market share relating to financial services. The financial institutions already introduced innovative marketing practices and products to capture customers. Being a departmental undertaking of Government of India following traditional method of offering financial services, the study gives information about the customer perception about product quality and service quality of postal financial services.

- Customer satisfaction is an important element for surviving in the field of competitive markets. Therefore, the study gives prime information about the relationship between customer satisfaction and customer perception on product quality and service quality of postal financial services.
- Ultimately, loyal customers are to be created for increasing and maintaining the market share of postal financial services. At this juncture a study on customer perception on product quality, service quality, customer satisfaction and customer loyalty is significant.

1.5 Statement of the Problem

With the spread of mobile phones, internet and modernised banking services, customers have experienced the new level of speed, transparency and quality in banking and insurance services. So the customers of postal financial services also expect from India Post to provide a service level similar to industry standards maintained by banks and insurance companies. Similarly, customers today have a number of alternatives to banking, insurance and money transfer products offered by post offices in India. Secondary data pertaining to Postal financial services in Kerala over a period of 10 years (2007-2016) revealed that there is decrease in number of outstanding accounts and balances regarding some of the postal financial services. Private players are making innovative services and products to capture the market share of financial services. With globalisation and liberalisation initiatives, number of substitutes to postal financial services has also increased. It necessitates a focus on meeting and satisfying the needs of customers. Researches revealed that product quality and service quality of financial services offered by banking and insurance companies influence customer satisfaction and

customer loyalty. Developing a loyal customer is the ultimate objective of every business venture because a loyal customer is worth more than a new customer. From the review of available literature, it is learned that no major study is conducted on customer loyalty on postal financial services of India Post in Kerala. Therefore, it is felt necessary to conduct a study on customer loyalty regarding financial services of India Post in Kerala.

1.6 Objectives of the Study

The present study entitled ‘Customer Loyalty on Financial Services of India Post: A Study with Reference to Kerala’ is carried out with the following specific objectives:

- 1) to study the existing marketing system of financial services of India Post and to conduct a growth analysis of volume of postal financial services in Kerala;
- 2) to analyse the customer awareness and the extent of use of postal financial services in Kerala;
- 3) to identify the major factors motivating the customers for the selection of financial services of India Post;
- 4) to test the influence of service quality and product quality on customer satisfaction;
- 5) to test the influence of product quality, service quality and customer satisfaction on customer loyalty of postal financial services;
- 6) to formulate and statistically test a conceptual model establishing the relationship between service quality, product quality, customer satisfaction and customer loyalty of financial services of India Post; and

- 7) to explore whether there is any difficulty encountered by the customers of post offices in availing of the postal financial services.

1.7 Conceptual Model Formulated for the Study

Review of literature (presented in Chapter 2) revealed that there exists relationship between service quality and customer satisfaction (Cronin & Taylor, 1992¹⁰; Anderson, Fernell, & Lehmann, 1994¹¹; Rai & Srivastava, 2012¹²; Arora & Saxena 2013¹³; Anand & Selvraj, 2012¹⁴; Bashir, 2013¹⁵; Khan & Fasih, 2014¹⁶), product quality and customer satisfaction (Anderson, 1994¹⁷; Krishnan, Ramaswami, Mayer, & Damien 1998¹⁸; Bashir, 2013¹⁹), customer satisfaction and customer loyalty (Henning-Thurau et al. 2002²⁰; Deepika & Saxena, 2013²¹; Khan, Antara, & Al-Masum, 2013²²), service quality and customer loyalty (Anand & Selvraj, 2012²³; Khan & Fasih, 2014²⁴) and product quality and customer loyalty (Oliver, 1999²⁵). In the financial services industry product quality and service quality play important roles in determining the customer satisfaction and customer loyalty. Based on these relationships a conceptual model was formulated for the present study.

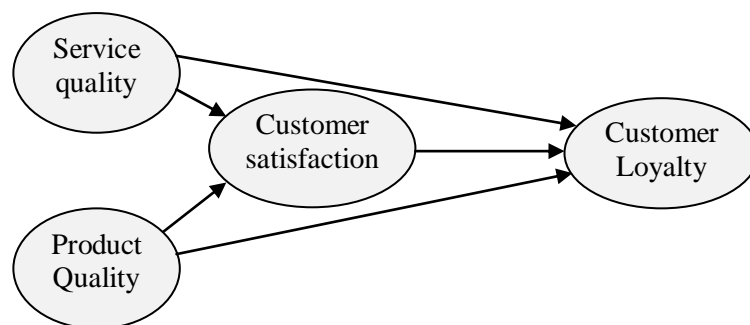


Figure 1.2: Conceptual Model

1.8 Hypotheses of the Study

Based on the conceptual model showing the relationships among service quality, product quality, customer satisfaction and customer loyalty, the following hypotheses are formulated for the study.

- H1: Customer perception on service quality of postal financial services significantly influences customer satisfaction.
- H2: Customer perception on product quality of postal financial services positively affects the level of customer satisfaction.
- H3: Higher the customer satisfaction more is the customer loyalty to postal financial services.
- H4: Customer perception on service quality of financial services significantly influences customer loyalty.
- H5: Higher the customer perception on product quality, more is the customer loyalty to postal financial services.

1.9 Conceptual and Operational Definitions of Variables

There are four variables used in the conceptual model formulated for the study. Customer loyalty is the dependent variable and other three variables such as product quality, service quality and customer satisfaction are the independent variables. All these variables are measured on the basis of perception of customers.

1.9.1 Product Quality

ISO 9000-2015 defined the term quality in a simple way as “the degree to which a set of inherent characteristics fulfills requirements”. So quality is

measured by comparing requirements of customers and characteristics/features of products/services. If characteristics/features of products/services meet all requirements of customers, quality is graded usually as high or excellent, otherwise it is rated as poor or low. Thus, product quality/service quality may be defined as the ability of a product/service to consistently meet or exceed customer requirements and expectations.

Garvin (1988)²⁶ has identified eight elements of product quality such as performance of the product or service, features of the product or service, conformance, reliability, durability, serviceability, aesthetics and perceived quality. Krishnan et al. (1998)²⁷ identified four quality attributes on product offerings of financial services. These aspects are ease of opening and closing of accounts, variety of products, competitive interest rates and fees, and lucid information on all products and services. Gidhagen (1998)²⁸ used service continuum to explain the intangibility of services. According to him services can be more or less tangible. He noted that even though all financial services are intangible dominant they vary in their degree of tangibility in terms of the consumer's ability to comprehend the services rendered. Based on his views, it can be concluded that financial products covered in the present study namely post office deposits; postal life insurance and money transfer facilities are having some element of tangibility. Hence features of these products can be used to measure its quality. Hundekar (1991)²⁹ explained the product concept in banking as a set of services designed to varied needs, motives, styles, values etc., of bank customers. He noted that like any other tangible product, the structure of bank products consists of components such as core component, augment component, ancillary service component etc. Kotler (2002)³⁰ defined the term product or service superiority as the whole features

and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. Pierce (2012)³¹ identified six elements of product quality related to health insurance. These elements are benefit design, network quality, service experience, operating model, distribution and brand. Bashir (2013)³² analysed the product quality of Islamic banking products in terms of features of banking products, benefits from banking products, availability of information on leaflets/brochures/websites, and variety of products/innovativeness of products.

Based on the above literature and discussion with postal department staff, five important indicators to measure product quality of financial services of India Post are identified. These indicators include variety and innovativeness of products, attractiveness of features of products, simplicity of terms and conditions of products, attractiveness of benefits and overall superiority of the products. The customers' perception on these indicators is measured on a five-point scale to measure the product quality of financial services.

1.9.2 Service Quality

Quality is regarded as an important element in achieving operational efficiency and business objectives of any firm. The term quality has many meanings. It is relative in nature. Some consider it as excellence in performance while others consider quality as a state of free from defects or deficiencies. It is also treated as excess of performance over expectations. Quality has been playing a very significant role in case of goods and services. Quality concept is measurable in case of goods with some predetermined standards. However it is difficult to measure quality of

services as services are not having a pure measurable form. Now-a-days, delivering superior quality service is essential for success of organisation and it is the key for competitive advantage. The importance of achieving quality of service has been discussed by both researchers and industrialists. Service quality is regarded as the essential strategy for getting competitive advantage. Academic studies revealed that high level of service quality will result in increased level of customer satisfaction and will lead to customer loyalty.

Gronroos (1982)³³ stated that total service quality is the customer's perception of difference between the expected service and the actual service. It is based on three dimensions such as technical, functional and image. A number of research studies were conducted in the field of service quality. Various authors defined the concept of service quality in different ways. SERVQUAL and SERVPERF are regarded as two major service quality measurement scales.

Parasuraman, Zeithmal, & Berry, (1988)³⁴ in their paper described the development of SERVQUAL scale for assessing customer perceptions on service quality in service organisations. They initially identified 10 dimensions with 97 items and data collected from respondents of banking, credit card, appliance repair or maintenance etc. The dimensions were tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding and access. The statements consists of expectation statements and perception statements. Finally, the scale was refined to include five dimensions and 22 items. The final dimensions consisted of Tangibles, Reliability, Responsiveness, Assurance and Empathy. However,

SERVQUAL measurement was criticized due to the use of difference in scores, dimensionality, focus on process of service, applicability and lack of validity of the model to the dependence or independence of five dimension variables. Buttle (1995)³⁵ opined that SERVQUAL's five dimensions are not universal. Items do not always load on to the factors as expected. Moreover, there is high degree of inter correlation between the five dimensions.

India Post is a Department of Government of India. During the initial stages of research, discussions with experts in the field of financial services sector and also with the employees of India Post have revealed that expectations of customers of India Post are entirely different from that of their expectations from a private financial services company.

Hence, in the present study based on discussions with experts in the field of postal financial services six important factors which affect the service quality of postal financial services were identified. These factors include punctuality and timeliness of performing services to customers, courteous behaviour of postal staff to customers, physical facilities available in the post office, adequacy of operating hours for financial services, maintaining error free records and performing the services, and knowledge level of staff to satisfy requirements of customers. The customers' perception on these variables is measured on a five-point scale to measure the service quality of financial services of India Post.

1.9.3 Customer Satisfaction

In a competitive world, customer satisfaction is considered as the essence for success of a business venture. It is the central concept which is important for all business activities consisting of both manufacturing and

services. Now-a-days, customer satisfaction became a buzz word in our day today life. Customer satisfaction is the state of mind customers have when their expectations are met or exceeded. Customer perception is another element which has a major role in customer satisfaction. Satisfaction will be influenced by the perception of service quality and product quality. Generally, customer satisfaction was considered as a post choice evaluative judgment concerning a specific purchase decision. Traditionally customer satisfaction was conceptualized as the process of confirmation/disconfirmation associated to the expectation and performance of product or service. If performance exceeds the expectations, it will create satisfaction and is known as positive disconfirmation. When performance of the product or service is less than the expectations, it will result in negative disconfirmation and dissatisfaction.

Oliver (1980)³⁶ stated that customer satisfaction is an attitude or evaluation formed by the customers by comparing their pre-purchase expectations of what they would receive from the products with their subjective perceptions of performance they actually received. According to Boulding (1993)³⁷ there are two important conceptualisations of customer satisfaction viz., transaction specific and cumulative. Tse & Wilton (1988)³⁸ Anderson et al. (1994)³⁹, opines that customer satisfaction is a function of pre-purchase expectations and post-purchase perceived performance of the specific product or service. Anderson et al. (1994)⁴⁰ defined customer satisfaction as overall evaluation based on the total purchase and consumption experience with a good or service over time. It is considered as cumulative customer satisfaction. According to Kotler (2000)⁴¹ satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations.

In the present study customer satisfaction is measured by three variables relating to satisfaction on adherence to standard time, satisfaction regarding technology used in offering financial services and overall performance associated with the financial services which exceeds expectations. Five-point scale is used to measure the perception of customers of postal financial services on their satisfaction.

1.9.4 Customer Loyalty

Customer loyalty may be defined in simple terms as the customer sticking on the supplier, though he may be having certain other options for products or services. Customer loyalty may be considered as the behavioural and attitudinal approach of customers to favour one product or service over others due to satisfaction with its performance, convenience or familiarity. It will result in repeated purchase and positive word of mouth about the product or service. Loyalty approaches were developed over years and behavioural approach of loyalty has dominated till 1970s. Behavioural approach of loyalty was propounded by Cunningham (1956)⁴² and Farley (1964)⁴³. Day (1969)⁴⁵ introduced the two dimensional approach to customer loyalty which consists of attitudinal and behavioural loyalties. The concept of loyalty is developed over years and it shifted its dimension from one dimension-behavioural to a four dimension concept which includes behavioural, cognitive, affective and conative aspects. Jacoby & Keyner (1973)⁴⁶ defined loyalty as a biased behaviour response expressed over time by a decision making unit with respect to one or more alternative brands out of a set of brands and being a function of psychological process. Newman & Werbel (1973)⁴⁷ viewed loyalty as characteristics of those who repurchased a brand, considering only that brand, without seeking any information related it.

Oliver (1997)⁴⁸ viewed that true loyalty exists when the customer, despite being aware of the competitor's offer, desires to repurchase product or service against other or others. Oliver (1999)⁴⁹ introduced four stage customer loyalty formations in a progressive way such as cognitive loyalty (lower loyalty), affective loyalty (a kind of attachment or attitude develops), conative loyalty (plan to repurchase) and action or behavioural loyalty (overcome obstacles to use certain products or services). Oliver (1999)⁵⁰ also stated that customer loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

Jones, Beatty, & Mothersbaugh (2000)⁵¹ treated cognitive loyalty as a higher order dimension involving the customer's conscious decision making process in the evaluation of alternative brands. Worthington & Colleagues (2009)⁵² identified three dimensions such as cognitive, affective and behavioural loyalty.

Raj & Srivastava (2012)⁵³ classified the outcomes of customer loyalty into: behavioural outcomes, attitudinal outcomes and cognitive outcomes. Behavioral outcomes consist of repurchase intentions, switching intentions and exclusive intentions while attitudinal outcomes are relative attitude, willingness to recommend and altruism. Willingness to pay more, exclusive consideration and identification are considered as cognitive outcomes of customer loyalty. The behaviourally loyal customers buy the product or service from the same place regularly while the attitudinally loyal customers tells others how great the product or service is.

Later on the concept of loyalty was also extended to service sector. Service loyalty is the loyalty concept extended to service organisations which offer somewhat intangible products to its customers. Several authors stated that service organisations have the ability to create stronger loyalty bonds than manufacturing organisations. Gremler & Brown (1996)⁵⁴ defined service loyalty as the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition towards the provider and considers using only this provider when a need for this service arises.

In the present study, customer loyalty is measured by their attitudinal and behavioural intentions in terms of positive word of mouth repurchase intention (purchase of additional financial services and increase in transactions), and retention intention. Four indicators relating to these were included and measured the perception of customers of postal financial services on a five-point scale.

1.10 Scope of the Study

The present study of customer loyalty on financial services of India Post is limited to the customers of postal financial services in the State of Kerala. For the purpose of analysing the customer loyalty, three variables such as customer satisfaction, customer perception on service quality and product quality of postal financial services are studied. The study throws light on customer perception on service quality, product quality and customer satisfaction and their impact on customer loyalty of postal financial services. In addition to the primary data collected from the customers, the study also analyses the growth of postal financial services in

Kerala by collecting secondary data published by the India Post during periods from 2006-07 to 2015-16. The study helps to suggest the area, service or product, in which India Post has to concentrate to gain and retain customers with a view to increasing the volume of business. It would help to continue its presence and existence with the efficient and effective marketing of financial services as a diversification strategy in the fast changing information technology development.

1.11 Research Methodology

The present study is both descriptive and explanatory in nature. It is based on both secondary and primary data collected from various sources.

1.11.1 Secondary Data Source

The secondary data sources for the study include books, journals, periodicals, newspapers, website of India Post, Annual Reports of India Post, Annual Reports of Central Government, website of postal systems of other countries and website of Universal Postal Union. Secondary data on number of accounts and balance outstanding, number of PLI policies and sum assured, volume of money transfer, revenue and deficit position of India Post were collected for a period 10 years (2007-2016) from annual reports and postal records.

1.11.2 Primary Data Source

The primary data required for the study were collected from 600 customers of Postal Financial Services in the State of Kerala. Informal interviews were also conducted with the postal staff and experts in the field of financial services.

1.11.3 Sampling Design

Kerala Postal Circle has been officially divided into three postal regions namely, Southern, Central and Northern Regions. Each region consists of urban and rural post offices. At the operational level, post offices are classified into Head Post Offices, Sub-Post Offices and Branch Post Offices. Branch post offices are at the lowest level and are required to report to sub post offices regarding all activities of the office. Sub post office is superior to branch post office and is in account with Head Post Offices. There are 51 head offices, 1457 sub post offices and 3559 extra departmental branch post offices in Kerala Postal Circle (Table 1.4).

Table 1.4: Region-wise Post Offices in Kerala as on 31.3.2014

Postal Regions in Kerala	Category of Post Offices						Total Post Offices		
	Head Post Office		Sub Post Offices		Branch Post Offices				
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Total
Southern	10	2	102	273	42	702	154	977	1131
Central	18	3	203	393	111	1124	332	1520	1852
Northern	17	1	170	316	185	1395	372	1712	2084
Total	45	6	475	982	338	3221	858	4209	5067
Total	51		1457		3559				

Source: *Economic Review, Kerala, 2014*

Population of the study includes the customers of postal financial services in Kerala. As the total size of population is not officially obtained, it was found necessary to collect as many sample customers as possible, to get adequate and required representation, from the selected urban and rural post offices covering the three postal regions in Kerala. In order to identify the sample respondents, convenience sampling method was adopted to

identify the post offices and then customers of the identified post offices. In the first stage, 10 urban and 10 rural post offices each from Southern, Central and Northern postal regions were identified which constitutes a total of 60 post offices. In this stage the number of head post offices, sub-post offices and branch post offices to be covered to select customer respondents was determined based on the proportion of each category of post offices in the total urban and rural post offices of that region. In the second stage by adopting convenience sampling method 10 customers each from these 60 identified post offices were selected, thus the total sample size of the study becomes 600 customers of postal financial services in Kerala (Table 1.5).

Table 1.5: Post Offices Identified and Respondents Selected

Location of Post Office	Type of Post Office	Southern Region		Central Region		Northern Region		Total	
		Post Offices Identified	Number of respondents selected	Post Offices Identified	Number of respondents selected	Post Offices Identified	Number of respondents selected	Post Offices Identified	Number of respondents selected
Urban	Head Post Office	1	10	1	10	1	10	3	30
	Sub Post Office	6	60	6	60	4	40	16	160
	Branch Post Office	3	30	3	30	5	50	11	110
Rural	Head Post Office	----	---	---	---	---	---	---	---
	Sub Post Office	3	30	3	30	2	20	8	80
	Branch Post Office	7	70	7	70	8	80	22	220
Total	Head Post Office	1	10	1	10	1	10	3	30
	Sub Post Office	9	90	9	90	6	60	24	240
	Branch Post Office	10	100	10	100	13	130	33	330

1.11.4 Instrument Used for Collecting Primary Data

A well-structured interview schedule was developed and used to collect primary data from the sample respondents. A pre-test was conducted to test the adequacy of the content of data collection instrument. A sample of 50 respondents was interviewed in Thrissur and Palakkad districts. Based on the experience of interviewing customers and also suggestions received from them, interview schedule was modified. Content validity and face validity of the instrument were also checked. Experts and consultants in the field of banking and financial services were contacted and suggestions made by them were also incorporated in the schedule to ensure the content validity. The instrument, thus, finalised was used to collect primary data.

1.11.5 Statistical Techniques Used for Analysis of Data

The data collected were analysed using mathematical and statistical techniques such as Percentage, Weighted Arithmetic Mean, Standard Deviation, Compound Annual Growth Rate, Two Sample Independent Mean Test, One way ANOVA and Post Hoc Analysis. Structural Equation Modelling was used for the analysis of relationship between dependent and independent variables.

1.12 Scheme of the Study

The thesis is organised under seven chapters.

Chapter 1 – Introduction

Chapter 2 – Review of Literature

Chapter 3 – Financial Services of India Post – Growth Analysis of Kerala Postal Circle

Chapter 4 – Customer Awareness and Use of Postal Financial Services

Chapter 5 – Customer Perception on Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

Chapter 6 – Relationship between Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

Chapter 7 – Summary of Findings, Suggestions and Conclusion

1.13 Limitations of the Study

India Post is the national communication network which offers mail, financial and premium services in all parts of India. However, the study concentrates only on financial services of India Post.

The study analyses the loyalty of customers of financial services in Kerala. Customer loyalty relating to other services rendered by India Post is not covered by this study. Hence this cannot be regarded as a comprehensive one covering all the aspects of customer loyalty of India Post.

Based on review of previous studies, it is clear that customer loyalty relating to financial services is influenced by a number of factors such as product quality, service quality, image of organisation, trust etc. The study analyses the influence of product quality, service quality and customer satisfaction on customer loyalty.

This is primarily a customer based study and the opinion of postal staff is not subjected to analysis.

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REVIEW OF LITERATURE

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2.1 Introduction

This chapter narrates and highlights major international and national studies related to the present work. The Review of literature is divided into two sections viz. reviews on studies of India Post and postal financial services, and studies on service quality, product quality, customer satisfaction and customer loyalty of financial services.

2.2 Studies on India Post and Postal Financial Services

Universal Postal Union, an international organisation for co-ordination of postal activities among member countries and facilitating easy and affordable availability of mail services to urban and rural people, conducted several studies related to existing position of postal services and postal financial services. Other international organisations like World Bank, Accenture Group, ECORYS, UK Post, US Post etc. have also conducted studies on postal services. Planning Commission of India, India Post, few

academicians and researchers too have conducted studies on postal services and postal financial services.

Nair (1987)¹ in his study, “Management of The Postal Services in India: A Study with Reference to Kerala Circle”, analysed the problems relating to the organisation and management of the postal services, customer satisfaction and perception of employees of Kerala Postal Circle on Human Resource Management practices. The study discussed the major problem areas of Kerala Postal Services and the human resource management practices followed by the Department. He suggested strengthening the internal communication system, better methods for processing mails, setting up of grievance handling machinery and revision of wage structure.

Jha, Murty, & Paul (1990)² studied the pricing of postal services in India and focused on principles for determining the structure of tariff for various services provided by Indian Postal Department. They have identified the various problem areas of Indian Postal Department related to setting postal rates, costing, evaluating and justifying postal deficit and capacity expansion. They opined that identification of new sources of demand can give some flexibility to the post office in setting rates.

Ranganathan & Dey (1998)³ discussed the postal reforms around the world concentrating on six selected postal systems such as Australia, Canada, Chile, Singapore, Sweden and United Kingdom. They observed that use of modern means has accelerated and will increase in future. They concluded that there is a need for postal reforms, and opined that postal systems should imbibe technological progress. Enterprise reforms and regulatory reforms may be adapted as a precursor to revamp postal systems.

Anderson (1998)⁴ conducted a study to know the impact of liberalisation of direct mail and submitted a report to the EU Commission. The study aimed at providing EU Commission an evaluation of the impact of liberalisation of direct mail. The study analysed the trends in the economic, social and technological environment of direct mail over last ten years. The researcher identified the factors affecting evolution of direct mail as economic, social and demographic factors, degree of development of postal infrastructure and the acceptance of direct mail.

Kamewe & Radcliffe (1999)⁵ discussed the importance of post office savings bank in an economy and its success in different countries. It was identified that postal savings bank in Africa could do better in remote areas for mobilisation of savings and further financial inclusion.

Scher (2001)⁶ prepared a paper on postal savings by reviewing 12 postal financial systems in Asian countries. The data analysis in developed countries shows that postal financial services support significantly the cost of maintaining the postal network. It also revealed that the separation of the post bank from the posts effectively destroyed the synergies that made in providing financial and postal services to lower income and rural populations financially viable. Reason is that postal financial services make possible more intensive use of the postal network, reducing costs through economies of scale in transactions through the postal infrastructure. The synergic relationship is helpful in providing low cost financial services. The study concluded that, even though there are many economic challenges, developing countries can mobilise domestic savings and provide domestic financial services through postal savings and remittances to reduce financial exclusion

Pillai, Kaushalya, Singh, & Chander (2001)⁷ examined the existing small saving schemes, the need and scope for rationalisation and proposes menu for savings schemes. Authors suggested that the savings schemes with short-term maturity which presently include postal savings accounts and time deposit can be retained for the purpose of providing avenues to the rural households for savings mobilization. The rate of return on these schemes should be made flexible and kept at par with commercial bank. There should be flexibility regarding structure and return of schemes. It is suggested that the rate of return on long term tax saving schemes to be linked with GDP growth rate. On the other hand instruments without tax benefits be linked with rate of interest prevailing in the market.

Kochhar (2002)⁸ outlines the new and emerging opportunities for India Post as a potentially powerful financial intermediary. She suggested that “collaborate rather than compete” should be the basis of the relationship between India Post and other financial intermediaries. She suggested that India Post can provide a strong stimulus to the development of the capital markets, generating large amounts of long term financial resources and creating new sources of supply and demand for marketable securities especially in the rural areas not represented by banks.

Dodgson, Spackman, Berham, Daly, Rohr, & Burge. (2003)⁹ conducted a study to analyse the cost benefit position of rural post office branches. The rural post office customers find the mobile, satellite and community run post office as acceptable alternative to the existing physical fixed post office branch network. The costs analysed here are assigned office payments to post masters, traffic related pay to sub post masters and support costs for

rural post offices. Benefits are revenue from provision of rural post office services and additional benefits that households and SMEs on provision of local rural branch services. The study concentrated on cost benefit analysis of mobile and satellite branches. The mobile option was favoured by all vulnerable groups followed by Satellites.

Future Foundation (2003)¹⁰ conducted a study in UK regarding future role of rural post offices. The findings of the study indicated that low income groups are more depending on post offices for financial transactions. The report indicated that overall, the post office branch will become an outlet for providing postal services and basic banking services. The report also revealed that majority of the population has alternative sources available to them and the banking services provided by the post office branch must be better than their rivals, particularly in terms of flexible access times and proximity, for post office branches to have a competitive advantage.

Knight, Gunn, & Meredith (2004)¹¹ studied the differences in customer experiences between directly managed post offices and franchise post offices. The study was to assess the customer experience in the urban post office network throughout UK with particular emphasis on length of queues, quality of advice and post office environment. The study revealed that directly managed post offices are more customer oriented than franchise post offices. There is no significant difference in the queue length in directly managed and franchise post offices. The post office experience, both internally and externally, is positive for majority of the respondents.

Raghavan (2004)¹², Member (Development), Postal Services Board, in his paper “Future of India Post: Its Financial Services Angle”, analyses the

various aspects of financial services offered by India Post. The paper discussed various financial services handled, importance and future role of these financial services. He suggested a central server based nationwide savings bank electronic network covering at least all its HPOs. He recommended the introduction of ATM facility, smart cards etc., to make the department more competitive. Moreover it was also observed that diversification is needed to remain in the field.

AMC Research Group (2004)¹³ conducted a study on rural postal system and submitted a report titled “Report on the Functioning of Rural Postal System Including Panchayat Sanchar Seva Yojna”, to Planning Commission of India. The objective of the study was to assess the feasibility of present schemes of providing postal services to rural areas and in particular to examine the working of Panchayat Sanchar Seva Yojna. Other objectives were operational analysis of present schemes, analysis of services provided by EDBOs, DSOs and PSSKs and perception of beneficiaries on the service provided by Post Offices. The study was carried out in Bihar, Himachal Pradesh, Kerala, Orissa, Pubjab and Rajasthan. The principal recommendations of the group are creating a separate cadre for male overseers, motivation, training and rejuvenation programme for the department of posts, and corporatisation of Postal Department. Other important recommendations of the Research Group are opening of new post offices in new townships, aggressive marketing of financial schemes of the department, commission based booking of Money Orders, registered letters, Savings Bank accounts, RPLI, RD, TD etc. and organise the retail financial services on a commercial basis.

Singh (2005)¹⁴ has studied the Future of India Post and prepared a paper titled “Future of India Post: Rural Dimensions”. He analysed the various policy initiatives undertaken during the past five year plans. He concluded that the ability of India Post to compete in the rural segment will depend on the extent with which such new initiatives are pursued with more intensive use of infrastructure. The decline of the conventional letter mail is a known phenomenon. This trend is not confined to India Post alone, but other similarly placed countries also face similar challenges. However, innovative restructuring, right sizing along with new initiatives may reduce the extent of financial loss and that is the bottom line all of us have to aim at.

Ranganathan (2005)¹⁵ in his article opined that India Post has been witnessing a decline and fall both absolutely, in terms of its own lofty standards, and relatively falling behind its private sector and international competitors. He identified that the loss in turn is due to the managerial autonomy, with all major financial decisions being left to the Finance Ministry. Author identified one of the major strengths of India Post is its banking activities with vast number of branches and huge amount of savings in the accounts.

Global Information and Communication Technologies Department of World Bank & ING Advisory (2005)¹⁶ in a study it is reported that the advent of new technologies (internet) and the increasing migration leading to stronger demand for international remittance services have resulted in changed demand pattern for postal financial services, particularly the increased demand for comprehensive micro finance solutions.

ECORYS Research Group and Consulting (2005)¹⁷ conducted a study and submitted the report to European Commission titled ‘Development of Competition in the European Postal Sector’. They opined that the competition in the postal market is not determined by the number of competitor postal operators but also by the existence of potential substitutes, the bargaining power of customers, and the risk of new competitors entering the postal industry. The continuing technological developments in the electronic communication strengthened the threat of substitutes to postal products and will cause a transformation of traditional postal products to products that further integrate postal services. The report recommended that the policy makers and the sector regulators should initiate steps to create a level playing field that is as much as possible to all postal operators.

Postcomm (2005)¹⁸ analysed the various postal systems and their functioning. The analysis of the report revolves around ownership and profitability of postal systems, access to post offices, network strategy, special provision in urban and rural areas, postal service, financial services developments in UK post etc. It is also observed that financial services have been offered in majority of postal networks and common services are personal and business banking services, insurance, money transfer etc.

Porteous (2006)¹⁹ published a paper titled “Postal Financial Services and Financial Inclusion” which has emphasised the importance and role of financial services offered by post offices. He suggested that the offering of financial services and the operation of the postal network should be accomplished by separate legal entities, with the regulation and supervision of postal banks falling under the national bank regulator. The study also

throws light on the successful examples of expanding access to financial services using postal networks such as Brazil, Kazakhstan, South Africa, Uganda etc. He emphasised that public postal banks should concentrate on developing and offering financial products which are not being offered by the private sector and avoid offering similar products to similar markets, including retail credit, unless under a well-targeted public-private partnership with micro finance entities of banks. He also stated that the financial services of post offices can play a significant role in promoting financial inclusion.

World Bank (2006)²⁰ study in African region revealed the landscape of postal networks in the African region, and the role of postal networks in providing access to financial services and their potential role in the expansion of access. The study revealed that post offices in African countries have been a payment source and savings accumulation for more than hundred years, there is a wide spread consensus that Post offices could play a more active role in providing access to financial services. Postal financial services need to be revamped from fragmented single products to integrated packages that include payment cards, savings, deposits, insurance and even credit, recognising the decline of the postal network in most cases.

Vaidyanathan (2006)²¹ pointed out that long tradition of handling financial services, its wide reach among the mass market; credibility and trust are considered as the strengths of India Post in financial service sector. In the article he suggested a long term strategy for offering financial services. It can synergise its wider network with the financial expertise of private partners thereby providing customers modern financial services.

Chattopadhyay, Tyagi, & Subramaniam (2007)²² opined that India Post can turn itself around by using its huge infrastructure to provide add on services that get higher revenue with low transaction costs. The synergistic overlay of banking on the existing postal network is the answer, with banks and other financial services piggybacking on the postal network to take a low-value high-volume service to rural door-steps.

Tenth WSBI Postal Savings Banks Forum (2007)²³ held at Brussels discussed the diversification, impact, opportunities and challenges for postal savings banks. The traditional model of postal financial services involved in the passive collection of deposits from the public and handling basic payment services has taken its toll. The forum explored the impact of the evolving market context on postal savings banks worldwide, and identified ways and means to adapt at strategic and operational level. It identified diversification, cross selling and customer relationship management as the key factors for the success of postal systems worldwide.

Universal Postal Union & International Telecommunications Union (2007)²⁴, report discussed how global postal network with innovative use of ICT can be transformed to a global supply chain for customers all over the world. It also discussed how the integrated postal network can play the role of a true global supply chain. Internet emerged as a greatest threat to postal system. The report suggested that same internet can be used by postal network for getting competitive advantage as a global supply chain for SMEs.

Kinoshita (2008)²⁵ analysed the economic background of Japanese Postal privatisation, historical development and competitive lessons. The

paper suggested that the privatised components should achieve higher profitability and greater efficiency including recovering from the soft budget problem.

Woodward (2009)²⁶ pointed out the importance of postal financial services in a growing economy. With 1/6th of the world's population receiving benefits from remittances from overseas migrant workers, financial service organisations are working to expand relationships with individuals who are unbanked or underserved with financial services. Postal organisations with their large distribution networks have a unique opportunity to expand financial services and are seen as important emerging participants in the international remittance business. Euro-Giro, a global payment community and network is playing a pivotal role in connecting the global postal and banking worlds in this high growth remittance business. Therefore governments, financial institutions, postal organisations, and special interested global and local agencies should view the phenomenon of remittances as a catalyst for financial inclusion and better access to basic financial services.

Accenture Group (2009)²⁷ conducted a study on Italian Postal System and Implemented Customer Relationship Management, opined that the customer relationship and diversification strategies plays an important role in the survival of a postal system. The research report indicates that high performers in postal industry display strategic clarity, a solid focus on cost management and a strong talent equation.

WSBI (2010)²⁸ in the report 'Roadmap for Postal Financial Services Reform and Development' reinstated the need for maintaining a strong and

competitive postal savings system to foster financial inclusion, optimum use of postal infrastructure and a stable banking sector. It is also opined that with declining mail volume, the development of postal financial services is a promising avenue for the postal systems across the world. However, the change/reform requires careful balance between interest and expectations of different stakeholders. They suggested that for making the postal financial services a profitable venture, autonomy and independence of postal financial services entities are required. It requires legal and financial autonomy, high level corporate governance standards and a commercial culture.

Reille, Martinez, & Khaled (2010)²⁹, in a study conducted to raise awareness of the achievements, opportunities and challenges of the postal networks to advance financial inclusion in the MENA region. It includes Morocco, Algeria, Tunisia, Egypt, Jordan and Yemen. They opined that postal networks have to invest in marketing and segmentation tools to better understand client demand, and with more banks moving down the market, they also have to monitor their competitive and comparative advantage. They suggested that postal networks need to gain expertise in product development and marketing techniques to improve customer value.

Sarma (2010)³⁰ presented a paper in India Post 2010 conference about problems of Postal services and suggested strategies for improvement. He identified that economic growth and increases in household income levels have resulted in a steep increase in demand for postal services earlier. The two core strengths of Indian Post are its unique “last mile” outreach in rural areas and the vast data resources it possess. He suggested maximum value addition from the wealth of data resources. Another suggestion was to reduce

the unit costs of delivery of services in rural areas through convergence of information, communication etc. He concluded that cost effectiveness, technological up-gradation and quality of customer service are the key elements of any response to these challenges.

Ajay Shah Committee (2010)³¹ conducted a study on harnessing the postal network for financial inclusion and submitted report to Department of Post. The study was conducted to know the potential synergies of offering banking and financial services on a large scale and financial inclusion. The report suggested it is feasible to harness broad-based banking and payments infrastructure in delivering a wide range of risk management tools including insurance, pension and credit as well as a variety of Government-to-person payments targeted the presently excluded population, including poor. The report suggested that India Post should deliver lightweight, low cost bank accounts. Another recommendation was to build a payment infrastructure, through an array of contracts with financial partners. It is also opined that the role of post office savings bank as an agent of the Ministry of Finance should be revisited and expanded to enable India Post to lay a larger, direct role in financial inclusion.

Thangapandi (2011)³² conducted a study on the marketing of postal services by India Post with reference to Salem West Division. He opined that India Post should leverage its infrastructure, trust and related services and can play a major role in e-commerce and e-government. There should be awareness creation regarding various services of India Post.

Thorat & Jones (2011)³³ studied the remittance needs and opportunities in India. The report analyses domestic migration and remittance flows and an

analysis of the payment system in India with respect to small money transfers. Researchers indicated that measures for improving financial literacy and capabilities as well as consumer protection are central for the success of financial inclusion strategies. They opined that in spite of largest office network of post office, the service is fewer customers friendly. More over it was also observed that money transfer through post offices took longer time than other media. Opening of bank branches is a threat to the oldest money transfer service of India Post.

Copenhagen Institute for Future Studies (2011)³⁴ analysed five communication networks and the role of mail in them. The communication networks analysed are transactional mail market, government to citizen communication, marketing, media communication, and social communication. Based on the expert interview the report expects a moderate decline in mail volumes, 22-26 per cent deterioration by 2020 and average 2-3 per cent annually. Majority of experts also opined that the population's increasing technological sophistication would have a great impact on letters mail volume. Three to four percent annual decline in transactional communication is expected and decline in government to citizen communication will reduce by 2.5 to 3 per cent annually. Marketing communication will decline by 1.1 to 1.7 per cent annually towards 2020. Media and socio communication will have a declining rate around 2 per cent. It was also noted that digitalisation, individualisation, and cost cutting would lead to rapid decline in mail volume.

Accenture Group (2011)³⁵ in the report on achieving high performance in postal industry, observed that uncertain markets, coupled with the

escalating demand for digital alternatives resulted in decrease in mail volume. Reduction in mail volume resulted in decrease in profit and increase in prices. They opined that postal operators are trying to indulge in diversification. Major findings of the study are: diversification is the route to high performance, high performers are taking full advantage of digital opportunity by offering digital mail, e-commerce and wider electronic services, cost management has become a core capability of high performers, postal organisations pursuing a service providing strategy increase the potential for high performance, top performers retain their position regardless of market conditions and high performers establish a culture and operating model to sustain their high performance.

Oohama, &Asai, (2011)³⁶ explains the impact of the privatisation of postal savings bank in Japan. The paper identified that privatisation of the postal savings bank lead to an improvement in efficiency through increased competition with private banks. It was also identified that negative impacts of postal savings bank privatisation are significantly larger for regional and rural banks. The paper concluded that privatisation policy of state owned postal savings bank is desirable and worthy

Clotteau, & Ansón1 (2011)³⁷ studied the role of post offices in remittances and financial inclusion. It is opined that post offices have played a major role in the provision of remittances and basic financial services to low income populations. The paper describes the efforts being made in Sub-Saharan Africa to increase access to remittance services through post offices in small towns and rural areas. They have identified the major barriers to development of postal financial services as lack of proper infrastructure

(communications, equipment and electricity) in rural areas, lack of customer orientation, computer literacy, marketing expertise, partnerships, availability of cash in rural offices etc.

Accenture Goup (2012)³⁸ in a study on achieving high performance in the Postal Industry reviewed 26 highly performing postal organisations all over the world. India Post is also covered under the study. It was stated in the report that diversification is an essential element of any successful postal operator's strategy. Cost cutting alone cannot secure long term commercial viability. In addition to that an increasing amount of attention is required on identifying and developing new services and markets. Report stated about the diversification of financial services as there is no 'one-size-fits-all' approach regarding postal models for financial inclusion. They opined that in developed countries, the divestment of banking operations by postal organizations is increasing due to the factors such as improving liquidity, focusing on core competencies, and removal of mandates to provide banking services.

Gupta & Gupta (2012)³⁹ studied the perception of customers regarding services provided by banks and post offices in four cities of NCR. Analysis was based on location and timeliness, basic amenities, product accessibility and friendliness, efficiency and easiness. The results show that post office employees should be more co-operative and friendly to customers. In addition to that the researchers suggested the installation of modern equipments by post offices to attract and satisfy customers. It was concluded that post offices should pay attention on certain specified dimensions to attract and retain more customers.

IMRB International (2012)⁴⁰ has conducted a study on money transfer services of India Post for Business Development and Marketing Directorate, India Post. Long queue is the major problem faced by the customers of post offices. Another important problem faced by the customers is poor customer service. It was identified that around one per cent is the market share contribution of India Post in domestic and international money transfers. Major reasons for using money remittance service are reliability and ability to transfer without bank account.

Aggarwal (2012)⁴¹ studied the factors influencing preference towards post office savings schemes in Gharwal region of Utharakhand. Author identified the major attributes of post office savings schemes as safety, security and risk free factors. Author opined that India Post is not taking strong steps to deliver and communicate the post office savings schemes among customers. Strong marketing efforts that support the positioning strategy is required to promote post office savings schemes.

Santhosh & Narahari (2013)⁴² conducted a study to evaluate the Indian Postal Network system using competitive benchmarking. Competitive benchmarking is the continuous process of comparing a firm's practices and performance measures with that of its most successful competitors. Results of the study indicate that India stands in a better position. Benchmarking of the Indian Postal network System got positive percentage with 2.3 per cent compared to other countries such as Austria with 2.4 per cent, Swiss with -0.9 per cent, Singapore 2.2 per cent, Australia -5.1 per cent, USPS - 12.7 per cent etc

Malakar (2013)⁴³ analysed the role of various financial services offered by India Post in financial inclusion in India especially in rural areas with a vast network. The problems identified with the postal network in India in financial inclusion are lack of basic infrastructure, less number of staff, lack of co-ordination, slow progress of innovation and abstinence from lending. Author concluded that if India Post can co-ordinate with other stakeholders and solve the above problems, it will be able to contribute towards the national objective of financial inclusion.

Nalini (2013)⁴⁴ studied customer perception towards post bank of India in Srivaikundam. The major problems faced by post office customers were identified as less operating time, limited withdrawal and non availability of loan. It was suggested that India Post should offer new initiatives such as ATM services, loan availability, electronic fund transfer etc. There should be policy decision to transform Post Offices to Post Bank.

Anand, Srinivas, & Ramesh (2013)⁴⁵ opined that the growth of India Post and its performance over the years is not so impressive and India Post should apply itself towards the challenge of achieving high volumes of money orders, should deliver light weight, low cost bank accounts to all Indian citizens and especially to the financially excluded population. It should build a strategic partnership with financial institutions, mutual funds insurance companies, and telecom operators. It should ensure that G2P payments requirements are met through a combination of POSB accounts held by citizens and money orders delivered by government to those POSB accounts

Murthy & Vangala (2013)⁴⁶ prepared a paper on global trend of postal banks. The major reasons for offering postal banking services are for

survival, trust, reach and financial inclusion, and acting as bank of the poor. Challenges faced by the post bank were identified as culture, competence, compliance, competition and core infrastructure. The report concluded that extending banking services through post offices is a win-win situation for all stakeholders. The advantages identified are: low incremental investment, easy accessibility, encouragement of culture of savings and satisfaction of the goal of financial inclusion in remote and rural locations.

Chhatbar (2013)⁴⁷ compared the problems faced by consumers while using services of India Post and private courier services in Mumbai. The study revealed that there is no significant difference between customers of post office and private courier service regarding satisfaction about services.

Lincoln (2013)⁴⁸ studied the problematic issues related to Japan Post Bank. The paper addresses on the five problems related to postal bank in Japan relating to factors such as a level playing field, market power, cross subsidization, social policy and risk or inefficiency. It was opined that Government ownership of Japan Post bank is unjustified on socio economic grounds. It was concluded that complete privatization could resolve some of the problems.

Accenture Group (2013)⁴⁹ in a study on achieving high performance in the Postal Industry presented a model which was based on three strategies such as their marketing strategy, distinctive capabilities and performance anatomy. They have categorized the postal operators to four categories such as global players, regional diversifiers, service providers and traditionalists. Major findings of the research are: high performers use product innovation and pricing levers to improve mail profitability, high performers are using

diversification strategies more effectively, high performers are maximizing the opportunity in parcels and taking full advantage of e-commerce trends and high performers are consumer focussed and make innovative changes to their operating model.

Accenture Group (2014)⁵⁰, in a study on achieving high performance in the Postal Industry, analyses postal organisations' individual strategies and what differentiates high performers from the rest. The report includes performance of 30 players including top five performers, next five performers, middle ten performers, lagging five performers and bottom five performers. The dimensions of strategy of postal systems suggested by Accenture are: to protect the core, to grow parcels and to selectively diversify. The report indicates that mail volume all over the world have dropped at a rate of minus 4.7 per cent between 2011 and 2012. The key findings of the study are: high performers are achieving core business excellence and driving growth through diversification, high performers are using digital and mobile system as a key aspect of the growth strategy, high performers are also operating with a strong commercial focus, high performers are maximizing the parcels opportunity and achieving significant market share, and new threats of domestic competitors and the increasing level of threat of technology. The report suggested that postal operators must take positive advantage of digital economy.

United Postal Service (2014)⁵¹ in its white paper titled 'Providing Non-bank Financial Services for the Underserved' mentioned the importance of postal financial services. Report opined that postal financial services may appeal to many customers who feel abandoned by major financial institutions.

Postal organisations have an unmatched ability to reach customers from diverse backgrounds. The report mentioned that postal service is well positioned to provide non-bank financial services to those whose needs are not being met by the traditional financial sector. The report concluded that moving into financial services has been the best way for posts to shore their postal networks and find new sources of revenue.

Alcantara, Dembinski, & Pilley (2014)⁵², in their working paper series studied the postal financial services development and inclusion. Authors opined that commercial freedom along with ownership and accountability by staff is the first success factor of postal financial services. Another factor to be considered was connectivity of the network and the equipment of each post office with ICT based technology. In addition to that real time centralised management of the cashflow and liquidity functions with optimisation of the cash logistics at the post office level are also required.

Gayathri (2014)⁵³ studied the investor attitude towards post office savings schemes in Cumbum town. The author identified that lack of interest of employees is the major problem faced by the investors of postal products followed by low return and poor liquidity. Other problems identified with post office savings schemes are lack of advertisement and technology. Safety and reliability are regarded as the major attractions towards post office savings schemes.

Balasubramaniam (2014)⁵⁴, in his study titled 'Postal Life Insurance: Its Market Growth and Policyholders' Satisfaction' mentioned that the availability of loan facility, procedure of settlement of claims, bonus and insurance plan offered by PLI, responsiveness from postal department are

the major factors determining the policy holders satisfaction level. The study revealed that there is a less annual growth of PLI during the study period from 2001-2010.

Senthilkumar & Kannaiah (2014)⁵⁵ observed the rural investors perception and postal investments in Dharmapuri District of Tamil Nadu. It was found that awareness level is low among rural people regarding postal investments. They opined that post offices have to undertake two responsibilities such as promotion of savings and generation of necessary funds for social development.

Mathew (2015)⁵⁶ opined that a combination of the India Post outreach and a good track record in providing savings products and payment systems can serve as a critical building block for broad based financial inclusion in India. The study viewed that Post Office Savings Bank has a strategic role towards making prosperity in India. She suggested that India Post should harness the rapid IT and telecom capacity expansion to deliver savings system, payment mechanism and micro loan mechanism in rural India.

Potadar, Mehta, & Potdar (2015)⁵⁷ opined that India Post faces many challenges from various angles. The problems relate to improvements in technology, ICT and mobile technology, lack of well trained workers in rural areas and modernisation of banking services. They opined that to stay in the competition, India Post must continually modernize across all areas of its operations. Other suggestions are to provide training to employees, improve quality of products and services, conduct customer awareness programmes etc.

Rao (2015)⁵⁸ prepared a policy paper on gender and financial inclusion through post offices and is published by UN Women and Universal Postal Union. The paper investigates the extent to which financial services offered through post offices serve women in the developing countries better than financial institutions. It was observed that post offices seem to include women to a greater extent than financial institutions due to widely distributed network and cheaper rate for services. It was concluded that postal financial services can reduce gender discrimination relating to availability of financial services and thereby contribute to financial inclusion of female in rural and urban areas.

Dubey (2015)⁵⁹ prepared a paper for The Hindu Centre for Politics and Public Policy on the future of post offices as banking institutions in India. Author observed that India Post to become a true facilitator of financial inclusion has to upgrade both manpower and technological capabilities. Moreover, new schemes and innovations are to be introduced in financial service area. Author assured that India Post has potential to become an institution with long-term effectiveness in inclusive banking.

Wik-Consult and ITA Consulting (2016)⁶⁰ conducted a study on behalf of Citizens Advice, UK. The study provided an insight into the current technological developments in the postal market and the impact of various technologies and innovations on the postal market and special emphasis on British consumers in particular. Study analysed that the demand for transactional mail has reduced significantly due to e-substitution. They opined that technological inventions are important enablers of innovations in the postal sector. Technological shift is beneficial to consumers for better

and faster delivery of service. However it creates great challenge to postal operators to adopt various technological inventions in the postal sector

From the review of literature, the conclusions drawn about post offices and postal financial services are summarized here. Postal systems all over the world are facing decrease in mail volume due to the development of technology products such as mobile phones, internets and other electronic communication media. Economic, social and demographic factors also affect volume of mail transfer through post offices. Post offices are having high level of penetration in rural and urban areas in terms of number of offices. Infrastructure facility with post offices in terms of number of post offices is giving a competitive advantage to postal systems. Most of the postal systems are controlled by the Government and enjoy only limited autonomy due to departmental form of organisations. In the changed scenario, postal systems require enterprise and regulatory reforms for its survival. Postal Systems across the world are considering postal financial services as a promising diversification strategy. For making the postal financial services a profitable venture, autonomy and independence of postal financial services entities are required. It needs legal and financial autonomy, high level of corporate governance standards and a commercial culture. In India Post offices facilitate financial inclusion through providing financial services. Post office network and improved infrastructure can work as an alternative banking solution for the better improvement of financial inclusion. India Post also faces problems of deficit, decrease in mail volume, lack of awareness and interest among customers about financial services etc. and some of the studies identified postal savings bank as a best alternative for survival of India Post. Low level of marketing efforts on the part of postal

employees to attract customers towards postal financial services and products, lack of well trained workers in rural areas and lack of modernised tools were noted as some of the major problems faced by post offices across the world including India.

2.3 Studies on Product Quality, Service Quality, Customer Satisfaction and Customer Loyalty of Financial Services

Garvin (1987)⁶¹ has identified eight elements of quality such as performance of the product or service, features of the product or service, conformance, reliability, durability, serviceability, aesthetics and perceived quality. Performance of the product or service is the essential characteristic of quality of a product or service. It is applicable to both physical products and service products. Features of the product consist of additional characteristics of a product/service that are offered to customers. Conformance means the level of product adaptability with existing standards and specifications. Reliability means the success of product or service during a given period of time and impossibility of malfunctioning. Durability is related to the product life time and the benefits received for a long period. Serviceability includes the promptness, politeness, professionalism and rapid change in providing services. Aesthetics means the appearance, sound, smell, taste etc. to complete the experience of product. Perceived quality refers to the user's subjective judgment about the quality of a certain product or service.

Cronin, & Taylor (1992)⁶², studied the conceptualisation and measurement of service quality and the relationship between service quality, customer satisfaction and purchase intentions. They suggested a performance-based measure of service quality. The study revealed that service quality is an

antecedent of customer satisfaction which has a greater role in purchase intention of customers.

Anderson, Fornell, & Lehman (1994)⁶³ defined customer satisfaction as overall evaluation based on the total purchase and consumption experience with a good or service over time. It is considered as cumulative customer satisfaction.

Johnston (1995)⁶⁴ conducted a study to know the determinants of service quality and the outcomes. The study revealed that some determinants of service quality predominates others. It was identified that for personal customers of the bank, the main sources of satisfaction are attentiveness, responsiveness, care and friendliness. The main sources of dissatisfaction were identified as integrity, reliability, responsiveness, availability and functionality.

Zeithaml, Berry, & Parasuraman (1996)⁶⁵ stated that there is strong positive relationship between service quality and consumers behavioural intentions.

Krishnan et al. (1998)⁶⁶ in their study on customer satisfaction for financial services analysed the role of products, services and information technology on customer satisfaction. The paper analysed the drivers of customer satisfaction for financial services. They identified product offering as the primary driver of overall customer satisfaction. The study was to analyse how specific operational quality attributes for designing and delivering financial services can be leveraged to enhance satisfaction with product offerings and service delivery. Satisfaction with branch services,

quality of automated telephone and financial reporting have found to be significant impact on overall satisfaction. They identified four quality attributes on product offerings of financial services. The aspects are ease of opening and closing of accounts, product variety, competitive interest rates and fees and lucid information on all products and services.

Henning-Thurau, Gwinner, & Gremler (2002)⁶⁷ opined that customer satisfaction has a significant and strong direct impact on loyalty and word of mouth communication.

Filip, & Anghel (2009)⁶⁸ studied the customer loyalty and its determinants in banking environment in Romanian banking industry. The study revealed that customer loyalty is supported by level of satisfaction, bank's attitude towards own customers, the level of customer trust towards the organisation/employees in ensuring the financial interests of clients and the level of customer commitment.

Kheng, Mahamad, Ramayah, & Mosahab (2010)⁶⁹ conducted a study to evaluate the impact of service quality on customer loyalty among the bank customers in bank customers in Malaysia. The study revealed that improvements in service quality can enhance customer loyalty. Customer satisfaction was taken as the mediating variable. The study shows that there is a positive and meaningful relation among all fivefold dimensions of service quality (tangibility, assurance, empathy, responsiveness and reliability) with satisfaction and loyalty. The study concluded that service encounter also plays an important role in customer's satisfaction and loyalty.

Mohammad & Alhamadani (2011)⁷⁰ conducted a study to examine the level of service quality as perceived by customers of commercial banks working in Jordan and its effect on customer satisfaction. The result of the study indicated that service quality is an important antecedent of customer satisfaction. It was suggested that managers and decision makers in Jordanian commercial banks seek and improve the elements of service quality that makes the most significant contribution on customer satisfaction.

Siddiqi (2011)⁷¹, in his study aimed at identifying the most important drivers of customer loyalty in the retail banking settings in Bangladesh. It was to identify the interrelationship between service quality, customer satisfaction, corporate image, customer value and customer loyalty in the retail banking sector in Bangladesh. The study revealed that customer value is the most important driver of customer loyalty followed by service quality and corporate image.

IMRB International (2011)⁷² has conducted a study on Customer satisfaction of Postal Life Insurance of India Post for Business Development and Marketing Directorate, India Post. A customer satisfaction index was prepared and overall satisfaction index of urban customers was 67 and that of rural customers 72. Customer satisfaction index was prepared on the basis of loyalty and experience. It was found that among the four zones of India, rural and urban customers in the southern zone are not happy. Fifty four per cent of urban and fifty five per cent of rural customers of this zone are found to be truly loyal to India Post.

Rajeswari & Sunmista (2011)⁷³ conducted a study to know the perception of customers on service quality of post offices in Virudunagar

and Madurai Districts in Tamil Nadu State. The study indicates that the respondents of Virudhunagar District are generally more satisfied with their postal services than the respondents of Madurai District.

Talebi, Dadashi, Ezzatdoust, & Farajy (2012)⁷⁴ conducted a study aimed at proving the impact of service quality on customer loyalty in banks. Authors suggested that bank should widen scope of services to increase the customer loyalty. Use of electronic banking practices can also be used to increase customer loyalty. In addition to that bank staff should maintain courtesy and sympathy with clients. It was concluded that proper customer reception by the bank staff is the main condition for the bank to increase customer loyalty.

Rai & Srivastava (2012)⁷⁵ in their paper discussed customer loyalty and its significance in the modern business arena. Determinants of customer loyalty are identified as service quality, customer satisfaction, trust, commitment, switching cost, corporate image, service recovery and emotions. It is observed that service quality leads to customer satisfaction, positive word of mouth and favourable behavioural intentions. Authors stated that customer satisfaction enhances the customers desire to stick with the company in the longrun and encourages repeat buying behavior. It will increase cross selling opportunities.

Shanka (2012)⁷⁶ in his study aimed at investigating the relationship between service quality, customer satisfaction and loyalty. The results of the study indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. It also revealed that high quality service increase customer satisfaction, customer commitment and customer

loyalty. It was also suggested that banks and financial institutions should develop strategies to increase customer loyalty.

Anand & Selvraj (2012)⁷⁷, in their study examined the impact of service quality on customer satisfaction and loyalty. It was conducted at Salem of Tamil Nadu. The study shows that assurance is having a mean score of performance and reliability has least score. It was observed that there is a significant association between all the service quality factors and customer satisfaction and customer loyalty.

Ernst & Young (2012)⁷⁸ in the study pointed out that customer loyalty was found to be related to customer service, price and innovative product offerings. Study revealed that customers still have a strong need for personal interaction when buying life products.

Toit & Burns (2012)⁷⁹ conducted a study on customer loyalty in retail banking in 14 major markets such as Australia, Canada, China, France, Germany, Hong Kong, India, Mexico, Singapore, South Korea, Spain, Thailand, the UK and the US. The study revealed that private banks lead the loyalty scores in India. SBI, largest public sector bank in India got third position regarding customer loyalty. Wealth management or priority services are well developed India with many banks offering special treatment for affluent individuals.

Sirajudheen (2012)⁸⁰ in his study revealed that LIC should focus on assurance and empathy to strengthen the level of satisfaction of customers. Author suggested time based competition, quality, product range, timely advertisement; follow up, prompt and error free service for providing better service to customers.

Pierce (2012)⁸¹ identified six elements of product quality related to health insurance. The elements are benefit design which includes the customer benefits related to the policy and pricing of the product, network quality, service experience, operating model, distribution and brand.

Sivesan (2012)⁸² conducted a study to know the impact of service quality on customer satisfaction in banking sector in Sri Lanka. Quality of service is evaluated by reliability, functionality, responsiveness, service design and assurance. The study revealed that service quality influences customer satisfaction. Therefore banks should give more attention on polishing service quality.

Gupta & Gupta (2012)⁸³ conducted a study on postal life insurance to know the customer perception regarding service quality in postal life insurance, and compared the service quality of PLI, LIC and private players. They suggested that regarding service quality, post offices should improve infrastructure, decrease rate of interest on loan on insurance policy and reduce procedural work in lapsing. Post offices should position themselves in the market and promote themselves aggressively. Moreover post offices should be more innovative in terms of PLI products. It should provide insurance to all segments of society

Bashir (2013)⁸⁴ observed that both service quality and product quality are significant in creating customer awareness and customer satisfaction. The study revealed that there is an indirect positive relationship between service quality, product quality and customer satisfaction in Islamic banking sector. The study conducted in Brunei Darussalam concluded that high level of awareness on product quality and service quality leads to high level of

customer satisfaction. He analysed the product quality of Islamic banking products in terms of benefits from banking products, availability of information on leaflets/brochures/websites, features of banking products, and variety of products/innovativeness of products.

Khan & Antara (2013)⁸⁵ conducted a study and prepared a paper on dimensions of service quality in the banking sector of Bangladesh and concluded that customer satisfaction has a large positive correlation with customer loyalty in the retail banking sector in Bangladesh

Mistry (2013)⁸⁶ conducted a study to know the factors affecting customer satisfaction in banks and to analyse the effects on the level of customer satisfaction. He identified that service quality dimensions are useful to predict overall service performance of banks. The study revealed that customer gives highest importance to reliability dimension. Second importance is given to responsiveness of employees. Third preference is given to assurance. He also opined that both private and public sector banks should give more focus on increasing reliability, responsiveness and assurance.

Tripathi (2013)⁸⁷ conducted an empirical study on awareness of customers on service quality of public sector banks in Varanasi. The study analyses the customer perception towards the service quality by the public sector banks. It concluded that reliability, assurance, empathy and responsiveness are the dimensions which need to be taken utmost care by the banks to improve the customer satisfaction.

Reddy & Ramanna (2013)⁸⁸ identified some key factors which influence the performance of selected banks. Customer satisfaction, service quality, attitude of the bank employee in serving the customers, care and

concern, physical facilities available in the bank and promptness in attending the customer needs are the most important key factors to be considered to improve the performance of a banking institution. It is observed that nationalized banks have received almost equal satisfactory response when compared with the private and public sector

Saghier & Nathan (2013)⁸⁹ conducted a study to measure the quality of service from customers' perspective in the Egyptian Banking. Results based on a factor analysis identified four factors that influence user's evaluation of service quality of banking services. These factors are reliability, responsiveness, empathy and assurance. It revealed that Customer Satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction.

Arora & Saxena (2013)⁹⁰, their study focused on the relationship between service quality aspects and customer satisfaction and customer satisfaction and customer loyalty in the retail banking sector in Delhi. The study revealed that all the service quality attributes are positively correlated with the customer satisfaction and customer satisfaction has a high positive correlation with customer loyalty.

Nayebzadeh, Jalaly, & Shamsi (2013)⁹¹, conducted a study to examine the relationship between customers' satisfaction and loyalty with the financial performance of the bank. Findings of the study demonstrate that there is a strong positive correlation between customers' satisfaction and loyalty. It also influence the bank performance. They suggested incentive

policies for loyal customers and implementing a system for evaluating the customer satisfaction at branch level.

Rahman (2013)⁹² investigates the relationship between customer satisfaction and customer loyalty in terms of basic services and advanced services employed by Jamuna bank limited. It also studied the customer perception regarding cost and prestige of receiving banking service of the bank. The study revealed that there exists significant relationship among advanced service, cost and prestige and customer satisfaction. It was found that customer satisfaction and customer loyalty has positive significant relationship.

Rai & Srivastava (2013)⁹³, conducted a study based on the basic antecedents of customer loyalty such as service quality, customer satisfaction, trust, commitment, corporate image, switching costs and communication. The study revealed that service quality holds greatest significance for the customers regarding loyalty to insurance provider. It was also revealed that Indian customers give prime option to public sector life insurance companies as it entails a sense of security and stability. It was concluded that there exists a difference in customer loyalty in public and private sector companies. Customers are loyal towards public sector companies.

Khan (2014)⁹⁴ conducted a study to know the impact of service quality on customer satisfaction and customer loyalty in banking sector. The study revealed that service quality and all its dimensions have significant and positive association with customer satisfaction and customer loyalty.

Murugiah & Akgam (2014)⁹⁵ conducted a study to evaluate the customer satisfaction of the banking sector in Libya, based on customer perception regarding service quality. The findings based on three independent variables (service quality, customer loyalty and security) showed that all these variables influenced customer satisfaction of Libyan banking sector. There is a positive and significant relationship between the customer satisfaction and two variables (service quality and customer loyalty), and there is negative and significant relationship between security and customer satisfaction.

Koksal, Dema, & Ekonomi, (2014)⁹⁶ conducted to know the major factors affecting customer loyalty in banking sector in Albania. The study revealed that service, security, relationship, reliability, loyalty and staff can increase the loyalty among customers. It was found that relationship and staff factor contributes more towards customer loyalty.

Anand (2014)⁹⁷ studied the impact of service quality on customer satisfaction and loyalty relating to India's Post office savings banking sector in Selam district. The study revealed that there is a direct positive relationship between service quality, customer satisfaction and customer loyalty. The study was based on Gap analysis and it is seen that the factors like Reliability, Responsiveness and Competence are highlighted as significant predictors of customer satisfaction and Reliability Assurance and Competence as predictors of customer loyalty. Customer satisfaction is observed as a mediator between the service quality and customer loyalty.

Rorio (2015)⁹⁸ studied the factors affecting customer loyalty in the banking sector in commercial banks in Mombasa Kenya. The study revealed

the factors influencing customer loyalty in banking sector as product quality, service quality, retailer image, marketing and engagement in corporate social responsibilities. The study concluded that proper marketing of product and service contributes towards customer loyalty.

2.4 Research Gap

The review of existing literature revealed that studies have been conducted on postal services and postal financial services by various international organizations and national organisations. There are few studies on service quality and customer satisfaction of post office savings and postal life insurance pertaining to selected regions in India. There is a study explaining the relationship between service quality, customer satisfaction and customer loyalty of post office savings bank in Tamil Nadu. Studies are also conducted on small savings schemes in selected cities. Studies have been conducted on service quality, customer satisfaction and customer loyalty in financial service sector especially in banking and insurance sector and found that there is positive relationship among these variables. There are few number of studies based on product qualities of financial services.

Even though there are studies on post offices and postal financial services conducted by UPU, World Bank, Planning Commission, India Post, Researchers etc., there is no major study on customer loyalty on financial services of post offices in Kerala. Now-a-days postal systems across the world are changing their traditional face to a modern all in one shop. Identification of customer needs and customer satisfaction is significant at this juncture to estimate the capacity of postal financial services and existing postal system to offer better services to customers. Studies are not

conducted in Kerala to know the awareness, motivating factors, service quality product quality, customer satisfaction and customer loyalty on postal financial services. Moreover, there is no comprehensive study on the relationship between service quality, product quality, customer satisfaction and customer loyalty has so far been conducted in Kerala. Hence, the present study of customer loyalty on financial services of India Post with reference to Kerala is undertaken. Based on the research gap identified a conceptual model (model presented in Chapter one) has been formulated for the study by establishing the relationship of product quality, service quality, customer satisfaction and customer loyalty.

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FINANCIAL SERVICES OF INDIA POST – GROWTH ANALYSIS OF KERALA POSTAL CIRCLE

Contents

- 3.1 *Financial Services*
- 3.2 *Financial Services of India Post*
- 3.3 *Conclusion*

3.1 Financial Services

Financial Service industry has changed radically all over the world. In India the industry gained importance after the new economic policies, introduced in 1991. Prior to the new economic policies, financial service industry in India was controlled and the authorities regulated competition in the sector. Banking sector was dominated by State Bank of India and other nationalised banks. Insurance sector was controlled by Life Insurance Corporation and General Insurance Companies. Over the years of nationalisation of financial service sector, it was seen that nationalisation has its own advantages and draw backs. Nationalisation has resulted in branch expansion, agriculture finance and enhanced level of savings / investments in urban and rural areas. However, it paved the way for corruption, red-tapism, lack of professionalism and lack of innovation in products and marketing of financial services.

Banking and insurance sectors are now opened for private and foreign investors which intensified competition in the industry in India. International

money transfer services are no longer limited to government agencies but are offered by private agencies also. Traditional banking and insurance culture have changed and now banks and insurance companies have enhanced marketing programs to promote their products and services among the customers in rural and urban areas. Technological developments also resulted in a paradigm shift in the marketing of financial services

Financial services have been playing an important role in the economic growth of developed and developing economies through creation and distribution of financial products like savings, investment, credit/loan and insurance products. However, access to proper financial services is the major problem faced by the poor in developing and developed economies. Governments have introduced various schemes to solve the problem. Lack of accessibility to formal financial services forced the poor to rely on a narrow range of risky and expensive informal services.

Financial service sector is the largest in terms of earnings, number of institutions, range of business and employment. Indian financial sector consists of various institutions such as commercial banks, insurance companies, co-operative banks, non-banking financial companies, pension funds, mutual funds, chit funds, micro finance institutions and other financial institutions.

In simple terms, financial services include the products and services offered by banks and financial institutions for making financial transactions. It includes banking, insurance, money transfer, and investment of funds. Financial Service means any service of a financial nature offered by a financial service supplier which include all insurance and insurance related services, and all banking and other financial services such as acceptance of deposits and

other repayable funds from the public, lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction, financial leasing, all payment and money transmission services, including credit, charge and debit cards, travelers cheques and bankers drafts.

3.2 Financial Services of India Post

India Post has been offering financial services since the end of 19th Century. It has a strong tradition in providing basic financial products such as banking products, insurance products and money transfer services. Recently RBI has sanctioned license to selected institutions for starting payment banks in India. India Post is one among them.

Financial services of India Post consists of Post Office Savings Schemes, Postal Life Insurance, Money Remittance services, Mutual Funds and Forex services through post offices. Among these services banking, insurance and money transfer services are the most common services available in post offices in Kerala.

3.2.1 Post Office Banking Products

Post office savings products are the oldest financial services offered by post offices in India. India Post has been offering these services as an agency function on behalf of Ministry of Finance, Government of India. First Savings Bank Act was passed in India in 1873. Post Office Savings Bank of India came into existence in 1882. Savings bank products of Post Offices cater to the needs of a wide range of customers and to create saving habits among low income group. The product is similar to savings bank account offered by commercial and cooperative banks.

The postal network has a wider reach/strong rural penetration and due to that post office savings bank accounts are available at rural areas which are not having banking facilities. Recently Core banking service has been introduced in post offices. Core banking installation is completed with Head Post Office and Sub Post Office level. Now deposit and withdrawal are allowable at Head Post Office level with SB accounts at HPOs. ATMs are installed in selected cities in Kerala. India post started its core banking efforts on the recommendation of India Post 2012 Project. Core Banking Solution is the networking of branches of post offices, which enables customers to operate their accounts and avail banking services from anywhere in India. It is the initiative towards 'Anywhere and Anytime banking'. Core Banking Services are helpful in improving operational efficiency and reducing cost of operation. Moreover, it will reduce duplication of work in branch post offices, sub post offices and head post offices. It also offers plans to provide improved service through alternative channels on 24 × 7 bases- ATM, Internet, Mobile Phone etc. Core Banking system of post offices is aimed at increasing number of customers of postal financial services, provide multiple channels, faster money transfers, and to become one stop solution for financial inclusion. Earlier the saving bank product of post offices was considered as the most profitable small savings products by customers and general public. Now-a-days the products are becoming less attractive due to decrease in rate of return and additional benefits offered by private banking companies.

The major banking products offered by post offices include Post Office Savings account, Recurring Deposit account, Time Deposit account, Monthly Income Scheme, Senior Citizen Savings Schemes, Public Provident Fund,

National Savings Certificates, Kisan Vikas Patra, and Sukanya Samridhi Accounts.

3.2.1.1 Growth Analysis of Post Office Savings Bank Account

Table 3.1 shows the comparative growth analysis of number of Post Office Savings Bank accounts in India and Kerala Circle during the periods from 2006-07 to 2015-16.

Table 3.1: Growth Analysis of Number of Post Office Savings Bank Accounts

Year	India – Number of SB Accounts	Annual Growth (%)	Kerala – Number of SB Accounts	Annual Growth (%)	Kerala's Contribution to total SB Accounts (%)
2006-07	6,43,42,873	-----	18,86,741	----	2.93
2007-08	6,91,07,518	7.41	20,34,028	7.81	2.94
2008-09	7,80,46,881	12.94	26,11,540	28.39	3.35
2009-10	8,85,64,993	13.48	31,89,082	22.11	3.60
2010-11	9,64,76,627	8.93	33,42,268	4.80	3.46
2011-12	11,58,25,520	20.06	45,78,702	36.99	3.95
2012-13	12,53,23,400	8.20	58,76,485	28.34	4.69
2013-14	13,35,01,670	6.53	65,29,911	11.12	4.89
2014-15	16,59,68,186	24.32	67,12,898	2.80	4.04
2015-16	16,30,30,431	-1.77	70,27,572	4.69	4.31
CAGR (%)		9.74		14.05	

Source: Compiled from Annual Reports and Records, India Post

Table 3.1 gives a clear picture about the growth of postal office savings bank accounts in Kerala and India. All India figures show that there is a positive growth in terms of number of accounts. When comparing 2006-07 to 2015-16, there is an increase of savings bank accounts by 153 per cent i.e., from 6,43,42,873 (2006-07) accounts to 16,30,30,431 accounts in 2015-16.

Number of POSB accounts in Kerala increased from 18,86,741 (2006-07) to 70,27,572 (2015-16). There is an increase of 272.47 per cent in terms of number of accounts over the years. All India figures show that there is an annual decrease of -1.77 per cent in 2015-16. Number of accounts in Kerala as a percentage to total shows an increasing trend. Over the years it has increased from 2.93 per cent to 4.31 per cent. 2012-13 and 2013-14 show highest per cent of contribution i.e., 4.69 and 4.89 per cent respectively. Compound Annual Growth Rate indicates that there is growth of 9.74 per cent in SB accounts all over India and 14.05 per cent increase in Kerala Postal Circle.

Table 3.2 shows the comparative growth analysis of outstanding balances in Post Office Savings Bank accounts in India and Kerala Circle during the periods from 2006-07 to 2015-16.

Table 3.2: Growth Analysis of Outstanding Balance in Post Office Savings Bank Accounts

Year	India ₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total SB Outstanding (%)
2006-07	18,564.87	-----	503.82	----	2.71
2007-08	19,788.94	6.59	521.09	3.43	2.63
2008-09	22,689.49	14.66	577.01	10.73	2.54
2009-10	26,457.10	16..61	648.2	12.34	2.45
2010-11	30,099.83	13.77	711.9	9.83	2.37
2011-12	34,068.43	13.18	815.49	14.55	2.39
2012-13	37,792.78	10.93	910.24	11.62	2.41
2013-14	42,959.01	13.67	79.14	-91.31	0.18
2014-15	46,847.59	9.05	250.54	216.58	0.53
2015-16	55,082.35	17.58	5369.5	2043.17	9.75
CAGR (%)		11.49		27.16	

Source: Compiled from Annual Reports and Records, India Post

The outstanding balance in savings bank accounts from 2007-2016 indicates that there is a positive growth in balance regarding all India figures. Outstanding balance has increased from 18,564.87 crores to 55,082.35 crores, i.e., 179 per cent increase in outstanding balance is recorded in national data. Postal data obtained from Kerala Postal Circle show that there is increase in outstanding balance compared to 2006-07. However, there is high level of fluctuation in outstanding balance for the last 3 years. In 2006-07, Kerala Postal Circle contributed 2.71 per cent of total outstanding balance. It is reduced to 0.53 per cent in 2014-15 and increased to 9.75 in 2015-16. CAGR also reveals the same. There is 11.49 per cent increase in outstanding balance at national level while there is 27.16 per cent increase at Kerala level. Kerala's contribution to total increased to 9.75 per cent during the period.

3.2.1.2 Growth Analysis of Post Office Recurring Deposit Account

Recurring Deposit (RD) is an account which is opened by those who want to save regularly for a certain period of time. It encourages regular saving habit among people. It helps customers to build up their savings over a period of time. It is the type of deposit which is suitable for meeting various needs. Recurring deposits are ideal for planning short term goals over a period of 1 to 5 years such as education needs of children, marriage purposes, and other personal and business needs.

Table 3.3 shows the comparative growth analysis of number of Post Office Recurring Deposit accounts in India and Kerala Circle during the periods from 2006-07 to 2015-16.

Table 3.3: Growth Analysis of Number of Post Office Recurring Deposit Accounts

Year	Number of RD accounts in India	Annual Growth (%)	Number of RD accounts in Kerala	Annual Growth (%)	Kerala's Contribution to total RD Accounts (%)
2006-07	6,70,27,234	****	54,59,814	****	8.15
2007-08	6,61,69,851	-1.28	57,65,564	5.60	8.71
2008-09	7,43,72,853	12.40	59,08,044	2.47	7.94
2009-10	7,53,09,193	1.26	60,66,516	2.68	8.06
2010-11	8,43,05,060	11.95	61,92,664	2.08	7.35
2011-12	8,59,21,440	1.92	59,92,379	-3.23	6.97
2012-13	9,38,98,145	9.28	58,79,801	-1.88	6.26
2013-14	11,05,99,553	17.79	55,24,876	-6.04	5.00
2014-15	12,29,38,104	11.16	51,24,598	-7.25	4.17
2015-16	12,21,89,563	-0.61	49,27,927	-3.84	4.03
CAGR (%)		7.69		0.25	

Source: Compiled from Annual Reports and Records, India Post

Table 3.3 reveals that there is an increase of RD accounts across India. There is an increase of 89 per cent in terms of number of accounts over a period of ten years. Annual growth rate is highest in 2013-14, which is 17.79 per cent. 2007-08 shows a decrease in number of accounts. Kerala shows more or less a decreasing trend regarding number of RD accounts. In 2014-15, number of RD accounts is reduced by 7.25 per cent compared to the previous year. The contribution of Kerala to the total number of RD accounts shows a decreasing trend (from 8.15 per cent in 2006-07 to 4.03 in 2015-16). In 2006-07, 8.15 per cent of the total RD accounts are from Kerala. Over the ten years there is a decrease of 5,31,887 RD accounts in Kerala. Compound Annual Growth Rate of national data is 7.69 per cent and that of Kerala Postal Circle is 0.25 per cent. CAGR also reveals that growth of RD accounts in Kerala is very less as compared to National growth rate.

Table 3.4 shows the comparative growth analysis of outstanding balance in Post Office Recurring Deposit accounts in India and Kerala Postal Circle during the periods from 2006-07 to 2015-16.

Table 3.4: Growth Analysis of Outstanding Balance in Post Office Recurring Deposit Accounts

Year	India (₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total RD (%)
2006-07	60,230.04	-----	3,311.68	****	5.50
2007-08	65,072.48	8.04	3,698.27	11.67	5.68
2008-09	65,073.34	0.00	3,935.18	6.41	6.05
2009-10	62,819.48	-3.46	4,114.89	4.57	6.55
2010-11	61,251.42	-2.50	4,431.46	7.69	7.23
2011-12	62,662.48	2.30	4,884.51	10.22	7.79
2012-13	67,964.08	8.46	5,570.69	14.05	8.20
2013-14	74,150.81	9.10	5,751.32	3.24	7.76
2014-15	74,515.26	0.49	8,609.21	49.69	11.55
2015-16	76,181.88	2.24	9,039.37	5.00	11.87
CAGR (%)		4.33		11.77	

Source: Compiled from Annual Reports and Records, India Post

Table 3.4 reveals the position of balance in RD accounts over the last 10 years. It shows that there is increase in outstanding balance in national level and Kerala level. There is an increase of 2.24 per cent in outstanding balance in 2015-16 compared to 2014-15. 2009-10 and 2010-11 recorded decrease in outstanding balance. However the overall picture shows that there is increase in outstanding balance. Around 52 per cent increase was there in 2015-16 compared to that of 2006-07. Contribution of Kerala towards total outstanding balance stood at 11.87 per cent in 2015-16, which is highest over the last 10 years. There has been a gradual growth in terms of Kerala's

contribution to total. CAGR of Kerala Postal Circle is high (11.77) compared to the CAGR at national level (4.33). Regarding RD accounts balance, a significant market share is contributed by Kerala.

3.2.1.3 Growth Analysis of Post Office Time Deposit Account

Time Deposit (TD) is similar to fixed deposits offered by commercial banks. There are four types of deposit account schemes offered by India Post such as 1 year, 2 year, 3 year and 5 year time deposit accounts. Minimum amount of deposit is ₹ 200 and in multiple thereof is allowed as deposit. There is no maximum ceiling for deposit under this scheme. Tables 3.5 and 3.6 reveal comparative growth analysis of Post Office Time Deposit Accounts in terms of outstanding number of accounts and balance of amounts in India and Kerala Postal Circle.

Table 3.5: Growth Analysis of Number of Post Office Time Deposit Accounts

Year	Number of TD Accounts in India	Annual Growth (%)	Number of TD Accounts in Kerala	Annual Growth (%)	Kerala's Contribution to total TD Accounts (%)
2006-07	1,24,29,827	-----	2,31,152	-----	1.86
2007-08	1,19,16,977	-4.13	2,32,088	0.40	1.95
2008-09	88,98,668	-25.33	2,18,772	-5.74	2.46
2009-10	89,56,745	0.65	1,98,715	-9.17	2.22
2010-11	93,55,825	4.46	1,66,068	-16.43	1.78
2011-12	94,24,638	0.74	1,88,982	13.80	2.01
2012-13	1,11,99,051	18.83	1,83,709	-2.79	1.64
2013-14	1,42,46,320	27.21	1,81,361	-1.28	1.27
2014-15	1,62,38,903	13.99	2,07,535	14.43	1.28
2015-16	1,67,49,513	3.14	2,13,659	2.95	1.28
CAGR (%)		4.56		1.73	

Source: Compiled from Annual Reports and Records, India Post

Post Office Time Deposit accounts are just like bank fixed deposits. All India picture given in table 3.5 shows that there is 4.56 per cent compound annual growth while Kerala picture shows that there is only 1.73 per cent increase in Kerala Postal circle. Contribution by Kerala Postal circle also shows decreasing trend. All India figures show that number of accounts increased from 1,24,29,827 to 1,67,49,513. However Kerala records show that number of accounts decreased from 2,31,152 to 2,13,659 accounts. Kerala's contribution to national figure shows a decreasing trend. Highest level of contribution is recorded in 2008-09 i.e., 2.46 per cent. There is 2.95 per cent increase in number of accounts in 2015-16 compared to 2014-15.

Table 3.6: Growth Analysis of Outstanding Balance in Post Office Time Deposit Accounts

Year	India (₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total TD (%)
2006-07	36,712.46	****	920.61	****	2.51
2007-08	29,938.89	-18.45	852.29	-7.42	2.85
2008-09	26,263.98	-12.27	608.94	-28.55	2.32
2009-10	27,282.80	3.88	118.15	-80.60	0.43
2010-11	28,443.62	4.25	207.55	75.67	0.73
2011-12	27,389.37	-3.71	776.14	273.95	2.83
2012-13	33,007.20	20.51	221.02	-71.52	0.67
2013-14	40,712.21	23.34	180.35	-18.40	0.44
2014-15	51,755.12	27.12	143.04	-20.69	0.28
2015-16	70,632.28	36.47	792.22	453.85	1.12
CAGR (%)		8.00		17.86	

Source: Compiled from Annual Reports and Records, India Post

Outstanding balance in TD accounts increased at national level. Kerala picture shows a fluctuating trend. Compound Annual Growth Rate at national level is 8.00 per cent and at Kerala level it is 17.86 per cent. Contribution of Kerala Postal Circle towards total is decreasing. It decreased from 2.47 per cent to 0.28 per cent in 2014-15. However in 2015-16, it increased to 1.12 per cent. In terms of actual figures, outstanding balance at national figures increased from 36,712.46 crores to 70,632.28 crores. In Kerala Postal Circle, outstanding balance decreased from 920.17 crores to 792.22 crores during the period. All these points out that time deposits are not performing satisfactorily in Kerala Postal Circle. However, in 2015-16 outstanding balance increased by 453.85 per cent compared to 2014-15.

3.2.1.4 Growth Analysis of Post Office Monthly Income Account Scheme

It is another important banking product of post offices. Usually POMIS is preferred by retired and senior citizen customers. The scheme is secured and risk free. It ensures a regular return. It offers a lower rate of return as compared to bank fixed deposit accounts. Non-Resident Indians are not eligible to apply for MIS scheme. Moreover depositor without SB account in post office cannot withdraw interest in time. There is a lock in period of 1 year and 2 per cent of deposit is charged as penalty for withdrawal between 1-3 years. For withdrawals after three years but before maturity is charged a penalty of one per cent of deposit. Even though the deposit is for five years, it is not eligible for deduction under section 80C of Indian Income Tax Act. Table 3.7 shows the comparative growth analysis of number of accounts in POMIS in India and Kerala Postal Circle during the periods from 2006-07 to 2015-16.

Table 3.7: Growth Analysis of Number of Accounts in Post Office Monthly Income Scheme

Year	Number of MIS accounts in India	Annual Growth (%)	Number of MIS accounts in Kerala	Annual Growth (%)	Kerala's Contribution to total MIS Accounts (%)
2006-07	2,49,21,140	----	10,49,229	----	4.21
2007-08	2,32,24,188	-6.81	10,02,615	-4.44	4.32
2008-09	2,47,37,525	6.52	7,34,949	-26.70	2.97
2009-10	2,50,61,189	1.31	6,58,927	-10.34	2.83
2010-11	2,69,36,680	7.48	6,02,488	-8.57	2.24
2011-12	2,42,60,438	-9.94	3,90,829	-35.13	1.61
2012-13	2,28,86,528	-5.66	2,20,728	-43.52	0.96
2013-14	2,20,17,179	-3.80	1,99,958	-9.41	0.91
2014-15	2,10,73,808	-4.28	1,69,082	-15.44	0.80
2015-16	1,95,43,130	-7.26	1,33,009	-21.33	0.68
CAGR		-1.02		-16.49	

Source: Compiled from Annual Reports and Records, India Post

Monthly Income Scheme of India Post shows a decreasing trend. CAGR of national and Kerala figures show negative growth. Highest negative growth is recorded in Kerala figures i.e., -16.49 per cent. The contribution of Kerala to total national figures has decreased from 4.21 per cent (2006-07) to 0.68 per cent (2015-16). It also reveals the decreasing level of preference among postal customers towards MIS accounts. CAGR at national level is -1.02. In 2006-07 there were 2,49,21,140 MIS accounts in India which decreased to 1,95,43,130 in 2015-16. During 2006-07 there were 10,49,229 accounts in Kerala. However in 2015-16 there is only 1,33,009 MIS accounts in Kerala. It shows a decrease of 9,16,220 accounts over a period of 10 years.

Table 3.8 shows the growth analysis of outstanding balance of Post Office Monthly Income Scheme in India and Kerala Postal Circle.

Table 3.8: Growth Analysis of Outstanding Balance in Post Office Monthly Income Scheme

Year	India (₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total outstanding (%)
2006-07	1,89,438.97	****	5,404.94	****	2.85
2007-08	1,82,389.15	-3.72	4,866.69	-9.96	2.67
2008-09	1,79,503.33	-1.58	4,360.06	-10.41	2.43
2009-10	2,01,692.13	12.36	4,161.50	-4.55	2.06
2010-11	2,18,672.67	8.42	3,896.59	-6.37	1.78
2011-12	2,05,286.62	-6.12	2,919.47	-25.08	1.42
2012-13	2,01,785.53	-1.71	2,594.22	-11.14	1.29
2013-14	2,02,083.60	0.15	2,504.05	-3.48	1.24
2014-15	2,00,555.35	-0.76	2,437.41	-2.66	1.22
2015-16	1,93,805.89	-3.37	2,304.02	-5.47	1.19
CAGR		0.60		-6.32	

Source: Compiled from Annual Reports and Records, India Post

There is 0.60 per cent compound annual growth in outstanding balance in MIS accounts at national level. However, position in Kerala shows a decreasing trend with CAGR -6.32 per cent. Contribution by Kerala Postal Circle towards total outstanding balance has also decreased from 2.85 (2006-07) to 1.19 (2015-16). National data reveals an increase in outstanding balance from 1,89,438.97 crores (2006-07) to 1,93,805.89 crores in 2015-16. Position in Kerala reveals that outstanding balance decreased from 5,404.94 crores (2006-07) to 2,304.02 crores in 2015-16.

3.2.1.5 Growth Analysis of Senior Citizen Savings Scheme

Senior Citizen Savings Scheme (SCSS) has been introduced in 2004 and is in existence from 2nd August 2004. The scheme is eligible for deduction

under section 80 C. Minimum amount of deposit under this scheme is ₹ 1000 and maximum amount is limited to ₹ 15,00,000. Tables 3.9 and 3.10 reveal comparative growth analysis of Post Office Senior Citizen Savings Scheme in terms of outstanding number of accounts and balance of amounts in India and Kerala Postal circle.

Table 3.9: Growth Analysis of Number of Accounts in Senior Citizen Savings Scheme

Year	Number of SCSS Accounts in India	Annual Growth (%)	Number of SCSS accounts in Kerala	Annual Growth (%)	Kerala's Contribution to total Accounts (%)
2006-07	7,52,260	***	22,867	***	3.04
2007-08	8,55,311	13.70	32,986	44.25	3.86
2008-09	10,14,296	18.59	31,696	-3.91	3.12
2009-10	13,25,342	30.67	23,613	-25.50	1.78
2010-11	14,05,048	6.01	19,992	-15.33	1.42
2011-12	12,17,620	-13.34	21,647	8.28	1.78
2012-13	10,85,831	-10.82	14,293	-33.97	1.32
2013-14	10,67,752	-1.66	6,398	-55.24	0.60
2014-15	9,54,177	-10.64	4,598	-28.13	0.48
2015-16	10,36,568	8.63	19,209	317.77	1.85
CAGR		2.09		2.77	

Source: Compiled from Annual Reports and Records, India Post

Table 3.9 reveals the number of senior citizen accounts and its growth over ten years. Both National and Kerala level figures show positive compound annual growth of 2.09 per cent and 2.77 per cent respectively. However in Kerala the figures are highly fluctuating and contribution by Kerala Postal Circle toward national figures has also decreased to 0.48 per cent in 2014-15. 2012-2015 outstanding accounts show decreasing trend at both national and

Kerala level. In 2014-15, decrease in number of accounts at national and Kerala level are -10.64 per cent and -28.13 per cent respectively.

Table 3.10: Growth Analysis of Outstanding Balance in Senior Citizen Savings Scheme

Year	India (₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total Amounts (%)
2006-07	22,284.30	----	455.68	----	2.04
2007-08	22,197.04	-0.39	596.68	30.94	2.69
2008-09	20,650.87	-6.97	534.73	-10.38	2.59
2009-10	25,634.13	24.13	463.21	-13.37	1.81
2010-11	30,912.42	20.59	487.75	5.30	1.58
2011-12	26,762.99	-13.42	546.88	12.12	2.04
2012-13	24,092.82	-9.98	555.45	1.57	2.31
2013-14	22,491.36	-6.65	502.66	-9.50	2.23
2014-15	17,974.64	-20.08	465.02	-7.49	2.59
2015-16	22,876.07	27.27	586.39	26.10	2.56
CAGR		0.36		5.65	

Source: Compiled from Annual Reports and Records, India Post

Statistics given above reveal the outstanding balance in Senior Citizen Savings Schemes over the last 10 years. Even though the compound annual growth rate shows an increase of 0.36 and 5.65 per cent, growth rate is fluctuating both at National and Kerala levels. Contribution by Kerala Postal Circle towards national level remains more or less fixed within the range of 2.00 to 2.75 per cent. At national level outstanding balance has increased from 22,284.30 crore (2006-07) to 22,876.07 crores (2015-16). At Kerala Postal Circle outstanding balance increased from 455.68 crores to 586.39 crores.

3.2.1.6 Growth Analysis of Public Provident Fund

Public Provident Fund (PPF) Account is another investment alternative which is eligible for deduction under section 80C. However, PPF accounts are having low level of liquidity and maturity period is lengthy i.e., 15 years. Tables 3.11 and 3.12 reveal comparative growth analysis of PPF Accounts in post offices in terms of number of outstanding accounts and balance of amounts in India and Kerala Postal circle.

Table 3.11: Growth Analysis of Number of Public Provident Fund Accounts

Year	Number of PPF accounts in India	Annual Growth (%)	Number of PPF accounts in Kerala	Annual Growth (%)	Kerala's Contribution to total PPF Accounts (%)
2006-07	2,111,082	----	25,740	----	1.22
2007-08	2,157,675	2.21	26,802	4.13	1.24
2008-09	2,209,780	2.41	22,456	-16.22	1.02
2009-10	2,256,033	2.09	17,628	-21.50	0.78
2010-11	2,278,182	0.98	12,800	-27.39	0.56
2011-12	2,345,861	2.97	12,152	-5.06	0.52
2012-13	2,374,661	1.23	12,767	5.06	0.54
2013-14	2,411,817	1.56	13,286	4.07	0.55
2014-15	2,424,984	0.55	13,700	3.12	0.56
2015-16	24,56,944	1.32	14,591	6.50	0.59
CAGR		2.89		-1.80	

Source: Compiled from Annual Reports and Records, India Post

Public Provident Fund accounts in national level shows a slight increasing trend while at Kerala level it shows a slight decreasing trend with CAGR of 2.89 per cent and -1.80 per cent respectively. Kerala Postal Circle's contribution towards national level is at 0.59 per cent. National figures show

that there is increase over the last 10 years. Number of accounts increased from 21,11,082 to 24,56,944. However, in Kerala Postal Circle number of accounts decreased from 25,740 to 14,591. Highest level of decrease in number of PPF accounts in Kerala Postal Circle is seen recorded in 2010-11 (27.39 per cent).

Table 3.12: Growth Analysis of Outstanding Balance in Public Provident Fund Accounts

Year	India (₹ in crores)	Annual Growth (%)	Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to Total Amounts (%)
2006-07	19,456.32	***	149.88	***	0.77
2007-08	21,357.36	9.77	169.23	12.91	0.79
2008-09	23,401.04	9.57	180.07	6.41	0.77
2009-10	26,094.96	11.51	214.50	19.12	0.82
2010-11	31,581.99	21.03	265.59	23.82	0.84
2011-12	35,991.56	13.96	306.80	15.52	0.85
2012-13	41,120.22	14.25	355.76	15.96	0.87
2013-14	46,607.65	13.34	374.55	5.28	0.80
2014-15	52,747.56	13.17	407.14	8.70	0.77
2015-16	57603.50	9.21	485.24	19.18	0.84
CAGR		11.96		12.23	

Source: Compiled from Annual Reports and Records, India Post

Even though number of PPF accounts shows a decreasing trend, outstanding balance in accounts shows a positive growth in Kerala Postal circle and at national level with CAGR 11.96 and 12.23 Kerala Postal Circle's contribution towards national figures remains more or less constant at around 0.80 per cent. Outstanding balance in exact figures at national level indicates that it has increased from 19,456.32 (2006-07) to 57,603.50 (2015-16). Kerala level figures show that outstanding balance increased from 149.88 (2006-07) crores to 485.24 crores (2015-16).

3.2.1.7 Growth Analysis of National Savings Certificates

Rate of interest of NSC is 8.1 per cent per annum compounded six monthly but it is payable at maturity. An amount of ₹ 100 deposited today can grow to ₹ 147.61 after 5 years. Minimum amount of deposit is ₹ 100 and maximum amount of deposit is not limited. Amount of deposit can be in denominations ₹ 100, ₹ 500, ₹1000, ₹ 5000 or ₹ 10000. Deposits qualify for deduction under section 80C of Indian Income Tax Act, 1961. NRIs can also invest in NSCs. Table 3.13 shows comparative growth analysis of NSC in terms of outstanding balance of amounts in India and Kerala Postal circle.

Table 3.13: Growth Analysis of Outstanding Balance in NSC

Year	All India Amount Outstanding accounts (₹ in crores)	Annual Growth (%)	Amount outstanding Kerala (₹ in crores)	Annual Growth (%)	Kerala's contribution to Total Amounts (%)
2006-07	58,912.99	-----	554.17	-----	0.94
2007-08	57,388.11	-2.588	542.1	-2.178	0.94
2008-09	55,309.17	-3.623	522.7	-3.579	0.95
2009-10	54,776.53	-0.963	488.69	-6.507	0.89
2010-11	54,642.44	-0.245	478.82	-2.020	0.88
2011-12	55,069.36	0.781	462.71	-3.365	0.84
2012-13	64,708.96	17.504	80.86	-82.525	0.12
2013-14	75,075.89	16.021	152.89	89.080	0.20
2014-15	85,597.59	14.015	198.6	29.897	0.23
2015-16	88,128.35	2.957	196.76	-0.926	0.22
	CAGR	4.11		-9.84	

Source: Compiled from Annual Reports and Records, India Post

Table 3.13 given above shows the outstanding balance in NSC schemes. CAGR reveals that there is increasing trend in national level and decreasing trend in Kerala level with CAGR 4.11 and -9.84 per cent respectively. Amount outstanding in certificates decreased from 554.17 crores to 196.76 crores

rupees. However, at national level outstanding balance increased from rupees 58,912.99 crores to 88,128.35 crores.

3.2.1.8 Growth Analysis of Kisan Vikas Patra

Kisan Vikas Patra (KVP) is another savings alternative introduced by Central Government to raise the savings rate in the country. It is an important alternative of savings for people who have no access to banking facilities. Initially, KVP was introduced in April 1988 with a maturity period of 5.5 years. However it was cancelled in 2011 and later reintroduced. Under the new KVP scheme, money invested in KVP will double in 100 months (8 years and 4 months). Annual return expected is 8.67 per cent and the scheme available in the denominations of ₹ 1000, ₹ 5,000, ₹ 10,000 and ₹ 50,000. Table 3.14 shows comparative growth analysis of KVP in terms of outstanding balance of amounts in India and Kerala Postal circle.

Table 3.14: Growth Analysis of Outstanding balance in KVP certificates

Year	All India Amount Outstanding (₹ in crores)	Annual Growth (%)	Amount outstanding Kerala (₹ in crores)	Annual Growth (%)	Kerala's Contribution to total KVP Amounts (%)
2006-07	1,52,770.28	*****	2,380.13	*****	1.56
2007-08	1,50,411.72	-1.544	2,206.65	-7.289	1.47
2008-09	1,47,520.54	-1.922	2,054.85	-6.879	1.39
2009-10	1,53,936.46	4.349	2,050.81	-0.197	1.33
2010-11	1,58,587.81	3.022	2,038.26	-0.612	1.29
2011-12	1,53,963.68	-2.916	1,931.54	-5.236	1.25
2012-13	1,28,378.43	-16.618	1,533.31	-20.617	1.19
2013-14	1,06,757.58	-16.841	1,141.78	-25.535	1.07
2014-15	84,844.47	-20.526	842.13	-26.244	0.99
2015-16	64,861.05	-23.553	842.77	0.076	1.30
	CAGR	-8.21		-9.86	

Source: Compiled from Annual Reports and Records, India Post

Analysis of outstanding balance in Kisan Vikas Patra revealed that there is decrease at national and Kerala level with CAGR of -8.21 and -9.86 respectively. Kerala's contribution to total has decreased to 1.30 in 2015-16. There is decline in outstanding balance for the last 5 years at national level.

3.2.1.9 Sukanya Samridhi Account Scheme

Sukanya Samridhi Account (SSA) scheme is notified by Ministry of Finance in December 2014. The special small savings scheme was introduced as part of the 'Beti Bachao, Beti Padhao' campaign. The scheme is aimed at encouraging parents of girl children to save for their education and future. The Table 3.15 gives the details about Sukanya Samridhi Accounts opened in India in Kerala Postal Circle during 2014-15 and 2015-16.

Table 3.15: Number Accounts and Balance in Sukanya Samridhi Accounts

	Year	Kerala Postal Region	India	Kerala's contribution
Number of accounts	2014-15	1,22,307	24,86,005	4.92
	2015-16	3,01,197	79,68,318	3.78
Amount Mobilised	2014-15	₹21 Crores	521.69	4.03
	2015-16	₹281.71 crores	6,425.94	4.32

Source: Compiled from Annual Reports and Records, India Post

Intensive marketing campaigns have been organized at post offices for mobilizing funds through SSA schemes. Most of the post offices visited are having highest number of SS accounts. It is also evident that postal staff from branch level to top level put their maximum effort for popularizing the scheme in rural and urban areas. It is also useful for attracting youth to post offices.

3.2.2 Postal Life Insurance

India Post offers life insurance policies to cater the needs of rural and special category of customers. It has a long tradition in offering life insurance products. Being the network with largest number of retail outlets spread across various parts of the country, it is possible to make high penetration in rural areas. India Post offers two categories of insurance products viz. Postal Life Insurance and Rural Postal Life Insurance

Postal Life Insurance (PLI) is the oldest insurance scheme introduced by the government of India. PLI was introduced in 1884. It was a State insurance scheme for the benefit of postal employees. The scheme was extended to telegraph employees in 1888. Later, the insurance cover was extended to encompass the female employees of Post and Telegraphs Department in 1894. Initially, sum assured was limited to ₹ 4,000 with few hundred policies. However now number of PLI policies have increased to more than 6.4 million with coverage to Central Government employees, State Government employees, employees in Universities, Public Sector Undertakings, Government aided educational institutions, Nationalised banks, Local bodies etc. PLI is an exempted insurer under section 118 (c) of the Insurance Act 1938 and section 44 (d) of LIC Act, 1956. PLI has been offering six different plans which include Whole Life Assurance (Suraksha), Convertible Whole Life Assurance (Suvidha), Endowment Assurance (Santhosh), Anticipated Endowment Assurance (Sumangal), Joint life Assurance (Yugal Suraksha) and Children Policy (Bal Jeevan Bima).

Rural Postal Life Insurance (RPLI) was introduced on the recommendation of Malhotra committee for Reforms in the insurance sector. The scheme extended to rural people with effect from 24.3.1995.

Major objective was to provide life insurance cover to rural people especially women and weaker sections of the society. With the vast network, it was observed that India Post is able to provide its services in rural areas at lowest cost. As per the postal records, there are more than 23.51 million RPLI policies (31.3.2015) in India. For RPLI policies minimum sum assured is ₹10,000 and maximum sum assured is ₹10,00,000. Schemes offered under RPLI are Grama Suraksha, Grama Suvidha, Grama Santhosh, Grama Sumangal, Gram Priya and Bal Jeevan Bima.

3.2.2.1 Features of PLI and RPLI policies

3.2.2.1.1 Whole Life Assurance (Suraksha/GramaSuraksha)

For this type of policy, the assured amount with accrued bonus is payable to the assignee, nominee or legal heir after death of insurant or insurant himself after attaining the age of 80. Minimum sum assured is ₹ 20,000 and maximum sum assured is ₹ 50,00,000 for PLI and ₹ 10,000 and ₹ 10,00,000 as minimum and maximum sum assured for RPLI policies. There is an option to convert the policy into endowment assurance policy after completion of one year and before 57 years of age of the insurant. Insurant can avail loan after completion of four years. The policy can be surrendered after 3 years.

3.2.2.1.2 Endowment Assurance (Santhosh/Grama Santhosh)

Under this scheme, the proponent is given an assurance to the extent of the sum assured and accrued bonus till he/she attains the pre-determined age of maturity. In case of unexpected death of the insurant, the assignee, nominee or the legal heir is paid the full sum assured together with the accrued bonus. The minimum age at entry is 19 years and the maximum age

at entry is 55 years. The minimum Sum Assured is ₹ 20,000 and the maximum sum assured is ₹ 50 lakh. Loan facility is available and policy can also be surrendered after completion of three years. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

3.2.2.1.3 Convertible Whole Life Assurance (Suvidha / Grama Suvidha)

The features of this scheme are more or less same as that of Endowment Assurance. Policy can be converted into Endowment Assurance after five years. Age on the date of conversion must not exceed 55 years. If option for conversion is not exercised within 6 years, the policy will be treated as Whole Life Assurance. Loan facility is available. The policy can also be surrendered after completion of three years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan. The policy is not eligible for bonus if surrendered or assigned for loan before completion of 5 years. Proportionate bonus on the reduced sum assured is accrued if the policy is surrendered or assigned for loan.

3.2.2.1.4 Anticipated Endowment Assurance (Sumangal / Grama Sumangal)

It is a Money Back Policy with maximum sum assured of ₹ 50 lakh. The scheme is best suited to those who need periodical return. Survival benefit is paid to the insurant periodically. Two types of policies are available - 15 years term and 20 years term. For the 15 years term policy, the benefits are paid after 6 years (20%), 9 years (20%), 12 years (20%) and 15 years (40% and the accrued bonus). For the 20 years term policy, the benefits are paid after 8 years (20%), 12 years (20%), 16 years (20%) and

20 years (40% and the accrued bonus). Such payments will not be taken into consideration in the event of unexpected death of the insurant and the full sum assured with accrued bonus is payable to the assignee or legal heir.

3.2.2.1.5 Joint Life Assurance (Yugal Suraksha /Gram Priya)

It is a joint life endowment assurance scheme in which one of the spouses should be eligible for PLI policies. Life insurance coverage is provided to both the spouses to the extent of sum assured with accrued bonus with only one premium. All other features are same as an Endowment policy.

All the above schemes have compulsory medical examination. For the non-medical policy of any category (except Anticipated Endowment Assurance and Joint Life Assurance for which Medical Examination is compulsory), the maximum sum assured is ₹ 1,00,000.

3.2.2.1.6 Children Policy (Bal Jeevan Bima)

The Department has introduced Children Policy under PLI/RPLI, with effect from 20th Jan 2006. The Scheme is envisaged to provide Insurance cover to the children of PLI/RPLI policy holders. Maximum two children in family are eligible to take children policy. Children between the age of 5 and 20 years are eligible and maximum sum assured is ₹ 3 lakh or equivalent to the sum assured of the main policy holder whichever is less. The main policy holder should not have attained the age of 45 years. No premium is required to be paid on the children policy on the death of the main policy holder and full sum assured with the accrued bonus shall be paid to the child after the completion of the term of the children policy. On the death of the child/children, full sum assured with the accrued bonus shall be payable to the main policy holder. Main policy holder shall be responsible for payments for

the Children Policy. No loan shall be admissible on Children Policy. However, the policy shall have facility for making it paid up provided the premia are paid continuously for 5 years. No medical examination of the child is necessary. However, the child should be healthy on the day of proposal and the risk shall start from the date of acceptance of proposal. The policy shall attract bonus at the rate applicable to Endowment Policy. The POIF Rules amended from time to time shall be applicable to Children Policy.

3.2.2.2 Growth Analysis of Postal Life Insurance

Here performance of Postal Life Insurance is analysed on the basis of number of new policies procured and total sum assured during the period of ten years. Table 3.16 and 3.17 show comparative growth analysis of Postal Life Insurance in terms of number of policies and sum assured in India and Kerala Postal circle.

Table 3.16: Growth Analysis of Number of Policies of Postal Life Insurance

Year	Number of policies in India (in lakhs)	Annual Growth (%)	Number of policies in Kerala (in lakhs)	Annual Growth (%)	Kerala's contribution (%)
2006-07	85.44	****	0.52	*****	0.61
2007-08	100.18	17.25	0.28	-46.74	0.28
2008-09	111.98	11.78	0.34	24.49	0.30
2009-10	142.08	26.88	0.46	34.75	0.32
2010-11	168.89	18.87	0.45	-2.24	0.27
2011-12	185.53	9.85	0.72	59.63	0.39
2012-13	198.83	7.17	1.06	47.65	0.53
2013-14	204.20	2.70	0.96	-8.82	0.47
2014-15	206.87	1.31	0.81	-16.18	0.39
2015-16	198.45	-4.07	0.41	-49.60	0.21
CAGR		8.79		-2.35	

Source: Compiled from Annual Reports and Records, India Post

Table 3.16 reveals the growth in number of Postal Life Insurance policies from 2006-07 to 2015-16. Annual growth shows an increasing trend with CAGR 8.79 per cent in all India figures and -2.35 per cent in Kerala Postal Circle. Kerala Postal Circle's contribution towards national data shows a decreasing trend. All India figures show a decreasing trend from 2010-11. In 2014-15, there is 38.6 per cent decrease as compared to 2013.14 which is highest in the ten years. Similarly Kerala Postal Circle has highest negative growth in 2015-16 with 49.6 per cent. All India figures show that, compared to 2006-07, there is a decrease of more than 10,00,000 policies in 2015-16.

In short, number of new policies of Postal Life Insurance is not showing a satisfactory picture. This may be due to the presence of LIC and private insurance companies. However, India Post has a competitive advantage regarding coverage in rural areas. It has huge network to provide Rural Postal Life Insurance in rural and remote areas where LIC and other insurance companies cannot reach. This should be exploited properly.

Table 3.17: Growth Analysis of Sum assured of Postal Life Insurance

Year	Sum assured in India	Annual Growth	Sum assured in Kerala	Annual Growth	Kerala's contribution
2006-07	15,312.65		324.59		2.12
2007-08	14,664.93	-4.23	190.47	-41.32	1.30
2008-09	16,078.34	9.64	240.97	26.51	1.50
2009-10	27,015.21	68.02	354.01	46.91	1.31
2010-11	23,130.19	-14.38	386.04	9.05	1.67
2011-12	22,377.14	-3.26	439.29	13.79	1.96
2012-13	22,108.76	-1.20	549.13	25.00	2.48
2013-14	22,841.78	3.32	576.17	4.92	2.52
2014-15	18,929.27	-17.13	535.68	-7.03	2.83
2015-16	19,171.00	1.28	393.19	-26.60	2.05
CAGR		2.77		1.94	

Source: Compiled from Annual Reports and Records, India Post

Growth analysis of PLI in terms of sum assured is given in the table. It shows a positive CAGR. However 2014-15 shows a negative growth in all India records and Kerala figures. CAGR of all India figures is 2.77 and that of Kerala Postal circle is 1.94. However, Kerala Postal Circle's contribution to national figures remains more or less constant around 2 per cent.

3.2.3 Money Transfer Services

Money transfer is an important economic activity which makes the economy a lively one. It may be domestic or international. The remittance market in India consists of commercial banks, co-operative banks, post offices, non-bank money transfer operators, foreign exchange bureaus and other private agencies. India Post offers a wide range of money transfer services to its customers. Money remittance services of India Post consist of Domestic Money Transfer Service and International Money Transfer Service.

Domestic Money Transfer Services include Money Order; Electronic Money Order, Instant Money Order, Electronic Clearance Service, and Mobile Money Transfer. International Money Transfer Service includes MO Videsh, International Money Transfer Services and IFS.

Money order is the traditional and one of the oldest money transfer service available to transfer cash domestically. It is an order issued by a post office for the payment of a sum of money from one person to another whose name and address are recorded in the money order form. Money order has a legacy of more than 135 years. Money order service was introduced in India in 1880 for the first time. Money order is an order issued by a post office to

another post office for the payment of a sum of money to a person in whose name the money order is sent. Now traditional money orders are not in transaction.

Electronic Money Order (e-Money order) started on 10.10.2008. E-MO system helps to simplify the transmission process of money orders by ensuring quick and secure electronic transmission. Time taken for Transmission is very less & amount is paid within a day of booking. The amount of money order is paid in cash at the door step of the payee. Facility for remitting money from one to one, one to many and many to one is available under this service. eMO can be booked at authorized PO's, but paid through all delivery POs in the country. Now the eMOs can be tracked through Indiapost website.

Instant Money Order is instant, safe, reliable and convenient. Amount from ₹ 1000/- to ₹ 50000/- can be remitted through designated iMO Post Offices. It is an instant web based money transfer service. Money Order commission varies based on the amount of remittance. There are 33 standard messages for selection by the remitter. Payee has to visit the post office, fill up the prescribed form and produce the identity proof to receive the money. Amount received can also be credited to the savings bank account of the payee.

MO Videsh is an international remittance service offered by India Post to most foreign destinations. Outward remittance is payable to beneficiaries by crediting the payment to the bank account of beneficiaries in the destination countries. Each outward remittance shall not exceed 5000 USD & maximum 12 outward remittances are allowed in a year. This facility is

available in all computerized post offices. The commission for MO Videsh varies with the amount to be transferred.

International Money Transfer of Indiapost is also offering inward international money transfer through collaboration with Western Union Money Transfer and Moneygram. The service is safe, fast & reliable. It is a quick and easy way of transferring personal remittance from abroad to beneficiaries in India. Money can be received from 195 countries through identified post offices. Recipients can receive money in minutes after the remitter remits money. A maximum of 2500 USD can be received at a time. 12 transactions can be received by a single beneficiary in a calendar year. Amount upto ₹ 50000/- in cash and more than that in cheque or credited to savings accounts in PO can be done. Recipient should provide sufficient information to establish his identity and proof of residence. The facility for receipt of Western Union Money Transfer is available in 7,212 Post Offices and money gram facility is available in 500 post offices.

Electronic Clearing Service (ECS) scheme provides alternative method for bulk payment, payment of interest/salary/pension/dividend. The scheme was introduced on 9th August 2003. ECS is offered by India Post in c/w payment of monthly interest in Monthly Income Scheme. Under ECS, depositors of MIS accounts get their interest automatically transferred and credited into their accounts on due dates at designated Bank of their choice. Currently the service is available in the Department of Posts 15 RBI locations and 21 SBI locations. Table 3.18 shows Money Order Traffic in Kerala Postal circle from 2006-07 to 2015-16.

Table 3.18: Analysis of Money order Traffic in Kerala

Year	Number of MOs Booked	Annual Growth	Value of MOs Booked (₹ In crores)	Growth	Commission (₹ In crores)	Growth
2006-07	95,82,869	67.76	526.72	4.35	28.47	11.52
2007-08	79,39,433	-17.15	574.32	9.04	30.68	7.76
2008-09	78,88,105	-0.65	528.62	-7.96	31.58	2.93
2009-10	20,61,645	-73.86	208.93	-60.48	11.64	-63.14
2010-11	66,79,730	224.00	714.78	242.11	30.71	163.83
2011-12	55,76,330	-16.52	688.55	-3.67	29.85	-2.80
2012-13	82,43,362	47.83	575.32	-16.44	24.62	-17.52
2013-14	89,62,066	8.72	1,268.36	120.46	63.41	157.55
2014-15	98,18,094	9.55	1,562.38	23.18	77.18	21.72
2015-16	101,38,471	3.26	2,066.1	32.24	103.3	33.84
	CAGR	5.91	CAGR	15.13	CAGR	15

Source: Compiled from Annual Reports and Records, India Post

From the table 3.18, it is clear that money order traffic in Kerala shows a positive growth in terms of number of money orders booked and value of money orders booked. Social security pensions were transmitted through the money order service of India Post. It constitute a large portion of value and number of money orders. Number of money orders recorded a compounded annual growth rate of 5.91 per cent. Value of money orders booked also shows a positive trend with CAGR of 15.13 per cent. Commission received from money order service also shows an increasing trend with CAGR 15 per cent.

Post offices in Kerala have been transferring money from foreign countries through Western Union Money Transfer and Money Gram services. The table 3.19 shows the growth analysis of value of western union money transfer service in Kerala.

Table 3.19: Region- wise growth analysis of value of Western Union Transactions paid through Post Offices in Kerala

Year	Southern		Central		Northern		Total	
	₹ (crores)	% growth	₹ (crores)	% growth	₹ (crores)	% growth	₹ (crores)	% growth
2006-07	52.22	****	64.67	****	55.28	***	172.17	***
2007-08	140.83	169.69	161.15	149.19	150.46	172.18	452.44	162.79
2008-09	251.43	78.53	268.94	66.89	297.92	98.01	818.29	80.86
2009-10	392.22	56.00	388.7	44.53	533.06	78.93	1313.98	60.58
2010-11	317.14	-19.14	342.98	-11.76	451.01	-15.39	1111.13	-15.44
2011-12	248.36	-21.69	288.21	-15.97	349.39	-22.53	885.96	-20.26
2012-13	198.8	-19.95	224.91	-21.96	296.86	-15.03	720.57	-18.67
2013-14	161.28	-18.87	158.72	-29.43	227.05	-23.52	547.05	-24.08
2014-15	135.38	-16.06	129.96	-18.12	197.19	-13.15	462.53	-15.45
2015-16	99.82	-26.27	92.81	-28.59	129.72	-34.22	322.35	-30.31
	CGAR	7.46	CGAR	4.1	CGAR	9.95	CGAR	7.21

Source: Compiled from Annual Reports and Records, India Post

Overall compounded Annual growth rate shows 7.21 per cent growth. However, for the last six years Kerala Postal Circle recorded negative growth in Western Union Money Transfer in terms of volume. Southern, Central and Northern regions recorded CAGR of 7.38, 4.02 and 10.11 per cent respectively. However, all the regions recorded negative growth since 2010-11. 2006-10 recorded highest positive growth in value of Western Union Money transfer in all the regions.

India Post is also offering International Money transfer in agreement with Money Gram (Table 3.20).

Table 3.20: Value of Money Gram Transactions paid through Post Offices in Kerala

Year	Southern ₹ (crores)	Central ₹ (crores)	Northern ₹ (crores)	Total ₹ (crores)
2012-13	43,41,184	87,64,175	30,96,096	1,62,01,455
2013-14	4,34,27,024	6,88,10,570	3,88,18,783	15,10,56,377
2014-15	7,51,07,611	11,88,28,954	7,81,35,987	27,20,72,552
2015-16	8,38,71,955	11,18,95,367	9,39,09,401	28,96,76,723

Source: Compiled from Annual Reports and Records, India Post

It shows an increasing trend in value of transactions in all three regions and total amount. Total amount paid in Kerala in 2015-16 amounted to 28.9 crores.

3.2.4 Existing Marketing System of Postal Financial Services

Universal Postal Union (2004) has defined Postal Financial Services as a “modern commercial concept which aims to provide, transact and sell a broad range of financial services through the post offices, supported by a multi channel distribution system, which is based on new technology, including telecommunications and the internet.”

Postal financial services include savings and deposit, money transfer, insurance, investment funds, consumer credit, mortgage etc. Here an outline of existing system of marketing of financial services of India Post is narrated.

3.2.4.1 Product Portfolio of Postal Financial Services

India Post has been offering variety of financial services ranging from banking products to insurance products. Banking products of India Post are aimed at promoting saving habit among the customers. The product range include savings bank account, recurring deposit account, monthly income

scheme, time deposit account, public provident fund account, senior citizen savings scheme, national saving certificate, kisan vikas patra, sukanya samridhi schemes etc. India Post has been selling the products as an agency function of Ministry of Finance, Govt. of India. In addition to banking products, India Post also offers insurance products to rural customers and govt. or semi govt. employees which are named as Postal Life Insurance and Rural Postal Life Insurance commonly known as PLI products. PLI and RPLI products include endowment assurance, convertible whole life assurance, anticipated endowment assurance, join life assurance and children policies. Money transfer products of India Post include money order, instant money order, international money transfer, mobile money transfer, forex transfer, international money order etc.

3.2.4.2 Business Model of Postal Financial Services in India

Based on the legal framework and functioning of postal financial services postal financial service system can be classified into: cash merchant model, proprietary transactional financial services model, partnership with financial service provider, unlicensed postal savings and financial services and licensed postal financial services. First three models are considered as basic models which require less investment and involvement in market. However, service provider role implicate higher level of investment and autonomy in decisions. Under the last model, postal system has the authority to develop and regulate its own savings and loan products. Since, India Post is offering variety of financial products a single model cannot be identified. It has been offering banking services as an agency function on behalf of Ministry of Finance, Government of India. Similarly, India Post has been the proprietary transactional financial service model which is applicable for money transfer service of India Post. It

has also been offering international money transfer, mutual funds etc. in partnership with private organisations. India Post has its own insurance system which controlled by an investment board. Recently, Reserve Bank has issued license to India Post for starting payment bank which will be a model with highest flexibility in terms of products and services.

3.2.4.3 Legislative Framework of Postal Financial Services

Rules governing savings bank, time deposit, recurring deposit, monthly income scheme, senior citizen and public provident schemes are included in Government Savings Bank Act, 1873. Kisan Vikas Patra and National Savings Certificates are issued as per Government Savings Certificates Act, 1959. Saving bank, time deposit, recurring deposit, monthly income schemes, Kisan Vikas Patra and National Savings Certificates are available through post offices only. However, Senior Citizen Savings Schemes, Public Provident Fund and Sukanya Samridhi Accounts are available through post offices and selected branches of public sector banks.

At present the rules governing Postal Life Insurance are included in the Post Office Life Insurance Rules 2011. The administration of the Post Office Life Insurance Fund and Rural Post Office Life Insurance Fund is vested in the Director General of Posts.

3.2.4.4 Channel of Distribution of Postal Financial Services

It includes Postal Staff and postal agents. Postal staff includes post master, counter clerks and postman who are dealing with the postal savings bank account. Small savings mobilisation is done primarily through agency system. There are three kinds of agency systems.

- 1) SAS Agents (Standardised Agency System)
- 2) MPKBY (Mahila Pradhan Kshetriya Bachat Yojana and
- 3) Agents –PPF (Public Provident Fund)

District Collector and Block Development Officers in respect of the district are the appointing authority of SAS agents in Kerala. SAS Agents can canvass Post Office Time Deposit, Post Office Monthly Income Schemes, Senior Citizen Savings Schemes and National Savings Certificates. Any unemployed adult can become SAS agent. Retired persons are eligible to become SAS Agents. Commission payable by Government of India to SAS agents are as follows.

Schemes	Rate of Commission
NSC, Monthly Income Scheme, Kisan Vikas Patra, Post Office Time Deposits (1,2,3 and 5 years) and Senior Citizen Savings Schemes	0.5 per cent of amount mobilised

MPKBY Agents canvass Post Office Recurring Deposit schemes. They are also known as RD agents. Agents are appointed by District Collector (Municipal area) and BDO (other places). Only women are legible to become MPKBY agents. Rate of commission given to RD agents @ 4% by Government of India. The government of India commission is being paid at the respective post offices. At present there is no incentive from State Government.

PPF agents are appointed for mobilizing and canvassing PPF accounts. District Collector of respective District is the appointing authority of PPF agents. Any unemployed adult can become PPF agent.

Postal staff in the rural area is appointed as agents to procure RPLI business and for which they are paid commission on initial premium and renewal premium. Incentives include 10 per cent of initial premium and 1 per cent of subsequent premiums. Direct agency system was introduced in 2003 to procure PLI and RPLI policies. There is marketing staff at the Head Post Office level to market postal financial services. Postmaster General or Head of Division appoint marketing staff to procure PLI and RPLI business and include selected postal assistants, postman, field officer for PLI, Grameen Dak Sewak staff and direct agents such as Anganwadi worker, Mahila Mandal worker, Ex-Serviceman, Retired school teacher, SHGs, Gram Pradhan & Member Gram Panchayat and any other official/person as considered suitable by the Head of Postal Division

Money transfer services are considered as counter service and are popular among urban and rural respondents. Home delivery facility is available with money order product which is the peculiarity compared to other official money transfer systems. .

3.2.4.5 Working of PLI/RPLI Fund

India Post has an Investment Board to regulate and monitor the investment activities related to PLI and RPLI. It includes 3 experts from the financial sector, one nominee of Ministry of Finance and consultant actuary of PLI and RPLI. The Fund managers are permanent invitees to the investment board meetings. SBI FMPL and UTI AMC limited are the two fund managers appointed on a non-discretionary basis. Two funds are being managed- viz., Postal life Insurance fund and Rural Postal life Insurance fund. On a daily basis the total inflows are calculated for the whole of India and are invested

through the Investment Division. Even though PLI and RPLI do not come under the purview of IRDA, the Investment Board has voluntarily adopted the IRDA guidelines on investments. This is to ensure that one's hard earned money is being invested as per the latest and best practices in the Insurance industry.

3.2.4.6 Interest Rates on Post Office Banking Products

Ministry of finance is the competent authority to fix interest rates for post office deposit schemes. Since 2011, Returns on small savings instruments are linked to the market and the interest rate is fixed on the basis of average interest on government securities.

Interest rates offered for Post office deposit schemes are as follows (as on 1st August 2017)

Table 3.21: Interest Rates on Post Office Deposit Schemes

Deposit Scheme	Rate of Interest	Deposit Scheme	Rate of Interest
Savings Bank	4 per cent	Time Deposit (1,2, and 5 year)	6.9-7.77%
Recurring Deposit	7.20	NSC	7.90
Monthly Income Scheme	7.50	KVP	7.60
Public Provident Fund	7.90	Sukanya Samridhi	8.40
Senior Citizen Deposit	7.60		

The products are popularised by Small Savings Organisation, Ministry of Finance, Govt. of India.

3.2.4.7 Bonus Rate of PLI/RPLI

PLI is the only insurer in the Indian Life Insurance market today, which gives the highest return (bonus) with the lowest premium charged for

any product in the market. For example, a person is required to pay only 26% to 36% less premium in comparison to the equivalent Whole Life policy of LIC, depending upon the age at entry. Similarly, for an Endowment policy he has to pay about 6% less premium in comparison to LIC. The bonus earned by a PLI policy is about 7% or more higher when compared to LIC policy. It is pertinent to mention here that the private insurance companies which have started life insurance business 2 to 3 years ago, have not been able to declare bonus so far, whereas RPLI have been paying bonus since its first year of operation. (www.postallife.gov.in)

3.2.4.8 Money Transfer

Maximum amount for which a single money order can be issued is ₹ 5000 with a commission of Re1 /₹ 20. Rate of commission of instant money order is slightly higher when compared to EMO.

Since banking products are offered by Ministry of Finance, major promotional activities are undertaken by Small Savings Organisation. RPLI and PLI Policies are popularised by the department itself. Money transfer products are also promoted and marketed by India Post. However, by comparing the other organisations in the field of banking, insurance and money transfer, the efforts of India Post to promote the financial services seems to be inadequate.

3.3 Conclusion

Last twenty years witnessed a breakthrough in the communication media due to technological developments in communication industry. Volume of mail transfer of almost all postal systems in the world dwindled due

to technological developments. In India, registered mail and unregistered mail reduced in terms of volume. Survival of the postal systems now depends on the ability to find new sources of revenue. Most of the postal networks have identified financial service as a diversification strategy to make incremental revenue for survival and growth. Secondary data analysis pertaining to financial services of India Post revealed that there is much scope for diversification to financial services. In Kerala, figures relating to 10 years revealed that Post office Savings Bank, Recurring Deposit, Time Deposit, Senior Citizen Savings Scheme, Sukanya Samridhi Accounts and Money Transfer show substantial increase in terms of volume and amount. However, figures substantiate that growth in the above products is fluctuating over the ten years under the study. Monthly Income Scheme, Public Provident Fund, NSC, KVP and PLI show decreasing trend. The share of Kerala to the total postal financial services of India Post is less than 5 per cent. It obviously indicates that in Kerala, India Post face both under utilisation of existing market and unexplored market simultaneously. In short, growth analysis of financial services of India Post revealed that there is much more opportunity for postal financial services in the financial service sector of India and for creating additional revenue to India Post.

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CUSTOMER AWARENESS AND USE OF POSTAL FINANCIAL SERVICES

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4.1 Introduction

The chapters four, five and six are based on the analysis of primary data collected from the customers of postal financial services in the Kerala State. This chapter is divided into four sections. The first section covers the demographic profile of the respondents. The second section analyses the customer awareness about postal financial services. In the third section analysis of use of postal financial services by the customers is presented. The fourth section identifies the factors which motivated the customers for the selection of postal financial services.

4.2 Profile of Respondents

Review of literature revealed that demographic characteristics of customers of financial services are influencing their buying behaviour of

financial services. In this section the demographic characteristics of sample respondents is presented covering their gender, age, residential location, educational qualification, occupation, and monthly income.

4.2.1 Gender of Respondents

Table 4.1 gives gender based classification of sample respondents along with their residential location. Out of the 600 respondents 62 per cent are male and remaining 38 per cent are female respondents. Out of male respondents 49 per cent are residing in urban centres and the rest in rural centres. At the same time, out of female respondents 51 per cent are residing in urban centres and 49 per cent in rural centres.

Table 4.1: Gender and Residential Location Based Classification of Respondents

Gender	Residential Location				Total	
	Urban		Rural			
Male	183	(61)	189	(63)	372	(62)
	(49)		(51)		(100)	
Female	117	(39)	111	(37)	228	(38)
	(51)		(49)		(100)	
Total	300	(100)	300	(100)	600	(100)
	(50)		(50)		(100)	

Source: Field Survey (Figures in brackets denote percentage to total)

4.2.2 Age of Respondents

As per the Table 4.2, it is clear that 63 per cent of the total respondents are above 40 years, and remaining respondents below 40 years. Generally young people are less attracted towards post office financial services as

compared to products of other financial institutions. The table shows that 68 per cent of urban respondents and 58 per cent of rural respondents are above 40 years of age. The category of 40-50 in urban area and 30-40 in rural area have highest number of respondents i.e., 141 and 98 respectively. Age groups below 30 and between 50-60 recorded lowest number of respondents. Location-wise data also reveals the same trend.

Table 4.2: Age-wise classification of Respondents

Age	Location		Total
	Urban	Rural	
<i>Below 30</i>	14 (05)	30 (10)	44 (07)
<i>30-40</i>	80 (27)	98 (33)	178 (30)
<i>40-50</i>	141(47)	95 (32)	236 (39)
<i>50-60</i>	13 (04)	27 (09)	40 (07)
<i>Above 60</i>	52 (17)	50 (17)	102 (17)
Total	300 (100)	300 (100)	600 (100)

Source: Field Survey (Figures in brackets denote percentage to total)

4.2.3 Education Level of Respondents

It is generally believed that awareness level of individuals shall increase with the education level. Therefore education level is considered as an important demographic variable. It is clear from the Table 4.3 that 76 per cent of the total respondents are having education level degree or below. Only 24 per cent belongs to Post Graduation, Professional and others category. 26 per cent of the urban respondents and 50 per cent of the rural respondents possess only school level education. Overall, 38 per cent of total respondents fall under the education level of ‘school’ and degree level.

Post graduates consist of 13 per cent of total respondents. Professionals constitute 7 per cent of total respondents and others (Diploma, Higher Secondary etc.) 4 per cent of total respondents.

Table 4.3: Education Level wise classification of Respondents

Education Level	Location		Total
	Urban	Rural	
<i>School</i>	78 (26)	149 (50)	227 (38)
<i>Degree</i>	120 (40)	106 (35)	226 (38)
<i>PG</i>	50 (17)	30 (10)	80 (13)
<i>Professional</i>	31(10)	12(4)	43 (7)
<i>Others</i>	21(7)	3(1)	24 (4)
Total	300 (100)	300 (100)	600 (100)

Source: Field Survey (Figures in brackets denote percentage to total)

4.2.4 Occupation of Respondents

Table 4.4 shows the occupation of respondents. It reveals that 29 per cent of rural respondents are coolie workers and only 10 per cent of the urban respondents are coolie workers. Around 35 per cent of the urban respondents are government employees and that of rural respondents consists of 14 per cent. Unemployed respondents consist of around 8 per cent. Government employees constitute major portion (35 per cent) of urban respondents and coolie workers occupied major portion (29 per cent) of rural respondents. Of the total respondents, 147 (24 per cent) are government employees and 118 (20 per cent) are coolie workers. It shows that, there is ample scope for promoting financial services among private employees and business/professional people.

Table 4.4: Occupation wise Classification of Respondents

Occupation	Location		Total
	Urban	Rural	
Government Employees	104 (35)	43 (14)	147 (24)
Private Employees	44 (15)	55 (18)	99 (17)
Cooli workers	31(10)	87 (29)	118 (20)
Retired Persons	48 (16)	38 (13)	86 (14)
Business/Profession	45 (15)	37 (12)	82 (14)
Agriculture	4 (01)	14 (05)	18 (03)
Unemployed	24 (08)	26 (09)	50 (08)
Total	300 (100)	300 (100)	600 (100)

Source: Field Survey (Figures in brackets denote percentage to total)

4.2.5 Monthly Income of Respondents

Post office banking products are designed for different income categories of customers. Recurring deposit and savings account schemes are useful for lower income groups while public provident fund, national savings certificates etc. are for people who are having tax liability. Monthly income scheme offers a regular income to the customers. Table 4.5, shows that, of the total respondents, 193 (32 per cent) respondents belong to the income level 15000-30000, 169 (28 per cent) respondents belong to the income level 'below 15000' and 136 (23 per cent) respondents belongs to ₹ 30,000-45,000 category. Only 66 respondents belong to the income above ₹ 60,000 category. Seventy-five per cent of the rural respondents are having monthly income below 30000. Forty-six per cent of the urban respondents are having monthly income below ₹ 30000. More than 50 per cent of the

respondents in urban area earn monthly income above ₹ 30,000 while 25 per cent of rural respondents earn monthly income above ₹ 30,000.

Table 4.5: Monthly Income wise Classification of Respondents

Monthly Income ₹	Location		Total
	Urban	Rural	
Below 15,000	51 (17)	118 (39)	169 (28)
15,000-30,000	87 (29)	106 (36)	193 (32)
30,000-45,000	84 (28)	52(17)	136 (23)
45,000-60,000	26 (09)	10 (03)	36 (06)
Above 60,000	52 (17)	14(05)	66 (11)
Total	300 (100)	300 (100)	600 (100)

Source: Field Survey (Figures in brackets denote percentage to total)

4.3 Awareness about Postal Financial Services

4.3.1 Source of Awareness

Source of awareness is an important element in creating awareness regarding any product or service. Source of information people interact with play a significant role in acceptance or rejection of a financial product or service. The source of information, the way of providing information and use of information are key inputs to financial decision making. Different information sources used by the customers of postal financial services include postal staff, postal agents, friends and relatives, advertisements in print media and TV and Websites. Respondents were asked to mention their primary source of awareness and the result obtained is tabulated and presented in Table 4.6.

Table 4.6: Source of Awareness on Postal Financial Services

Source of Awareness	Residential Area				Total	
	Rural		Urban			
	Number of respondents	Percentage	Number of respondents	Percentage	Number of respondents	Percentage
Postal Staff	229	(76.34)	178	59.33	407	(67.83)
Postal Agents	55	(18.33)	87	29.00	142	(23.67)
Friends and relatives	13	(4.33)	22	7.33	35	(5.83)
Advertisements in Print media	2	(0.67)	5	1.67	7	(1.17)
TV and Websites	1	(0.33)	8	2.67	9	(1.50)
Total	300	(100.0)	300	(100.0)	600	(100.0)

Independent sample mean test value = 4.544, p value = 0.000
(significant at 1 per cent level)

Source: Field Survey (Figures in brackets denote percentage to total)

From the analysis, it is clear that the primary source of awareness of majority of respondents is postal staff followed by postal agents and friends and relatives. The analysis further reveals that 67.83 per cent of the total respondents opined that postal staff is the primary source of awareness, out of which 76.34 per cent are rural respondents and 59.33 per cent are urban respondents. Advertisements in print and visual media are not playing an important role in creating awareness among the respondents. Less than 3 per cent of total respondents stated advertisement in print and visual media as their primary source of awareness. Out of the total respondents 23.67 per cent depend postal agents for availability of information about

financial services offered by post offices. Less than 10 per cent of the total respondents consider friends and relatives, advertisement and websites as the primary sources of awareness. The independent sample mean test reveals that there exists significant difference between customers residing in rural and urban areas with regard to the source of awareness about financial services.

4.3.2 Awareness level on Post Office Banking Products

Level of awareness about post office financial services is studied on the basis of four variables such as awareness about range of products offered by post offices, rules for opening and operating accounts, benefits from the products and costs and risks associated with the products. Table 4.7 shows the awareness level of respondents about post office banking products. Out of 600 respondents, 63.67 per cent are partly aware about product availability of post office banking products and 34.67 per cent of the respondents are fully aware about the product availability. Only 1.66 per cent of the total respondents are not aware of the product availability of post office banking products. Regarding the awareness about rules for opening and operating accounts, 64 per cent of the total respondents are partly aware, 28.50 per cent are fully aware and 5.83 per cent are not aware. Awareness level about benefits or returns shows that 68.17 per cent of the total respondents are partly aware, 26 per cent of the respondents are fully aware and 5.83 per cent of the respondents are not aware. Out of the total respondents, 63 per cent are partly aware about the costs or risks associated with post office banking products, 24.17 per cent are fully aware and 12.83 per cent are not aware.

Table 4.7: Awareness level of Respondents about Post Office Banking Products

Awareness about	Awareness level			Total	Mean	Std. Deviation
	Fully aware	Partly aware	Not Aware			
Product availability of POBS	208	382	10	600	2.23	0.505
	(34.67)	(63.67)	(1.66)	(100)		
Rules for opening and operating accounts	171	384	45	600	2.26	0.908
	(28.50)	(64.00)	(5.83)	(100)		
Benefits or returns	156	409	35	600	2.20	0.527
	(26.00)	(68.17)	(5.83)	(100)		
Cost and Risks	145	378	77	600	2.11	0.598
	(24.17)	(63.00)	(12.83)	(100)		

Source: Field survey (Figures in brackets denote percentage to total)

Descriptive statistics revealed that mean awareness level of customers about the rules for opening and operating of accounts (mean value 2.26) and products availability (mean value 2.23) are more compared to their awareness level on benefits and futures of the banking products.

Residential location of customers is considered as an important element in awareness level. Generally, it is believed that urban people are more literate and aware about the financial services and transactions. The data collected is tabulated and presented in Table 4.8.

Table 4.8: Awareness level of Respondents on Post Office Banking Products- Location-wise Analysis

Awareness about	Level of Awareness	Residential Location of Respondents				Total	
		Rural		Urban			
		No. of respondents	%	No. of respondents	%	No. of respondents	%
Product availability of POBS	Fully aware	70	(23.33)	138	(46.00)	208	(34.67)
	Partly aware	223	(74.33)	159	(53.00)	382	(63.67)
	Not Aware	7	(2.34)	3	(1.00)	10	(1.66)
	Total	300	100.0	300	100.0	600	100.0
Rules for opening and operating a/c	Fully Aware	57	(19.00)	114	(38.00)	171	(28.50)
	Partly Aware	208	(69.33)	176	(58.67)	384	(64.00)
	Not Aware	35	(11.67)	10	(3.33)	45	(7.50)
	Total	300	100	300	100	600	100.0
Benefits or returns	Fully aware	47	(15.67)	109	(36.33)	156	(26.00)
	Partly aware	230	(76.67)	179	(59.67)	409	(68.17)
	Not Aware	23	(7.66)	12	(4.00)	35	(5.83)
	Total	300	100	300	100.0	600	100.0
Cost and risk	Fully aware	42	(14.00)	103	(34.33)	145	(24.17)
	Partly aware	204	(68.00)	174	(58.00)	378	(63.00)
	Not Aware	54	(18.00)	23	(7.67)	77	(12.83)
	Total	300	100.0	300	100.0	600	100.0

Source: Field survey (Figures in brackets denote percentage to total)

Location-wise analysis revealed that there is significant difference between urban and rural respondents regarding the awareness level about post office banking products. Out of 300 urban respondents, 46 per cent are fully aware about the product availability of post office banking products. However, only 23.33 per cent of rural respondents are fully aware about the

availability of post office banking products. Of the 300 urban and rural respondents, 53 per cent of urban and 74.33 per cent of the rural respondents are partly aware about the product availability of post office banking products. Only 1 per cent of urban and 2.34 per cent of rural respondents are not aware about the product availability of post office banking products. Regarding rules for opening and operating accounts, 38 per cent of urban and 19 per cent of rural respondents are fully aware. On the other hand 58.67 per cent of urban respondents and 69.33 per cent of rural respondents are partly aware and 3.33 per cent of urban respondents and 11.67 per cent of rural respondents are not aware about the rules for opening and operating accounts. Awareness level about benefits or returns shows that 36.33 per cent of the urban respondents and 15.67 per cent of rural respondents are fully aware. However, 59.67 urban respondents and 76.67 rural respondents are partly aware about the benefits or costs associated to post office banking products. Respondents who are unaware about the benefits or returns of post office banking products constitute 4 per cent of urban respondents and 7.66 per cent of rural respondents. About the costs and risks, 34.33 per cent of urban respondents and 14 per cent of rural respondents are fully aware. Respondents who are partly aware constitute 58 per cent of urban respondents and 68 per cent of rural respondents. Of the urban and rural respondents, 7.67 and 18 per cent respectively are unaware about the costs or risks associated with post office banking products.

Independent sample mean test was conducted to know whether there is significant difference among urban and rural respondents about the awareness level about post office banking products. Results presented in Table 4.9 (test value = 5.530 and p value <0.01) show that there exists

significant difference between awareness level of urban and rural customers regarding post office banking products. Mean score of urban respondents is 2.347 and that of rural respondents is 2.108 which indicate that urban respondents are more aware about the post office banking products than rural respondents. Mean difference is 0.239. Standard deviation shows that opinion of rural respondents are having high dispersion as compared to urban respondents.

Table 4.9: Test result of Independent Sample Mean Test on Awareness about POSB Products- Location-wise analysis

Location	Mean Score	Standard Deviation	Test value	P value
Urban	2.347	0.506	5.530	0.000*
Rural	2.108	0.553		

**Significant at 1 per cent level*

Source: Computed from Primary Data

Gender-wise analysis reveals (Table 4.10) that there is significant difference between male and female respondents regarding the awareness level about post office banking products. Independent sample test results show that there is significant difference between male and female respondents regarding awareness level about post office banking products (p value <0.01). Awareness level of male respondents is high (mean score =2.276) compared to female respondents (mean score = 2.147) with a mean difference of 0.129.

Table 4.10: Test result of Independent Sample Mean Test on Awareness about POSB products – Gender-wise analysis

Location	Mean Score	Standard Deviation	Test value	P value
Male	2.276	0.487	2.843	0.007
Female	2.147	0.615		

Source: Computed from Primary Data

4.3.3 Awareness Level on Postal Life Insurance

Awareness level of respondents about the Postal Life Insurance was measured on the basis of product availability of postal life insurance, rules for opening and operating policies, benefits and returns and costs and risks (premium and risks). The data collected to test awareness level is tabulated and presented in Table 4.11.

Table 4.11: Awareness Level of Respondents about Postal Life Insurance Products

Awareness about	Awareness level			Total	Mean	Std. Deviation
	Fully aware	Partly aware	Not Aware			
Product availability of Postal Life Insurance	109 (18.17)	256 (42.67)	235 (39.16)	600 (100)	1.79	0.728
Rules for opening and operating policies	72 (12.00)	239 (39.83)	289 (48.17)	600 (100)	1.64	0.687
Benefits or returns	33 (5.50)	250 (41.67)	317 (52.83)	600 (100)	1.53	0.600
Costs and risks	39 (6.50)	230 (38.33)	331 (55.17)	600 (100)	1.51	0.617

Source: Field Survey (Figures in brackets denote percentage to total)

The results of data presented revealed that awareness level on Postal life insurance is low compared to that of post office banking products. Out of 600 respondents, 18.17 per cent are fully aware about the product availability of postal life insurance. From the total respondents 12 per cent of the total respondents are fully aware about rules for opening and operating policies. Only 5.50 per cent of the total respondents are fully aware about the benefits from PLI. Awareness level about costs and risks associated revealed that, only 6.50 per cent of the respondents are fully aware. Overall picture shows that around fifty per cent of the respondents

are aware about the various aspects of postal life insurance. Mean score revealed that product range scored higher mean score (1.79) and least mean scored on costs and risks. Dispersion regarding the opinion is high regarding product availability and low regarding benefits or returns.

The data collected to know the customers residential location wise awareness about Postal Life Insurance is presented in Table 4.12 and the result of independent sample mean test is presented in Table 4.13.

Table 4.12: Awareness level of Respondents about Postal Life Insurance - Location-wise analysis

Awareness about	Level of Awareness	Residential Location of Customers				Total	
		Rural		Urban		Number of respondents	%
		Number of respondents	%	Number of respondents	%		
Product availability of PLI/RPLI	Fully aware	37	12.3	72	24.00	109	18.2
	Partly aware	131	43.7	125	41.7	256	42.7
	Not Aware	132	44.0	103	34.3	235	39.2
	Total	300	100.0	300	100.0	600	100.0
Rules for opening and operating a/c	Fully Aware	25	8.3	47	15.7	72	12.0
	Partly Aware	135	45.0	104	34.7	239	39.8
	Not Aware	140	46.7	149	49.6	289	48.2
	Total	300	100.0	300	100	600	100.0
Benefits or returns	Fully aware	15	5.0	18	6.0	33	5.5
	Partly aware	123	41.0	127	42.3	250	41.7
	Not Aware	162	54.0	155	51.7	317	52.8
	Total	300	100	300	100.0	600	100.0
Cost and risk	Fully aware	24	8.0	15	5.0	39	6.5
	Partly aware	107	35.7	123	41.0	230	38.3
	Not Aware	169	56.3	162	54.0	331	55.2
	Total	300	100.0	300	100.0	600	100.0

Source: Field Survey Data (Figures in brackets denote percentage to total)

Table 4.13: Test Result of Independent Sample Mean Test on Awareness about PLI – Location wise Analysis

Location	Mean Score	Standard Deviation	Test Value	P value
Urban	1.65	0.623	1.426	0.155
Rural	1.58	0.594		

Not significant –p value is more than 0.05

Source: Computed from Primary Data

Location-wise analysis of awareness level revealed that urban respondents have higher level of awareness (1.65) compared to rural respondents (1.58). However, opinion has high level of dispersion among urban respondents with standard deviation 0.623. Independent sample test results revealed that there is no significant difference among urban and rural respondents regarding the awareness level about Postal Life Insurance.

The result of independent sample mean test conducted to test the significant difference about the level of awareness of male and female customers on Postal Life Insurance products is presented in Table 4.14.

Table 4.14: Test Result of Independent Sample Mean Test on Awareness about PLI – Gender wise Analysis

Location	Mean Score	Standard Deviation	Test value	P value
Male	1.666	0.594	2.538	0.011*
Female	1.537	0.626		

**Significant at 1 per cent level*

Source: Computed from Primary Data

Gender-wise analysis revealed that male respondents have higher level of awareness about Postal Life Insurance compared to female respondents. Independent sample mean test result gives a test value of 2.638 and p value 0.011 which indicates that there exists significant difference between the awareness level of male and female respondents at 5 per cent level of

significance. Awareness level of male respondents significantly differs compared to female respondents.

4.3.4 Awareness Level on Money Transfer Products

India Post has a good track record in transferring money from one place in our country. Money order is the most popular money transfer product available with the post offices all over India. In addition to that India Post also facilitates inward transfer of foreign exchange from a foreign country to India. The service is offered in collaboration with Western Union Money Transfer and Money Gram. Data collected on awareness level of respondents is tabulated and descriptive statistical results obtained is presented in Table 4.15.

Table 4.15: Awareness level of Respondents about Money Transfer Products

Awareness about	Awareness level			Total	Mean	Std. Deviation
	Fully aware	Partly aware	Not Aware			
Product availability of Money Transfer	161	390	49	600	2.33	0.505
	(26.83)	(65.00)	(8.17)	(100)		
Rules for sending and receiving MOs	100	361	139	600	2.26	0.908
	(16.67)	(60.17)	(23.10)	(100)		
Speed and security	88	364	148	600	2.20	0.527
	(14.66)	(60.67)	(24.67)	(100)		
Cost and Risks	82	348	170	600	2.11	0.598
	(13.67)	(58.00)	(28.33)	(100)		

Source: Field Survey (Figures in brackets denote percentage to total)

Out of 600 respondents 26.83 per cent are fully awareness about the availability of money transfer facilities in post offices and 65 per cent of the respondents are partly aware about the money transfer products available with

post offices. Regarding the rules on money transfer, 16.67 per cent of the total respondents are fully aware and 60.17 per cent respondents are partly aware. Out of the total respondents 14.66 per cent of the total respondents are fully aware about the speed (time required) and security associated with money transfer services. From the 600 respondents, 13.67 per cent are fully aware about the cost and risks associated with the money transfer. Higher mean is scored on product availability with least standard deviation.

Table 4.16: Awareness Level of Respondents about Money Transfer Products- Location-wise Analysis

Awareness about	Level of Awareness	Residential Location of Customers				Total	
		Rural		Urban		Number of respondents	%
		Number of respondents	%	Number of respondents	%		
Product availability of Money Transfer	Fully aware	62	20.7	99	33.0	161	26.83
	Partly aware	209	69.7	181	60.3	390	65.0
	Not Aware	29	9.6	20	6.7	49	8.17
	Total	300	100.0	300	100.0	600	100.0
Rules for opening and operating a/c	Fully Aware	42	14.0	58	19.3	100	16.67
	Partly Aware	160	53.3	201	67.0	361	60.17
	Not Aware	98	32.7	41	13.7	139	23.10
	Total	300	100.0	300	100	600	100.0
Benefits or returns	Fully aware	38	12.7	50	16.7	88	14.66
	Partly aware	165	55.0	199	66.3	364	60.67
	Not Aware	97	32.3	51	17.0	148	24.67
	Total	300	100	300	100.0	600	100.0
Cost and risk	Fully aware	36	12.0	46	15.3	82	13.67
	Partly aware	147	49.0	201	67.0	348	58.0
	Not Aware	117	39.0	53	17.7	170	28.33
	Total	300	100.0	300	100.0	600	100.0

Source: Field Survey (Figures in brackets denote percentage to total)

The data is collected to know the customers residential location-wise awareness about Money Transfer products and is presented in Table 4.16. The result of independent sample mean test is presented in Table 4.17.

Table 4.17: Test Result of Independent Sample Mean Test on Awareness about Money Transfer– Location wise Analysis

Location	Mean Score	Standard Deviation	Test value	P value
Urban	2.07	0.513	4.703	0.000*
Rural	1.86	0.575		

* Significant at 1 per cent level

Source: Computed from Primary Data

Location-wise analysis of awareness level reveals that there is significant difference among the urban and rural respondents regarding awareness level about money transfer products. Independent sample test was conducted to know whether there is significant difference between the groups and the results are test value 4.073 and p value less than 0.01 which indicates that there is significant difference among the urban and rural respondents. Awareness level of urban respondents is high when compared to rural respondents.

Now-a-days people are using modern technology driven money transfer services offered by banks and other financial institutions. India Post has not introduced such modern technologies like NIFT, RTGS etc. The money transfer products of India Post are traditional and have been in vogue for many decades. This necessitates a gender-wise analysis of awareness level about money transfer products. Statistical test result is presented in Table 4.18.

Table 4.18: Test result of Independent Sample Mean Test on Awareness about Money Transfer-Gender wise Analysis

Location	Mean Score	Standard Deviation	Test value	P value
Male	2.00	0.497	1.664	0.079
Female	1.92	0.635		

Not significant – p value more than 0.05

Source: Computed from Primary Data

Gender-wise analysis and independent sample mean test result revealed that there is no significant difference in awareness level of male and female respondents regarding money transfer products at 5 per cent level of significance.

4.4 Use of Postal Financial Services

Financial Services/products offered by India Post consists of three broad categories. Post Office banking products, postal life insurances and money transfer services. Respondents were asked to mark their use of postal financial services and the data thus collected is tabulated and presented in Table 4.19.

Table 4.19: Location-wise use of Post Office Banking Products

Post Office Banking Products	Urban Respondents		Rural Respondents		Total	
	Number	Percentage to total	Number	Percentage to total	Number	Percentage
Savings Bank	221	43.76	284	56.24	505	100
Recurring Deposit	136	43.87	174	56.13	310	100
Monthly Income Scheme	54	72.00	21	28.00	75	100
Public Provident Fund	35	94.59	2	5.41	37	100
Post Office Time Deposit	50	59.52	34	40.48	84	100
Senior Citizen Saving Scheme	35	56.45	27	43.55	62	100
Sukanya Samridhi Accounts	100	46.08	117	53.92	217	100
Certificates - NSC/KVP	88	80.00	22	20.00	110	100

Source: Field survey

Table 4.19 reveals that recurring deposit and savings bank are the products used by majority of respondents. Out of 505 users of post office savings bank accounts, 56.24 are rural respondents and 43.76 per cent are urban respondents. Out of 600 respondents, 310 respondents availed recurring deposit accounts and 56.13 per cent are rural and 43.87 per cent are urban respondents. Sukanya Samridhi Accounts are availed by 217 respondents, which constitute 53.92 per cent of rural respondents and 46.08 per cent of urban respondents. Only 75 respondents availed Post Office Monthly Income Scheme and rural-urban comparison reveals that it constitute 72 per cent urban and 28 per cent rural respondents.

Out of 37 public provident fund account holders, 94.59 per cent are urban respondents and 5.41 per cent are rural respondents. Total number of TD account users (84 respondents), consists of 59.52 per cent of urban respondents and 40.48 per cent of rural respondents. Of the 600 respondents, only 62 respondents availed senior citizen savings schemes and the urban and rural respondents constitute 56.45 per cent and 43.55 per cent of total SCSS account holders. Regarding the certificate schemes, i.e., National Savings Certificates and Kisan Vikas Patras, 80 per cent of the certificate holders are urban respondents and 20 per cent are rural respondents. In short, Post Office Savings Bank is the most widely used banking product followed by Post Office Recurring Deposit, Sukanya Samridhi and Certificates. Number of respondents having NSC, Post Office Time Deposit, PPF and MIS accounts is more in urban areas as compared to rural areas. Regarding Sukanya Samridhi accounts, urban area contribute 100 accounts while rural area contribute 117 accounts.

Table 4.20 shows the purchase of Postal Life Insurance products by the respondents.

Table 4.20: Location-wise use of Postal Life Insurance

Life Insurance Products	Urban		Rural		Total	
	Number	Percentage to total	Number	Percentage to total	Number	Percentage
PLI	111	79.28	29	20.72	140	100
RPLI			91	100	91	100

Source: Field Survey

Out of 600 respondents, 140 respondents have availed PLI and 91 have availed RPLI policies. 79.28 per cent urban respondents and 20.72 per cent rural respondents have availed the PLI policies. RPLI is specifically designed for rural customers and PLI is for Government and semi-government employees. Number of PLI accounts is high in urban area and number of RPLI account is high in rural areas.

Residential location wise use of money transfer services by the customers is presented in Table 4.21.

Table 4.21: Location-wise Use of Money Transfer Products

Money transfer Products	Urban Respondents		Rural Respondents		Total	
	Number	Percentage to total	Number	Percentage to total	Number	Percentage
Money Order	244	54.34	205	45.66	449	100
IMO	20	68.97	9	31.03	29	100
IMT	23	74.19	8	25.81	31	100
Mobile Money Transfer	16	100.00	0	0.00	16	100
IFS Money Order	9	100.00	0	0.00	9	100

Source: Field Survey

Table 4.21 shows the location-wise money transfer services availed by respondents. 74 per cent respondents have availed Money Order services from post offices. Out of 600 respondents, 244 urban respondents and 205 rural respondents have availed Money Order service of India Post. Total number of IMT, MMT, IMO and IFS transactions are less than fifty each. There are no transactions in MO Videsh, Electronic Clearing, Forex, and mutual funds through post offices.

4.4.1 Years of Use of Postal Financial Services

Postal financial services have a long tradition in offering banking products, insurance products and money transfer services. These products were introduced as a means of small savings mobilisation. Post office financial services were the only financial services available in rural areas. Table 4.22 reveals the length of use of postal financial services by the respondents.

Table 4.22: Years of Use of Postal Financial Services

Number of years	Residential Location of Respondents		Total (per cent)
	Urban	Rural	
<i>Less than 5</i>	40 (13)	36 (12)	76 (13)
<i>5-10</i>	114 (38)	153 (51)	267 (45)
<i>10-15</i>	86 (29)	65 (22)	151 (25)
<i>15-20</i>	9 (03)	4 (01)	13 (02)
<i>20-25</i>	30 (10)	14 (05)	44 (07)
<i>Above 25</i>	21 (07)	28 (09)	49 (08)
Total	300 (100)	300 (100)	600 (100)

Source: Field Survey. (Figures in brackets denote percentage to total)

Nearly 45 per cent of the total respondents have an experience with postal financial services for 5-10 years. 25 per cent of the total respondents stay connected with postal financial services for 10-15 years. Less than five years category recorded 13 per cent and Above 25 years of use recorded 8 per cent. Least number of respondents are falling under the category of 15-20 group. Location-wise data revealed that 49 per cent respondents of Rural Post Offices and 37 per cent respondents of Urban Post Offices are connected to Postal Financial Services for more than 10 years. 51 per cent of respondents in rural area and 38 per cent of respondents in urban area have connection with Postal Financial Services for 5-10 years.

4.5 Motivating Factors of Postal Financial Services

4.5.1 Motivating Factors to Avail of Post Office Banking Products

India Post offers variety of deposit products such as saving bank accounts, recurring deposit accounts, monthly income scheme, public provident fund, senior citizen savings schemes, savings certificates and sukanya samridhi account. These products are initiated by Ministry of finance and India Post is undertaking an agency function.

Anderson & Fulcher (1976)¹ studied the bank selection factors. It was observed that recommendation by friends, reputation, availability of credit, friendliness and service charges are the five major factors affecting selection of banks. George (1999)² in his study opined that convenience is the most important factor affecting selection of banks or branches followed by service quality and popularity of branches. Nair (2003)³ identified good service as the major reason for selecting a bank account. Location, employee behaviour, interest rates, facilities and amenities and convenient

business hours are other factors considered as reasons. Aregbeyan (2011)⁴ studied the determinants of bank selection choices by customers in Nigeria. Various factors identified with respect to selection of banks are safety of funds, prompt service, minimum waiting time, good complaint handling, reputation etc. Krishna, Lincoln, & Rao (2011)⁵, studied the quality of customer service in public sector banks in India. In the study, authors identified the major factors influencing bank selection for opening of deposit accounts as proximity of branch, customized service and staff attitude. Aggarwal (2012)⁶ identified the major factors influencing preference towards post office savings schemes as safety, security, risk-free & tax free interest, tax benefits, attractive rates of investment, regular income and nomination facilities.

Following variables are considered as the factors influencing post office banking products.

Factors in selection of Post Office Banking Products			
1	Return	6	Tax benefits
2	Safety of Funds	7	Advertisements
3	Liquidity	8	Image of India Post
4	Nearness	9	Service Quality
5	Convenience/Simple procedures	10	Advice from Others

Ranking Procedure

Factors motivated to avail post office banking products are identified as return, safety, liquidity, nearness, simple procedures, tax advantage, advertisement, image of India Post, service quality and advice from others

(10 factors). The respondents were asked to rank these objectives from one to ten on the basis of preference for selection of post office banking products. One is regarded as the highest rank and ten is the lowest rank. Points were assigned to each rank in reverse order (1st, 2nd, 3rd assigned 10, 9, 8 and so on). The ranks given by the respondents were multiplied with the values for the corresponding ranks and finally total is divided by the number of respondents.

Opinion of the total respondents and analysis based on demographic factors are presented in tables.

Table 4.23: Motivating Factors of Postal Banking Products

Sl. No.	Factor	Weighted Average	Rank
1	Return	7.08	4
2	Safety	8.23	1
3	Liquidity	3.73	8
4	Nearness of branch	7.32	3
5	Simple procedure	4.88	6
6	Tax Advantage	2.86	10
7	Advertisement	3.01	9
8	Image of India Post	5.50	5
9	Service Quality	4.67	7
10	Advice from others	7.68	2

Source: Computed from Primary Data

Table 4.23 revealed that safety is regarded as the most important motivating factor in selecting post office banking products with a weighted average of 8.23. Advice from others (postal staff, friends and relatives) is regarded as the second motivating factor among 600 respondents. Nearness

of branch and return are placed in the 3rd and 4th position. Income tax, advertisement and liquidity are regarded as the least important factors.

To know whether there exists any significant difference in the motivating factors of post office banking products, detailed analysis based on location and demographic factors is conducted and the result is as follows.

Table 4.24: Motivating Factors of Postal Banking Products-Location-wise Analysis

Slo. No.	Urban Respondents			Rural Respondents		
	Factor	Weighted Average	Rank	Factor	Weighted Average	Rank
1	Return	7.54	2	Return	6.62	4
2	Safety	8.48	1	Safety	7.98	3
3	Liquidity	3.75	9	Liquidity	3.71	8
4	Nearness of branch	6.42	4	Nearness of branch	8.21	1
5	Simple procedure	4.48	6	Simple procedure	5.27	6
6	Tax Advantage	4.02	8	Tax Advantage	1.70	10
7	Advertisement	3.09	10	Advertisement	2.93	9
8	Image of India Post	5.42	5	Image of India Post	5.58	5
9	Service Quality	4.43	7	Service Quality	4.91	7
10	Advice from others	7.36	3	Advice from others	8.00	2

Source: Computed from Primary Data

Table 4.24 highlights the location-wise weighted average of motivating factors of post office banking products. Primary motivating factor of urban customers is safety while rural customers availed post office banking

products because of nearness of branch. Return is the second factor considered by urban customers and advice from others is the second factor of rural customers. Agents also play an important role in selling post office banking products such as RD, NSC, KVP and other products. Third motivating factor of urban customers is advice from others while safety is the third important factor of rural customers. Both rural and urban customers rated tax advantage, liquidity and advertisement as the least important factors.

Motivating factors of post office banking products are analysed on the basis of demographic variables to know the motivating factor of each group. Results of analysis are given below.

Table 4.25: Motivating Factors of Postal Banking Products-Gender-wise Analysis

Slo. No.	Male			Female		
	Factor	Weighted Average	Rank	Factor	Weighted Average	Rank
1	Return	6.89	4	Return	7.38	3
2	Safety	8.52	1	Safety	7.76	2
3	Liquidity	3.74	8	Liquidity	3.72	8
4	Nearness of branch	7.31	3	Nearness of branch	7.33	4
5	Simple procedure	4.75	6	Simple procedure	5.07	6
6	Tax Advantage	3.17	9	Tax Advantage	2.36	10
7	Advertisement	3.05	10	Advertisement	2.95	9
8	Image of India Post	5.62	5	Image of India Post	5.31	5
9	Service Quality	4.52	7	Service Quality	4.92	7
10	Advice from others	7.36	2	Advice from others	8.20	1

Source: Computed from Primary Data

Table 4.25 revealed the gender-wise motivating factors of post office banking products. Safety is regarded as the primary motivating factor by male respondents and advice from others is regarded as the primary motivating factor by female respondents. Advice from others is the second important factor for male respondents and safety is the second important factor for female respondents. Nearness to branch and return are the other two motivators. Advertisement, tax advantage and liquidity are least considered items by male and female respondents.

Table 4.26: Motivating Factors of Postal Banking Products- Age-wise Analysis

Sl. No.	Factor	Below 30		30-40		40-50		50-60		60 Above	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	7.59	3	7.82	3	7.04	3	5.63	6	6.24	4
2	Safety	8.07	1	8.10	2	8.24	1	7.48	3	8.82	1
3	Liquidity	3.39	9	3.75	8	4.05	8	3.85	8	3.07	8
4	Nearness of branch	7.20	4	7.12	4	6.91	4	8.28	2	8.27	2
5	Simple procedure	4.61	7	4.63	6	4.50	6	6.15	4	5.78	6
6	Tax Advantage	1.86	10	2.35	10	3.94	9	1.38	10	2.26	10
7	Advertisement	4.25	8	3.46	9	2.83	10	2.63	9	2.29	9
8	Image of India Post	5.27	5	5.15	5	5.44	5	5.88	5	6.23	5
9	Service Quality	4.95	6	4.47	7	4.49	7	5.23	7	5.11	7
10	Advice from others	7.86	2	8.12	1	7.58	2	8.53	1	6.73	3

Source: Computed from Primary Data

Age-wise distribution of motivational factors points out that Safety of banking product is the primary motivating factor of age groups Below 30, 40-50 and above 60. Primary reason for availing post office banking product

is advice from others for 30-40 and 50 -60 age groups. Nearness of branch is the second major reason for above 50 age groups. Advice, safety and advice from others are considered as the second major motivating factor of below 30, 30-40 and 40-50 age groups respectively. Return is the third major factor for selection of post office saving bank products by below 30, 30-40 and 40-50 age groups. On the other hand nearness and advice from others are the third major factor influencing 50-60, and above 60 age groups. Liquidity, advertisement and tax benefits have least importance in selection of post office banking products.

Table 4.27: Motivating Factors of Postal Banking Products-Occupation –wise Analysis

Sl. No.	Factor	Government		Private		Cooli		Retired		Business		Agriculture		Unemployed	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	7.73	2	7.74	3	6.23	4	6.71	3	7.13	3	5.72	4	6.92	3
2	Safety	8.07	1	8.11	1	7.77	3	9.40	1	8.49	1	8.72	2	7.44	2
3	Liquidity	4.29	8	3.92	9	3.73	8	2.97	8	3.32	8	4.56	6	3.40	8
4	Nearness of branch	6.41	4	7.49	4	8.03	2	7.98	2	6.55	4	9.11	1	7.44	2
5	Simple procedure	4.40	7	4.83	6	5.35	6	5.81	5	4.01	9	4.44	7	5.20	5
6	Tax Advantage	4.90	6	1.28	10	1.07	10	2.57	9	5.12	6	2.17	9	1.26	9
7	Advertisement	3.23	10	3.75	8	2.55	9	2.23	10	2.85	10	3.11	10	3.58	7
8	Image of India Post	5.21	5	5.00	5	5.76	5	6.21	4	5.51	5	5.39	5	5.54	4
9	Service Quality	4.27	9	4.52	7	5.14	7	5.19	7	4.37	7	3.89	8	4.96	6
10	Advice from others	6.70	3	8.07	2	9.37	1	5.71	6	7.55	2	7.22	3	9.54	1

Source: Computed from Primary Data

Occupation-wise analysis also reveals that safety is the major factor influencing selection of post office banking products. Primary factors considered by all occupation category are safety, return, nearness of branch and advice from others. Retired persons, business men, Government and private employees consider safety as the primary factor. Advice from others is considered as the primary motivating factor for coolii workers and unemployed people. Advertisement and tax advantage are the least important factors.

Table 4.28: Motivating Factors of Postal Banking Products- Income-wise Analysis

Sl.No.	Factor	Below 15,000		15000 to 30,000		30,000 to 45,000		45,000 to 60,000		Above 60,000	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	6.27	4	7.17	4	7.60	2	7.94	2	7.36	2
2	Safety	7.75	3	8.50	1	8.01	1	8.06	1	9.24	1
3	Liquidity	3.71	8	3.32	8	4.21	7	3.58	9	4.09	8
4	Nearness of branch	7.96	2	8.04	2	6.91	4	5.83	5	5.21	6
5	Simple procedure	5.37	6	5.17	6	4.67	6	3.89	8	3.71	9
6	Tax Advantage	1.20	10	1.62	10	3.71	10	6.25	3	7.33	3
7	Advertisement	2.91	9	3.12	9	3.76	9	2.53	10	1.68	10
8	Image of India Post	5.70	5	5.58	5	5.09	5	5.53	6	5.61	5
9	Service Quality	5.17	7	4.44	7	4.13	8	5.50	7	4.76	7
10	Advice from others	8.96	1	7.77	3	7.18	3	6.22	4	5.95	4

Source: Computed from Primary Data

Respondents in the income group 'below 15000 consider advice from others as the primary motivating factor. All other respondents indicated 'safety' as the most important motivating factor. Nearness to branch is the second important motivator factor considered by 'below 15000' and '15000-30000' income groups. Return is considered as the second important factor for other income groups of respondents. Safety is ranked in 3rd position by respondents from below 15000 income group. Advice from others is regarded as the 3rd important factor by income groups of '15000-30000' and '30,000-45,000'.

4.5.2 Motivating Factors to Avail of Postal Life Insurance

Suneja & Sharma (2010)⁷ investigated the factors influencing choice of a Life insurance company. The study revealed that promotional activities, image of company, customer convenience, financial and non-financial facilities, premium and procedural facilities are the major factors influencing selection of life insurance products. The study revealed that younger the customer higher the promotional activities and vice versa.

IMRB International (2011)⁸ conducted a customer satisfaction survey on Postal Life Insurance for India Post. The study revealed that major reasons for availing PLI policies are savings, risk coverage of protection of life, safety, low premium and high bonus, tax saving etc.

From the review of literature and personal interviews with customers, following variables are identified as the factors influencing postal life insurance products of India Post.

Factors in selection of Postal Life Insurance Products			
1	Return	6	Near to Branch
2	Less Premium	7	Advertisement
3	Risk Coverage	8	Image of India Post
4	Tax Benefits	9	Service Quality
5	Simple Procedures	10	Advice from others

Postal Department offers two major types of insurance products to its customers i.e., Postal Life Insurance and Rural Postal Life Insurance Products. However, non-governmental urban customers of post offices are outside the scope of Postal Life Insurance. Total urban PLI respondents are 113 and rural respondents are 120 customers. Customers of PLI and RPLI select the products because of return, safety, liquidity, nearness, simplicity of procedures, tax advantage, advertisement, image of India Post, service quality and advice from others. The respondents were asked to rank these factors from one to ten. One is regarded as the highest rank and ten is the lowest rank. The ranks given by the respondents were analysed with the help of weighted average and the final rank was assigned accordingly.

Table 4.29: Motivating Factors of Postal Life Insurance

Sl. No.	Factor	Weighted Average	Rank
1	Risk Coverage	8.97	1
2	Advice from others	8.14	2
3	Return	7.49	3
4	Less Premium	7.43	4
5	Tax Benefits	4.00	8
6	Image of India Post	4.28	6
7	Simple procedures	4.42	5
8	Service Quality	3.91	9
9	Nearness	4.26	7
10	Advertisement	2.17	10

Source: Computed from Primary Data

Risk coverage, advice from others and return are the first three motivating factors of postal life insurance with weighted average of 8.97, 8.14 and 7.49 respectively. Advertisement, service quality and tax benefits are the least important motivating factors of PLI and RPLI.

Table 4.30: Motivating Factors of Postal Life Insurance -Location-wise Analysis

Sl. No.	Factor	Urban		Rural	
		Weighted Average	Rank	Weighted Average	Rank
1	Risk Coverage	8.11	1	9.87	1
2	Advice from others	6.85	2	8.42	2
3	Return	6.13	3	6.02	6
4	Less Premium	5.11	6	6.36	5
5	Tax Benefits	2.67	8	1.07	10
6	Image of India Post	2.44	9	7.44	3
7	Simple procedures	5.64	5	1.91	8
8	Service Quality	4.05	7	5.3	7
9	Nearness	5.73	4	6.93	4
10	Advertisement	1.22	8	1.53	9

Source: Computed from Primary Data

Regarding PLI and RPLI policies, both urban and rural respondents rated risk coverage and advice from others as the first two motivating factors. Urban respondents rated return as the third important factor while rural respondents rated image of India Post as the third important factor. Those who buy PLI policies are attracted by less nearness and sample procedures. Tax benefit is least important for rural respondents. Advertisement is another least important factor for both urban and rural respondents.

Demographic variables and Motivating factors of PLI/RPLI

Motivating factors of PLI are analysed on the basis of major demographic variables.

Table 4.31: Motivating Factors of Postal Life Insurance- Gender-wise Analysis

Sl.No.	Factor	Male		Female	
		Weighted Average	Rank	Weighted Average	Rank
1	Risk Coverage	8.96	1	8.97	1
2	Advice from others	8.62	2	7.17	4
3	Return	7.35	3	7.79	3
4	Less Premium	7.24	4	7.82	2
5	Tax Benefits	3.96	9	4.08	7
6	Image of India Post	4.32	6	4.21	6
7	Simple procedures	4.24	7	4.78	5
8	Service Quality	3.98	8	3.78	9
9	Nearness	4.40	5	3.99	8
10	Advertisement	2.05	10	2.42	10

Source: Computed from Primary Data

Male respondents prefer PLI and RPLI products due to risk coverage, advice from others and return. 'Less premium' is the fourth motivating factor for male respondents. Female respondents consider risk coverage, less premium and return as the first three motivating factors. Advertisement, tax benefits and service quality are the least considered factors.

Table 4.32: Motivating Factors of Postal Life Insurance Age-wise Analysis

Sl.No.	Factor	Below 30		30-40		40-50		50-60		60 Above	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	7.08	4	7.90	2	7.16	3	8.00	3	7.47	4
2	Less Premium	7.36	3	7.80	3	6.96	4	8.67	1	7.80	3
3	Risk coverage	9.28	1	8.98	1	8.86	1	8.33	2	9.13	2
4	Tax Benefits	3.28	9	3.91	8	4.40	6	4.00	7	3.27	9
5	Simple procedure	4.84	5	5.05	5	3.59	9	3.00	9	4.93	5
6	Nearness	4.68	6	4.20	6	4.03	8	4.67	6	4.87	6
7	Advertisement	1.52	10	1.98	10	3.09	10	3.33	8	3.20	10
8	Image of India Post	4.16	8	4.10	7	4.60	5	5.00	5	3.60	8
9	Service quality	4.32	7	3.67	9	4.28	7	3.00	9	3.67	7
10	Advice from others	8.48	2	7.38	4	8.65	2	7.00	4	9.60	1

Source: Computed from Primary Data

Table 4.32 revealed age-wise analysis of motivating factors of postal life insurance. Risk coverage, less premium, return and advice from others are the primary reasons for selecting PLI or RPLI schemes. Risk coverage is the primary motivating factor of below 30, 30-40 and 40-50 age groups. Lower amount of premium is the primary motivating factor of 50-60 age group. Above 60 age group consider advice from others as the primary motivating factor.

Table 4.33: Motivating Factors of Postal Life Insurance Income-wise Analysis

Sl.No.	Factor	Below 15,000		15001 to 30,000		30,001 to 45,000		45,001 to 60,000		Above 60,000	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	6.94	4	7.23	4	7.67	3	7.56	2	8.04	3
2	Less Premium	7.66	3	7.43	3	7.26	4	6.70	4	8.50	2
3	Risk coverage	9.06	2	8.84	2	8.75	1	9.22	1	8.69	1
4	Tax Benefits	2.16	9	2.18	10	4.35	6	5.52	5	7.35	4
5	Simple procedure	4.81	6	4.00	7	4.34	7	4.04	8	5.50	5
6	Nearness	4.69	7	5.80	5	3.39	9	4.37	7	3.38	8
7	Advertisement	1.53	10	2.32	9	2.13	10	2.48	10	2.46	10
8	Image of India Post	4.94	5	4.07	6	4.67	5	2.89	9	4.00	7
9	Service quality	3.34	8	3.63	8	4.01	8	5.11	6	3.65	9
10	Advice from others	9.88	1	9.34	1	8.16	2	7.19	3	4.31	6

Source: Computed from Primary Data

Table 4.33 shows income-wise motivating factors of postal life insurance. Respondents having income below 30,000 consider advice from others as the major motivating factor of availing postal life insurance. Respondents having income above 30,000 consider risk coverage as the primary factor of motivation.

Table 4.34: Occupation -wise Motivating Factors of Postal Life Insurance

Sl.No.	Factor	Government		Private		Cooli		Retired		Business / Profession		Agriculture		Unemployed	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Return	7.70	2	7.18	4	7.20	4	7.35	4	7.44	3	5.00	6	7.00	4
2	Less Premium	7.27	3	7.76	3	7.63	3	7.94	3	7.44	3	6.00	5	6.00	5
3	Risk coverage	8.98	1	9.12	1	8.97	2	9.12	1	8.31	2	7.00	4	10.00	1
4	Tax Benefits	5.13	5	2.29	9	1.73	10	3.76	8	3.31	7	1.00	10	2.00	9
5	Simple procedure	4.32	7	4.12	6	4.53	7	4.71	5	4.81	5	2.00	9	8.00	3
6	Nearness	3.57	9	5.44	5	4.93	5	4.53	6	6.19	4	4.00	7	3.00	8
7	Advertisement	2.23	10	2.12	10	1.83	9	1.71	10	3.13	8	3.00	8	1.00	10
8	Image of India Post	4.35	6	3.97	8	4.70	6	4.12	7	3.63	6	8.00	3	4.00	7
9	Service quality	4.27	8	4.03	7	3.13	8	3.06	9	2.63	9	9.00	2	5.00	6
10	Advice from others	7.20	4	9.06	2	9.93	1	8.71	2	9.63	1	10.00	1	9.00	2

Source: Computed from Primary Data

Occupation-wise analysis also revealed the same thing. Coolie workers, business groups and agriculturists consider advice from others as the major motivating factor. Employees, retired persons and unemployed respondents consider PLI/RPLI as a means of risk coverage.

4.5.3 Motivating Factors to Avail of Money Transfer Services

Review of literature and informal interviews with postal staff and respondents revealed that the major factors motivating customers to select money transfer service from post office are safety, nearness to branch, speed, less commission, service quality, image of India post, advice from others, advertisement and the simplicity of procedures.

Factors in selection of Money Transfer Products					
1	Safety	4	Speed	7	Image of India Post
2	Nearness of branch	5	Less Commission	8	Advice from others
3	Advertisement	6	Service Quality	9	Simple procedures

Customers of post office money transfer services select the products because of safety, nearness, less commission, simple procedures, speed, advertisement, image of India Post, service quality and advice from others.

The respondents were asked to rank these objectives from one to nine. One is regarded as the highest rank and nine is the lowest rank. The ranks given by the respondents were analysed with the help of weighted average and the final rank was assigned accordingly

Table 4.35: Motivating Factors of Money Transfer

Sl. No	Motivating factor	Weighted Average	Rank
1	Speed	5.51	3
2	Less commission	5.22	4
3	Safety	7.90	1
4	Nearness	7.59	2
5	Simple procedure	4.52	7
6	Service quality	5.08	5
7	Image of IP	4.56	6
8	Advertisement	1.75	9
9	Advice from others	4.00	8

Source: Computed from Primary Data

Table 4.35 revealed that safety is the primary reason for availing money transfer products offered by India Post followed by nearness of post office, speed and less commission with weighted average 7.90, 7.59, 5.51 and 5.22 respectively.

Table 4.36: Motivating Factors of Money Transfer-Location-wise Analysis

Sl.No.	Factor	Urban		Rural	
		Weighted Average	Rank	Weighted Average	Rank
1	Speed	4.61	6	5.03	3
2	Less commission	5.40	4	5.00	5
3	Safety	8.14	1	7.58	2
4	Nearness	7.20	2	8.05	1
5	Simple procedure	4.12	8	5.01	4
6	Service quality	4.87	5	4.29	7
7	Image of India Post	5.91	3	4.50	6
8	Advertisement	1.59	9	1.94	9
9	Advice	4.18	7	3.78	8

Source: Computed from Primary Data

Safety, nearness of branch and image of India Post are the first three motivating factors of money transfer services of India Post. On the other hand nearness of branch, safety and speed are the three important factors for availing postal money transfer service. Urban respondents give less importance to advice from others, simplicity of operating accounts and advertisements, while rural respondents give less importance to image of post offices advice and advertisement.

Table 4.37: Motivating Factors of Money Transfer Services-Age-wise Analysis

Sl.No.	Factor	Below 30		30-40		40-50		50-60		60 Above	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Speed	5.65	3	5.32	5	5.93	3	4.05	6	5.47	3
2	Less commission	5.04	5	5.42	4	5.50	4	4.05	6	4.94	5
3	Safety	8.23	1	8.08	1	8.24	1	5.82	3	7.71	1
4	Nearness	7.38	2	7.58	2	7.58	2	8.23	1	7.41	2
5	Simple procedure	5.35	4	4.89	6	3.74	8	5.74	4	4.89	6
6	Service quality	4.69	7	5.50	3	3.86	7	3.97	7	5.16	4
7	Image of IP	4.85	6	4.68	7	4.22	6	4.92	5	4.83	7
8	Advertisement	2.08	9	2.01	9	1.60	9	1.82	8	1.62	9
9	Advice	2.92	8	2.82	8	4.31	5	6.67	2	4.03	8

Source: Computed from Primary Data

Age-wise analysis also shows more or less the same result. Below 30, 30-40, 40-50 and above 60 age groups of respondents consider safety as the primary motivating factor followed by nearness. However, 50-60 age group consider nearness of branch as the most important motivating factor of money transfer services. Advertisement is the least influencing motivating factor.

Table 4.38: Motivating Factors of Money Transfer Services-Income-wise Analysis

Sl.No.	Factor	Below 15,000		15000 to 30,000		30,000 to 45,000		45,000 to 60,000		Above 60,000	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Speed	4.73	5	5.54	3	5.96	3	5.47	4	6.10	3
2	Less commission	4.53	6	5.37	4	5.16	4	6.30	3	5.79	4
3	Safety	6.70	2	8.18	1	8.37	1	8.17	1	8.43	1
4	Nearness	8.47	1	7.27	2	7.56	2	7.77	2	6.50	2
5	Simple procedure	4.74	4	4.63	5	4.00	7	5.40	5	4.47	5
6	Service quality	4.09	8	3.99	7	4.01	6	4.47	6	4.22	6
7	Image of IP	4.52	7	4.33	6	5.03	5	4.03	7	4.47	5
8	Advertisement	2.11	9	1.84	9	1.59	9	1.27	9	1.38	8
9	Advice	5.33	3	3.97	8	3.39	8	2.03	8	3.64	7

Source: Computed from Primary Data

Safety aspect of money transfer service is considered as the primary factor by all the income groups except ‘below 15,000’ group. They consider nearness as the most important factor for availing money transfer service from post offices. Advertisement is considered as the least important factor.

Table 4.39: Motivating Factors of Money Transfer Services -Occupation –wise Analysis

Sl. No.	Factor	Government		Private		Cooli worker		Retired		Business/ Profession		Agriculture		Unemployed	
		Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank	Weighted Average	Rank
1	Speed	5.44	4	5.89	4	4.22	8	6.17	3	6.03	3	5.91	3	4.95	4
2	Less commission	5.64	3	6.03	3	4.60	6	5.26	4	5.10	4	5.82	4	3.38	8
3	Safety	8.48	1	7.97	1	6.15	2	8.47	1	7.89	1	8.36	1	7.38	2
4	Nearness	7.37	2	7.24	2	8.78	1	6.92	2	7.61	2	7.91	2	7.85	1
5	Simple procedure	4.19	6	4.46	6	4.75	4	4.97	5	4.29	6	5.00	5	4.45	6
6	Service quality	3.78	7	4.61	5	4.57	7	4.27	7	4.02	7	2.91	8	3.48	7
7	Image of IP	5.19	5	3.83	7	4.67	5	4.47	6	3.94	8	3.64	7	4.88	5
8	Advertisement	1.52	9	1.81	9	2.06	9	1.51	9	1.76	9	1.00	9	2.48	9
9	Advice	3.05	8	3.23	8	5.63	3	3.05	8	4.66	5	4.82	6	6.18	3

Source: Field Survey

Table 4.39 analyses the occupation-wise motivating factors of money transfer services. Government employees, private employees, retired persons, business persons and agriculturists prefer money transfer services due to safety aspect. However, coolie workers and unemployed persons consider nearness as the major motivating factor. Advertisement is the least important factor.

4.6 Conclusion

Post office banking, insurance and money transfer products offer benefits to a wider section of the society including rural and urban customers. Post office savings bank and recurring deposit are the most popular banking products in urban and rural centres in Kerala. Postal Life Insurance is capable of offering a return equivalent to the industry standards. Money transfer product is one of the oldest financial products of India Post available in all post offices. Analysis of awareness level of respondents revealed that respondents have high level of awareness regarding Post Office Banking products compared to Postal Life Insurance and Money Transfer products. Being a Central Govt. Department, customers of India Post feel highest level safety regarding their financial transactions. Analysis reveals that safety is the most important motivating factor of post office banking products followed by advice from others and nearness of branch. Rural people prefer post office banking products due to nearness of branch. Female respondents consider advice from others as the primary factor. 30-40 and 50-60 age groups prefer post office banking products due to advice from others. Respondents having only school level education consider advice from others as the most important factor. Respondents having income below 15000 also consider advice from others as the primary factor.

Risk coverage is considered as the primary motivating factor of postal life insurance followed by advice from others and high return. Tax benefits, advertisement and service quality are not the primary factors. There is no significant difference in the opinion of rural and urban respondents regarding the motivating factors of postal life insurance.

Safety, nearness and speed are the major motivating factors of money transfer services of India Post irrespective of location, age, income and occupation of respondents.

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**CUSTOMER PERCEPTION ON SERVICE QUALITY,
PRODUCT QUALITY, CUSTOMER SATISFACTION,
AND CUSTOMER LOYALTY**

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5.1 Introduction

This chapter deals with the analysis of customer perception on service quality, product quality, customer satisfaction and customer loyalty of postal financial services. Analysis of customer satisfaction and loyalty is intended to give information about customer needs and their perception about quality of products and services. Descriptive statistical analysis is used to measure the level of perception on service quality, product quality, customer satisfaction and customer loyalty. Independent sample mean test and one way ANOVA are used to test whether there is any significant difference among the respondent groups regarding the levels of perception on service quality, product quality, customer satisfaction and customer loyalty. Post Hoc analysis (Tukey’s HSD Test) is conducted to identify the group of respondent whose mean values are significantly different.

Table 5.1, presents the overall picture of customer perception on service quality, product quality, customer satisfaction and customer loyalty associated to postal financial services. Statements are measured on five point scale and the mean score and standard deviation are given below.

Table 5.1: Descriptive Statistics on Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

Variables	Mean Score	Standard Deviation
Service Quality	3.618	0.598
Product Quality	3.117	0.598
Customer Satisfaction	3.592	0.582
Customer Loyalty	3.510	0.730

Source: Computed from primary data

Mean score of service quality is 3.618 which is highest among the other variables and standard deviation is 0.598. Product quality scored least mean score with standard deviation 0.598. Customer loyalty has a mean score of 3.510 and standard deviation 0.730. Dispersion is high regarding the opinion about customer loyalty. Analysis reveals that there is moderate level of service quality, product quality, customer satisfaction and customer loyalty.

5.2 Customer Perception on Service Quality of Postal Financial Services

Customer perception on service quality is measured with the help of six statements on five points scale. Major aspects considered are punctuality and timeliness of performing services, courteous behaviour of postal staff, physical facilities available in the post office, adequacy of operating hours of post offices, error free records and performing service and knowledge level of staff to satisfy the requirements of customers. Detailed analysis of customer perception on the overall service quality related to postal financial service is given below.

Table 5.2: Descriptive Statistics on Service Quality Aspects

Service quality aspect	Mean	Standard Deviation
Punctuality and timeliness of performing service	3.692	0.721
Courteous behaviour of postal staff	3.571	0.791
Physical facilities available	3.564	0.801
Adequacy of operating hours	3.493	0.816
Error free records and performing service	3.732	0.749
Knowledge level of staff to satisfy customer requirements	3.681	0.735

Source: Computed from primary data

Table 5.2 reveals that highest mean score is on error free records and performing service (3.73) followed by punctuality and timeliness of performing service (3.69) and knowledge level of staff (3.68). However, adequacy of operating hours (3.49), physical facilities available and courteous behaviour of staff (3.56) are the aspects rated low. Moderate level of service quality is perceived by the respondents.

Following table (Table 5.3) gives the location-wise descriptive statistics and the independent sample mean test result.

Table 5.3: Customer Perception on Service Quality- Location-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test result	
				Test value	P value
Location	Urban	3.513	0.602	-4.651	0.000*
	Rural	3.724	0.573		

** Significant at 1 per cent level*

Source: Computed from primary data

Location-wise analysis shows that mean score of service quality perception is high among rural respondents compared to urban respondents. Independent sample test reveals that there is significant difference at 1 per

cent level among urban and rural customers regarding perception on service quality of postal financial services. Rural respondents perceive more service quality compared to urban respondents.

Gender-wise analysis of customer perception (Table 5.4) on service quality is given below.

Table 5.4: Customer Perception on Service Quality -Gender-wise analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test result	
				Test value	P value
Gender	Male	3.562	0.608	-2.878	0.004*
	Female	3.713	0.573		

* Significant at 1 per cent level

Source: Computed from primary data

Results given above reveal that there is significant difference between male and female respondents regarding the customer perception on service quality of postal financial services at 1 per cent level of significance. Based on mean score, it is concluded that female respondents have high level of perceived service quality compared to male respondents.

Education-wise analysis of service quality perception and ANOVA test results are given in Table 5.5.

Table 5.5: Customer perception on Service Quality-Education-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Education	School	3.855	0.534	31.503	0.000*
	Graduate	3.474	0.531		
	Post Graduate	3.323	0.512		
	Professional	3.326	0.345		
	Others	4.243	0.985		

* Significant at 1 per cent level

Source: Computed from primary data

Education-wise analysis of customer perception about service quality associated to postal financial services reveals that ‘others’ group (diploma, higher secondary and certificate courses) has highest level of service quality perception compared to other education groups. One way ANOVA test result ($F=31.503$ and p value < 0.01) reveals that there exists significant difference among the different education groups of respondents regarding perception on service quality of financial services of India post. Tukey’s HSD test (Table 5.6) is conducted to know which education group has highest mean difference compared to other groups.

Table 5.6: Tukey’s HSD Test Result on Service quality-Education wise Analysis

Education (I)	Education (J)	Mean Difference	P value
School Level	Graduate	0.381	0.000*
	Post Graduate	0.532	0.000*
	Professional	0.529	0.000*
	Others	-0.388	0.008*
Graduate	Post Graduate	0.151	0.212
	Professional	0.148	0.479
	Others	-0.769	0.000*
Post Graduate	Professional	-0.003	1.000
	Others	-0.920	0.000*
Professional	Others	-0.917	0.000*

**Significant at 1 per cent level*

Source: Computed from primary data

From the Table 5.6 it is clear that highest mean difference (-0.920) is between Post Graduate-Others groups. Significant difference was found between School-Graduate, School-Post graduate, School-Professional, School-Others, Graduate-Others, Post graduate-Professional and Professional-Others groups.

Following table (Table 5.7) presents occupation-wise descriptive and analytical statistical results on perception of service quality.

Table 5.7: Customer Perception on Service Quality-Occupation wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Govt. Employee	3.479	0.676	13.003	0.000*
	Private Employee	3.355	0.606		
	Coolie worker	3.842	0.546		
	Retired	3.866	0.530		
	Business/Profession	3.469	0.414		
	Agriculture	3.917	0.561		
	Unemployed	3.727	0.420		

* Significant at 1 per cent level

Source: Computed from primary data

Occupation-wise analysis of service quality related to postal financial services reveals that perceived service quality is high among agriculture (farmers) group and retired persons. Private employees have low perception regarding service quality on postal financial services. One way ANOVA was conducted to know whether there is significant difference among the occupation groups and the results (F-13.003 and p value <0.01) reveals that there exists significant difference among occupation groups regarding perception about quality of services rendered by post offices.

Post Hoc analysis is conducted to know which groups differ significantly with other groups. Table 5.8 gives the result of occupation

group pairs having significant mean difference regarding perception about service quality.

Table 5.8: Tukey’s HSD Test Result on Service quality-Occupation wise Analysis

Occupation (I)	Occupation (J)	Mean Difference	P value
Govt. Employee	Coolie worker	-0.363	0.000*
	Retired	-0.388	0.000*
	Agriculture	-0.438	0.033**
Private Employee	Cooli worker	-0.487	0.000*
	Retired	-0.511	0.000*
	Agriculture	-0.561	0.002*
	Unemployed	-0.372	0.003*
Cooli worker	Business/Profession	0.372	0.000*
Retired	Business/ profession	0.396	0.000*
Business /Profession	Agriculture	-0.447	0.039**

**Significant at 1 per cent level*

***Significant at 5 per cent level*

Source: Computed from primary data

Highest mean difference is identified between Agriculture and Private Employee groups. Table 5.8 reveals that all occupation groups significantly differ in terms of perception on service quality.

Service quality perception of respondents is also analysed on the basis of monthly income of the respondents. Descriptive statistics and one way ANOVA results are given in Table 5.9.

Table 5.9: Customer Perception on Service Quality-Monthly Income wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Monthly Income	Below 15000	3.815	0.518	14.248	0.000*
	15000-30000	3.614	0.597		
	30000-45000	3.631	0.653		
	45000-60000	3.384	0.495		
	Above 60000	3.225	0.492		

* Significant at 1 per cent level

Source: Computed from primary data

Income-wise analysis reveals that Below 15000 income group has highest mean relating to service quality perception followed by 30000-45000 and 15000-30000 income groups. However, highest dispersion is recorded for 30000-45000 and 15000-30000 income groups. One way ANOVA result (F value 14.248 and p value <0.01) indicates that there exists significant difference among different income groups regarding perception about service quality of postal financial services.

Table 5.10: Tukey's HSD Test Result on Service Quality –Monthly Income wise Analysis

Monthly Income (I)	Monthly Income (J)	Mean Difference	P value
Below 15,000	15000-30000	0.200	0.008*
	30000-45000	0.183	0.045**
	45000-60000	0.430	0.000*
	Above 60000	0.589	0.000*
15000-30000	Above 60000	0.389	0.000*
30000-45000	Above 60000	0.406	0.000*

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

Post Hoc Analysis (Table 5.10) is conducted and the results reveals that highest mean difference is recorded for ‘below 15000’ and ‘above 60000’ income groups. There is significant difference in mean service quality between the income groups below 15000 & 15000-30000, 45000-60000, and above 60000 at 1 per cent level of significance. Significant difference in mean is recorded between below 15000 and 30000-45000 income groups at 5 per cent level. Mean difference is significant at 1 per cent level for the income group pairs 15000-30000 & Above 60000 and 30000-45000 & Above 60000. There is no significant difference in the perception on service quality of other income group pairs.

Age wise analysis of customer perception on service quality of postal financial services is given in Table 5.11

Table 5.11: Customer Perception on Service Quality -Age-wise analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Age	Below 30	3.496	0.488	16.873	0.000*
	30-40	3.412	0.541		
	40-50	3.617	0.633		
	50-60	4.058	0.431		
	60 and above	3.858	0.536		

* Significant at 1 per cent level

Source: Computed from primary data

Highest mean score is obtained by ‘50-60 age group’ followed by ‘above 60’ and ‘40-50’ age groups. Standard deviation of 50-60 age group is least which shows the uniformity in opinion of respondents. Below 30 and

30-40 age groups have lowest service quality perception. One way ANOVA results (F-16.873 and p value <0.01) indicate that there exists significant difference in the service quality perception of respondents.

Table 5.12: Tukey's HSD Test Result on Service Quality-Age wise Analysis

Age (I)	Age (J)	Mean Difference	P value
Below 30	50-60	-0.562	0.000*
	Above 60	-0.362	0.004*
30-40	40-50	-0.205	0.003*
	50-60	-0.646	0.000*
	Above 60	-0.446	0.000*
40-50	50-60	-0.441	0.000*
	Above 60	-0.241	0.004*

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

From the Post Hoc analysis (Table 5. 12) it is revealed that highest difference in mean exists between 50-60 and 30-40 age groups. There is significant difference at 1 per cent level in the perception on service quality of income groups such as below 30 &50-60, Below 30 &above 60, 30-40 & 40-50, 30-40 & 50-60, 30-40 & above 60, 40-50 & 50-60, 40-50 and above 60 age groups.

5.3 Customer Perception on Product Quality of Postal Financial Services

Product quality of postal financial services is studied on the basis of five statements on five point scale. Descriptive and analytical statistical results of customer perception on product quality of financial services of India Post is summarized, tabulated and presented for facilitating analysis.

Table 5.13: Descriptive statistics on product quality aspects

Product quality aspect	Mean	Standard Deviation
Product variety and innovativeness	3.223	0.753
Attractiveness of features of products	2.934	0.781
Simplicity in terms and conditions	3.112	0.754
Attractiveness of benefits	3.264	0.625
Overall superiority of the financial products	3.083	0.758

Source: Computed from primary data

Table 5.13 reveals that attractiveness of features of products has lowest mean score compared to other aspects of product quality. Attractiveness of benefits has highest mean score i.e., 3.26. Mean score of product innovativeness, simplicity of terms and conditions and overall superiority are 3.22, 3.11 and 3.08 respectively.

Location-wise analysis of customer perception on product quality and the result of independent sample test are given in Table 5.14.

Table 5.14: Customer Perception on Product Quality- Location-wise analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test result	
				Test value	P value
Location	Urban	3.124	0.628	0.170	0.865
	Rural	3.113	0.620		

Not Significant

Source: Computed from primary data

Location-wise analysis of product quality of financial services reveals that the mean score of urban respondents is high compared to rural respondents. Independent sample mean test result reveals that there is no significant difference between urban and rural respondents regarding their perception about product quality of postal financial services.

Gender-wise descriptive statistics and result of independent sample test are shown in Table 5.15.

Table 5.15: Customer Perception on Product Quality-Gender-wise analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test result	
				Test value	P value
Gender	Male	3.034	0.626	-4.600	0.000*
	Female	3.262	0.593		

* Significant at 1 per cent level

Source: Computed from primary data

Male and female respondents differ significantly regarding the opinion about product quality of postal financial services. Female respondents perceive more on product quality compared to male respondents.

Influence of education and perception of customers on product quality is studied and the result is given in Table 5.16.

Table 5.16: Customer Perception on Product Quality-Education-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Education	School	3.259	0.571	14.415	0.000*
	Graduate	3.066	0.654		
	Post Graduate	2.878	0.513		
	Professional	2.795	0.559		
	Others	3.633	0.628		

* Significant at 1 per cent level

Source: Computed from primary data

One way ANOVA (Table 5.16) is conducted to know whether there is significant difference among the different education groups regarding customer perception on product quality of postal financial services. F value (14.415) and p value (less than 0.01) indicate that there is significant difference among different education groups regarding perception about product quality of postal financial services.

Table 5.17: Tukey’s HSD Test Result of Product Quality-Education wise Analysis

Education (I)	Education (J)	Mean Difference	P value
School Level	Graduate	0.193	0.006*
	Post Graduate	0.382	.0.000*
	Professional	0.464	0.000*
	Others	-0.374	0.030**
Graduate	Post Graduate	0.188	0.112
	Professional	0.270	0.053
	Others	-0.568	0.000*
Post Graduate	Professional	0.082	0.950
	Others	-0.756	0.000*
Professional	Others	-0.838	0.000*

**Significant at 1 per cent level*

***Significant at 5 per cent level*

Source: Computed from primary data

Tukey’s HSD test (Table 5.17) reveals that others group (Diploma, Higher Secondary etc.) has highest mean perception and is significantly different than all other education groups. Highest mean difference is recorded between others and professionals. There is no significant difference

in customer perception among Graduate & Post Graduate, Graduate & professional and Post Graduate & professional groups.

Table 5.18 shows the descriptive statistics and result of one way ANOVA regarding occupation wise customer perception on product quality of postal financial services.

Table 5.18: Customer Perception on Product Quality- Occupation-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Govt. Employee	2.978	0.586	25.553	0.000*
	Private Employee	2.848	0.639		
	Coolie worker	3.247	0.531		
	Retired	3.639	0.535		
	Business/Profession	2.783	0.474		
	Agriculture	3.455	0.444		
	Unemployed	3.276	0.624		

* Significant at 1 per cent level

Source: Computed from primary data

Results reveals that Retired persons have highest mean score relating to product quality perception (3.639) followed by Agriculture (3.455), unemployed (3.276) and coolie worker (3.247) categories. Professionals/ Business people have scored perceived lowest product quality. One way ANOVA test result (F 25.553 and p value<0.01) substantiates that there is significant difference in the perception of product quality among different occupation groups.

Table 5.19: Tukey’s HSD Test Result on Product Quality–Occupation-wise Analysis

Occupation (I)	Occupation (J)	Mean Difference	P value
Govt. Employee	Coolie worker	-0.269	0.002*
	Retired	-0.661	0.000*
	Agriculture	0.477	0.012**
	Unemployed	-0.298	0.021**
Private Employee	Coolie worker	-0.399	0.000*
	Retired	-0.791	0.000*
	Agriculture	-0.607	0.001*
	Unemployed	-0.427	0.000*
Coolie worker	Retired	-0.392	0.000*
	Business/Profession	0.465	0.000*
Retired	Business/Profession	0.856	0.000*
	Unemployed	0.364	0.005*
Business /Profession	Agriculture	-0.673	0.000*
	Unemployed	-0.493	0.000*

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

Post Hoc analysis (Table 5.19) shows that highest mean difference of 0.856 is recorded between retired and business/profession groups. There is significant difference in mean between almost all income groups under the study.

Descriptive statistics on customer perception about product quality based on their income classification and the one way ANOVA result are given in Table 5.20.

Table 5.20: Customer Perception on Product Quality-Monthly Income-wise Analysis

Demographic Variable		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Monthly Income	Below 15000	3.318	0.452	7.999	0.000*
	15000-30000	3.040	0.767		
	30000-45000	3.122	0.640		
	45000-60000	2.900	0.503		
	Above 60000	2.933	0.389		

* Significant at 1 per cent level

Source: Computed from primary data

Table 5.20 reveals that highest level of perception on product quality is noted for below 15000 income group followed by 30000-45000 and 15000-30000 income groups. Income groups such as 45000-60000 and above 60000 groups recorded low level of perception on product quality. One way ANOVA reveals that there exists significant difference in the customer perception on product quality.

Table 5.21: Tukey's HSD Test Result on Product Quality-Monthly Income wise Analysis

Monthly Income (I)	Monthly Income (J)	Mean Difference	P value
Below 15,000	15000-30000	0.278	0.000*
	30000-45000	0.196	0.043**
	45000-60000	0.418	0.002*
	Above 60000	0.385	0.000*

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

Tukey's Test results point out that significant difference in mean is noted between below 15000 and all other income groups. There is no significant difference between product quality perception of other income groups.

Age plays an important role in the selection of financial services and products. Need for financial products may vary on the basis of age. Financial products purchased by younger people may be different compared to customer above 50 or 60. The result of analysis of customer perception based on their age is exhibited in Table 5.22.

Table 5.22: Customer Perception on Product Quality – Age -wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Below 30	2.632	0.568	36.450	0.000*
	30-40	2.942	0.514		
	40-50	3.069	0.621		
	50-60	3.456	0.465		
	60 and above	3.612	0.522		

* Significant at 1 per cent level

Source: Computed from primary data

Here, descriptive statistics reveals that higher level of product quality is perceived by 'Above 60 age group followed by 50-60, and 40-50. Mean score associated with product quality perception is low for below 30 age group of respondents. One way ANOVA results (F 36.450 and p value <0.01) reveals that there is significant difference in the mean score of product quality perception.

Table 5.23: Tukey's HSD Test Result on Product Quality – Age-wise analysis

Age (I)	Age (J)	Mean Difference	P value
Below 30	30-40	-0.309	0.010*
	40-50	-0.437	0.000*
	50-60	-0.823	0.000*
	Above 60	-0.979	0.000*
30-40	50-60	-0.513	0.000*
	Above 60	-0.670	0.000*
40-50	50-60	-0.386	0.001*
	Above 60	-0.543	0.000*

*Significant at 1 per cent level

Source: Computed from primary data

Post Hoc analysis (Table 5.23) shows that highest mean difference is between Above 60 and below 30 age groups. Mean difference is found significant at 1 per cent level for below 30 & 30-40, below 30 & 40-50, below 30 & 50-60, 30-40 & 50-60, 30-40 & Above 60, 40-50 & 50-60 and 40-50 & Above 60 age groups. Other age groups are not significantly different regarding product quality perception.

5.4 Customer Satisfaction of Postal Financial Services

Studies reveal that customer satisfaction plays a significant role in retaining an existing customer and positive word of mouth.

Table 5.24: Descriptive statistics on Customer Satisfaction

Satisfaction regarding	Mean	Standard deviation
Adherence to service time	3.70	0.615
Technology in postal financial services	3.42	0.769
Overall performance of financial services of India Post exceeds expectation	3.66	0.650

Source: Computed from primary data

Table 5.24 reveals the overall customer satisfaction. Customers are less satisfied with the technology adoption / upgradation in financial services. Customer opinion about the overall performance of financial services of India Post has 3.66 mean score with standard deviation 0.650. Adherence to service time has the highest mean score of 3.70 and standard deviation is 0.615.

Analysis of customer satisfaction based on location is given in Table 5.25.

Table 5.25: Customer Satisfaction on Postal Financial Services- Location wise Analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test result	
				Test value	P value
Location	Urban	3.493	0.564	-4.439	0.000*
	Rural	3.694	0.582		

* Significant at 1 per cent level

Source: Computed from primary data

Regarding customer satisfaction, mean score of rural respondents is high compared to urban respondents. Independent sample mean test shows that there is significant difference in the customer satisfaction of urban and rural respondents. Rural respondents are experiencing high level of satisfaction compared to urban respondents.

Table 5.26: Customer Satisfaction on Postal Financial Service- Gender-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample t test result	
				Test value	P value
Gender	Male	3.522	0.595	-4.417	0.000*
	Female	3.713	0.541		

* Significant at 1 per cent level

Source: Computed from primary data

Regarding customer satisfaction, female respondents have high level of satisfaction and there exists significant difference among the male and female respondents regarding customer satisfaction. Independent sample mean test result (test value -4.417 and p value < 0.01) indicate that there exists significant difference in the customer satisfaction of male and female respondents. Female respondents have higher level of satisfaction compared to male respondents.

Table 5.27 presents the result of one way ANOVA and descriptive statistics relating to education-wise analysis of customer satisfaction.

Table 5.27: Customer Satisfaction on Postal Financial Services- Education-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Education	School	3.863	0.450	54.526	0.000*
	Graduate	3.442	0.516		
	Post Graduate	3.188	0.599		
	Professional	3.256	0.471		
	Others	4.375	0.464		

* Significant at 1 per cent level

Source: Computed from primary data

Satisfaction level is high among the 'others' (Diploma, Higher Secondary etc.) group followed by respondents who possess 'school level' education, and graduates. Satisfaction levels of Post Graduates and Professionals are low compared to other education groups. One Way ANOVA result indicate that there is significant difference in the customer satisfaction of different education groups.

Table 5.28: Tukey’s HSD Test Result on Customer Satisfaction – Education-wise Analysis

Education (I)	Education (J)	Mean Difference	P value
School Level	Graduate	0.421	0.000*
	Post Graduate	0.676	0.000*
	Professional	0.608	0.000*
	Others	-0.512	0.000*
Graduate	Post Graduate	0.255	0.001*
	Others	-0.933	0.000*
Post Graduate	Others	-1.188	0.000*
Professional	Others	-1.119	0.000

**Significant at 1 per cent level*

Source: Computed from primary data

Post Hoc analysis (Table 5.28) reveals that highest difference in customer satisfaction exists between Post Graduates and Others category. Significant difference in customer satisfaction exists at 1 per cent level between school level & graduate, school level & post graduate, school level & professional and school level & others groups. There is significant difference in mean satisfaction of Graduates, post graduates and others. Others group has highest level of satisfaction compared to the rest of education groups.

Descriptive statistics and one way ANOVA results on occupation-wise customer satisfaction analysis are given in Table 5.29.

Table 5.29: Customer Satisfaction on Postal Financial Services-Occupation-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Govt. Employee	3.456	0.628	17.832	0.000*
	Private Employee	3.319	0.656		
	Cooli worker	3.904	0.476		
	Retired	3.721	0.433		
	Business/Profession	3.386	0.487		
	Agriculture	4.019	0.312		
	Unemployed	3.753	0.425		

* Significant at 1 per cent level

Source: Computed from primary data

Descriptive statistics reveals that Agriculture category (Farmers) have highest level of customer satisfaction regarding postal financial services with a mean score of 4.019 followed by Coolie workers, unemployed and retired persons. Standard deviation shows a lowest level of dispersion regarding opinion of these groups of respondents. One way ANOVA is conducted to know whether there is significant difference in customer satisfaction of different occupation groups. Results of one way ANOVA shows that there exists significant difference among the occupation groups regarding the customer satisfaction about postal financial services. Result of Post Hoc analysis is given in Table 5.30.

Table 5.30: Tukey’s HSD Test Result on Customer Satisfaction-Occupation wise Analysis

Occupation (I)	Occupation (J)	Mean Difference	P value
Govt. Employee	Coolie worker	-0.448	0.000*
	Retired	-0.265	0.000*
	Agriculture	-0.563	0.001*
	Unemployed	-0.297	0.014**
Private Employee	Cooli worker	-0.584	0.000*
	Retired	-0.401	0.000*
	Agriculture	-0.699	0.000*
	Unemployed	-0.434	0.000*
Cooli worker	Business/Profession	0.518	0.000*
Retired	Business/Profession	0.335	0.001*
Business /Profession	Agriculture	-0.632	0.000*
	Unemployed	-0.367	0.003*

**Significant at 1 per cent level*

***Significant at 5 per cent level*

Source: Computed from primary data

Table 5.30 shows the result of Tukey HSD analysis. There is highest level of significant difference between Agriculture and private employees group. Agriculture, coolie worker and unemployed categories are having significant difference in the level of customer satisfaction. Significant difference in customer satisfaction is also found between Govt. Employee & Coolie worker, Govt. Employee & Retired, Govt. Employee & Agriculture, Govt. Employee & Unemployed categories. Similarly satisfaction of private employee is also significantly different at 1 per cent level with coolie worker, retired, Agriculture and Unemployed categories.

Income-wise analysis of customer satisfaction is shown in Table 5.31 and it reveals that there exists significant difference in the customer

satisfaction level of income groups. Below 15,000 income category has highest level of satisfaction compared to other income categories. 45000-60000 and Above 60000 income groups are having low level of satisfaction.

Table 5.31: Customer Satisfaction on Postal Financial Services- Monthly Income – wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Monthly Income	Below 15000	3.872	0.453	19.011	0.000*
	15000-30000	3.534	0.588		
	30000-45000	3.544	0.639		
	45000-60000	3.250	0.342		
	Above 60000	3.328	0.550		

* Significant at 1 per cent level

Source: Computed from primary data

One way ANOVA results (F-19.011 and p vale < 0.010) indicate that there is significant difference in the satisfaction level of different income groups. Post Hoc analysis is conducted to know which group has significant difference regarding satisfaction.

Table 5.32: Tukey's HSD Test Result on Customer Satisfaction- Monthly Income wise Analysis

Monthly Income (I)	Monthly Income (J)	Mean Difference	P value
Below 15,000	15000-30000	0.338	0.000*
	30000-45000	0.328	0.000*
	45000-60000	0.622	0.000*
	Above 60000	0.544	0.000*
15000-30000	45000-60000	0.287	0.037**
30000-45000	45000-60000	0.294	0.036**

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

From Table 5.32 it is inferred that highest difference in the satisfaction level noted between ‘Below 15000’ and ‘45000-60000’ income groups. Significant difference in satisfaction also exists at 1 per cent level between Below 15000 & 15000-30000, Below 15000& 30000-45000, Below 15000 & 45000-60000, and Below 15000 & Above 60000 income groups. Difference in satisfaction is also seen between 15000-30000 & 45000-60000 income groups. Satisfaction level of respondents in the income group of 30000-45000 is also significantly different at 5 per cent level with ‘45000-60000’ income group.

Descriptive statistics on age-wise analysis of customer satisfaction and one way ANOVA result are given in Table 5.33.

Table 5.33: Customer Satisfaction on Postal Financial Services-Age-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Age Groups	Below 30	3.507	0.479	13.638	0.000*
	30-40	3.433	0.598		
	40-50	3.576	0.602		
	50-60	4.083	0.418		
	60 and above	3.748	0.450		

* Significant at 1 per cent level

Source: Computed from primary data

It is evident that ‘50-60’ and ‘Above 60’ age groups are having high level of customer satisfaction compared to other age groups. Lowest level of customer satisfaction among the groups is recorded for 30-40 age group. One way ANOVA result indicates that there is significant difference in the satisfaction of different age groups.

Table 5.34: Tukey's HSD Test Result on Customer Satisfaction–Age-wise Analysis

Age (I)	Age (J)	Mean Difference	P value
Below 30	50-60	-0.576	0.000*
30-40	50-60	-0.650	0.000*
	Above 60	-0.316	0.000*
40-50	50-60	-0.507	0.000*
50-60	Above 60	0.335	0.012**

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

Post Hoc analysis result exhibits that there exists significant difference between Below 30 & 50-60, 30-40 & 50-60, 30-40 & Above 60, 40-50 & 50-60, 50-60 & Above 60 age groups. 50-60 and Above 60 age groups differ significantly at 5 per cent level of significance.

5.5 Customer Loyalty on Postal Financial Services

Customer loyalty on postal financial services is studied on the basis of four statements relating to behavioural and attitudinal loyalty. Result of analysis of customer loyalty based on demographic variables is given below.

Table 5.35: Descriptive statistics on Customer Loyalty

Customer loyalty	Mean	Standard Deviation
Positive word of mouth	3.644	0.780
Increase in financial transactions	3.713	0.788
Additional purchase of financial products	3.514	0.823
Retention	3.192	0.940

Source: Computed from primary data

Table 5.35 reveals that retention aspect of customer loyalty has lowest mean score compared to other aspects. Increase in financial transactions scored highest mean followed by positive word of mouth and additional purchase of financial products from post offices.

Demographic variables based analysis of Customer loyalty is presented in the following paragraphs.

Table 5.36: Customer Loyalty on Postal Financial Services - Location-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample mean test	
				Test value	P value
Location	Urban	3.412	0.737	-3.497	0.001*
	Rural	3.614	0.710		

* Significant at 1 per cent level

Source: Computed from primary data

Descriptive statistics and mean test result reveals that there exists significant difference in customer loyalty of urban and rural respondents and rural respondents possess high level of loyalty compared to urban respondents.

Table 5.37: Customer Loyalty on Postal Financial Services- Gender-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	Independent sample t test result	
				Test value	P value
Gender	Male	3.413	0.724	-4.494	0.000*
	Female	3.681	0.712		

* Significant at 1 per cent level

Source: Computed from primary data

Gender wise analysis reveals that female respondents are having high level of customer loyalty compared to male respondents. Independent sample mean test reveals that there is significant difference in customer loyalty of male and female respondents.

Education wise analysis of customer loyalty is shown Table 5.38.

Table 5.38: Customer Loyalty on Postal Financial Services- Education-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Education	School	3.843	0.529	25.700	0.000*
	Graduate	3.303	0.845		
	Post Graduate	3.268	0.575		
	Professional	3.139	0.509		
	Others	3.781	0.709		

* Significant at 1 per cent level

Source: Computed from primary data

Descriptive statistics reveals that 'School level' education group has high level of customer loyalty compared to other education groups. Post Graduates and Professionals have low level of customer loyalty with mean score 3.268 and 3.139 respectively. One way ANOVA results (F-25.700 and p value < 0.01) indicate that there exists significant difference in the customer loyalty of different education groups.

Post Hoc Analysis result is shown in the table 5.39.

Table 5.39: Tukey’s HSD Test Result on Customer Loyalty-Education wise Analysis

Education (I)	Education (J)	Mean Difference	P value
School Level	Graduate	0.539	0.000*
	Post Graduate	0.574	0.000*
	Professional	0.703	0.000*
Graduate	Others	-0.478	0.009*
Post Graduate	Others	-0.513	0.011**
Professional	Others	-0.642	0.002*

**Significant at 1 per cent level*

Source: Computed from primary data

From the Post Hoc analysis it is inferred that respondents with School level education have high level of customer loyalty compared to other education groups. There exists significant difference in customer loyalty between the education groups such as Graduate & Others, Post Graduate & Others, and Business/Professionals & Others.

Table 5.40: Customer Loyalty on Postal Financial Services- Occupation wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Govt. Employee	3.236	0.746	28.744	0.000*
	Private Employee	3.205	0.809		
	Coolie worker	3.858	0.465		
	Retired	3.971	0.657		
	Business/Profession	3.201	0.571		
	Agriculture	4.306	0.389		
	Unemployed	3.525	0.479		

** Significant at 1 per cent level*

Source: Computed from primary data

From Table 5.40, it is clear that the occupation categories such as Agriculture, Retired and Coolie worker are having higher level of customer loyalty with corresponding mean score of 4.306, 3.971, and 3.858. Private employees have low customer loyalty compared to other occupation groups. Post Hoc analysis reveals the following major differences among the occupation groups.

Table 5.41: Tukey's HSD Test Result on Customer Loyalty- Occupation wise Analysis

Occupation (I)	Occupation (J)	Mean Difference	P value
Govt. Employee	Coolie worker	-0.622	0.000*
	Retired	-0.735	0.000*
	Agriculture	-1.069	0.000*
Private Employee	Cooli worker	-0.656	0.000*
	Retired	-0.766	0.000*
	Agriculture	-1.101	0.000*
Cooli worker	Business/Profession	0.656	0.000*
Retired	Business/Profession	0.767	0.000*
Business /Profession	Agriculture	-1.104	0.000*
Agriculture	Unemployed	0.781	0.000*

**Significant at 1 per cent level*

Source: Computed from primary data

It is clear that customer loyalty of respondents under the occupation category of Agriculture is significantly higher when compared with other groups. It is also inferred that the level of customer loyalty of retired persons is significantly different compared to Govt. Employee, private employee, Business/Profession categories.

Income-wise analysis of customer loyalty is presented in the following tables.

Table 5.42: Customer Loyalty on Postal Financial Services-Income-Wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Monthly Income	Below 15000	3.859	0.528	19.525	0.000*
	15000-30000	3.520	0.777		
	30000-45000	3.294	0.829		
	45000-60000	3.138	0.543		
	Above 60000	3.231	0.501		

* Significant at 1 per cent level

Source: Computed from primary data

Here ‘Below 15000’ income category of respondents are more loyal compared to other income groups followed by 15000-30000. It clearly indicates the popularity of financial services among the low income categories of respondents. One way ANOVA is conducted to know whether there is significant difference in customer loyalty among the income groups. F ratio 19.525 and p value <0.01 clearly points out that there is significant difference in the customer loyalty of different income groups.

Table 5.43: Tukey’s HSD Test Result on Customer Loyalty-Monthly Income wise Analysis

Monthly Income (I)	Monthly Income (J)	Mean Difference	P value
Below 15,000	15000-30000	0.339	0.000*
	30000-45000	0.565	0.000*
	45000-60000	0.721	0.000*
	Above 60000	0.628	0.000*
15000-30000	30000-45000	0.227	0.028**
	45000-60000	0.382	0.020**
	Above 60000	0.289	0.027**

*Significant at 1 per cent level

**Significant at 5 per cent level

Source: Computed from primary data

Result of post hoc analysis (Table 5.43) reveals that there is significant difference in the customer loyalty of below 15,000 income group with all other income groups. Highest mean difference is recorded for below 15,000 and 45000-60000 income groups. The result also shows that the difference in customer loyalty is significant for 15,000-30,000 & 30,000-45000, 15000-30000 & 45000-60000, 15000-30000 & Above 60000 income categories. Other income groups are not having significant difference in the customer loyalty towards postal financial services.

Age-wise analysis of customer loyalty on postal financial services shows that customers falling under the age groups of 50-60 and above 60 are having higher level of customer loyalty compared to other age groups. Least level of customer loyalty is recorded for below 30 age group.

Table 5.44: Customer Loyalty on Postal Financial Services -Age-wise Analysis

Demographic Variables		Mean Score	Standard Deviation	One way ANOVA Result	
				F	P value
Occupation	Below 30	3.233	0.622	22.252	0.000*
	30-40	3.316	0.642		
	40-50	3.431	0.782		
	50-60	3.975	0.375		
	60 and above	3.968	0.621		

* Significant at 1 per cent level

Source: Computed from primary data

One way ANOVA result (F 22.52 and p value <0.01) reveals that there exists significant difference in the loyalty level of different age groups. Further analysis is done by using Tukey's HSD analysis.

Table 5.45: Tukey's HSD Test Result on Customer Loyalty- Age Wise Analysis

Age (I)	Age (J)	Mean Difference	P value
Below 30	50-60	-0.742	0.000*
	Above 60	-0.735	0.000*
30-40	50-60	-0.659	0.000*
	Above 60	-0.652	0.000*
40-50	50-60	-0.544	0.000*
	Above 60	-0.536	0.000*

**Significant at 1 per cent level*

Source: Computed from primary data

Results of post hoc analysis reveals that the level of customer loyalty of 50-60 and above 60 categories are significantly different compared to other age groups under the study. Highest mean difference is recorded between 50-60 & below 30 age categories.

5.6 Conclusion

From the above analysis of customer perception on service quality, product quality, customer satisfaction and customer loyalty following conclusions are drawn. Major objective of the study is to analyse the customer loyalty on postal financial services in Kerala. Review of literature revealed that the major antecedents of customer loyalty are customer perception on product quality, service quality and customer satisfaction. Above analysis revealed the levels of customer perception on product quality, service quality, customer satisfaction and customer loyalty. It is found that rural respondents possess high level of perception on service quality, product quality, customer satisfaction and customer loyalty on postal financial services. Similarly, female respondents have higher level of

perception on service quality, product quality, customer satisfaction and customer loyalty compared to male respondents. Customers under the education category of 'Others' (Diploma, higher secondary) scored high level of perception on service quality, product quality and customer satisfaction. Respondents with school level education are highly loyal regarding postal financial services. Under occupation category, respondents from 'Agriculture' group have higher level of perception regarding service quality, customer satisfaction and customer loyalty and 'Retired' persons have higher level of product quality perception. Respondents falling under the income group 'Below 15000' scored higher level of perception on service quality, product quality, and customer satisfaction and customer loyalty. Age-wise analysis revealed that respondents above the age of 50 years or more are having higher level of perception on service quality, product quality, and customer satisfaction and customer loyalty. In short, there is higher level of positive opinion about postal financial services in the minds of rural respondents, female respondents, low income groups, respondents above 50 years, farmers and retired persons which is obviously indicating the role and relevance of postal financial services among the weaker sections of the society.

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**RELATIONSHIP BETWEEN SERVICE QUALITY,
PRODUCT QUALITY, CUSTOMER SATISFACTION,
AND CUSTOMER LOYALTY**

C o n t e n t s	6.1 <i>Introduction</i>
	6.2 <i>Model Fit Indices selected</i>
	6.3 <i>Assessing the Overall Measurement Model Fitness</i>
	6.4 <i>Reliability of Constructs using Composite Reliability and Validity Test Results</i>
	6.5 <i>Testing of Hypotheses</i>
	6.6 <i>Testing of Conceptual Model</i>
	6.7 <i>Problems Faced by Customers of Postal Financial Services</i>
	6.8 <i>Conclusion</i>

6.1 Introduction

India Post is the oldest departmental undertaking which has completed its 150 years of journey as a communication network in 2004. Once it had the monopoly in communication networks and enjoyed monopoly loyalty in mail transfers. However the case of financial services is different. India Post has been dealing deposit, money transfer and insurance products on behalf of Central Government along with commercial banks and insurance companies which are offering variety of deposit, insurance and money transfer products to its customers. To survive in the field of financial services, India Post has to attract and retain customers by offering quality

products and services. Therefore, a study on customer loyalty and its antecedents is worthwhile to know the customer perception about financial services of India Post.

Studies relating to product quality, service quality, customer satisfaction and customer loyalty concepts are conducted in manufacturing and service sectors all over the world. Large number of studies concentrates on the relationship between service quality and customer satisfaction. It is evident from the previous studies that customer perception on service quality has significant positive influence on customer satisfaction. Similarly, customer perception regarding the quality of product is also studied by various academicians and researchers. Studies revealed that there is positive influence of product quality on customer satisfaction. It is the basic belief that higher the level of customer satisfaction, higher the rate of retention of customers. Studies conducted on this assumption also revealed that there is positive relationship between customer satisfaction and customer loyalty. On the basis of these relationships, a conceptual model is framed to analyse the relationship between service quality, product quality, customer satisfaction and customer loyalty regarding financial services of India Post in the state of Kerala.

For the purpose of testing and validating the relationship between, service quality, product quality, customer satisfaction and customer loyalty, Structural Equation Modelling (SEM) is used and hypothesis are tested through the Structural Equation Modelling using AMOS 23. A Confirmatory Factor Analysis using AMOS 23 is conducted to test the measurement model.

6.2 Model Fit Indices Selected

Fit indices are the statistical tests used to determine how well the model fits to the data. Fitness refers to the ability of a model to reproduce the data. Schreiber, Nora, Stage, Barlow, & King (2006)¹ stated that the commonly used fit indices for one time analysis are Comparative Fit Index, Tucker-Lewis Fit Index, Standardised Root Mean Square Residual and Root Mean Square Error of Approximation, Here the fit indices used for the study are:

- 1) Comparative Fit Index (CFI)
- 2) Tucker-Lewis Index (TLI)
- 3) Standardised Root Mean Square Residual (SRMR) and
- 4) Root Mean Square Error of Approximation (RMSEA)

6.2.1 Comparative Fit Index (CFI)

CFI is also known as Bentler Comparative Fit Index. It compares the model of interest with some alternative, such as null or independence model. It represents the ratio between the discrepancies of the target model to the discrepancy of the independent model. CFI values range from 0 to 1 and Values that approach 1 indicate acceptable fit. Generally, CFI value of 0.90 and above is considered as cut off (Hu & Bentler, 1999)².

6.2.2 Tucker-Lewis Index (TLI)

TLI is similar to NFI and is sometimes called non normed fit index. It is based on chi-square. It is an incremental measure of goodness of fit which is not affected by the number of parameters or variables. Generally accepted standard for TLI is 0.90. (Hu & Bentler 1999)³

6.2.3 Standardised Root Mean Residual (SRMR)

SRMR is regarded as the absolute measure of fit. It is the standardized difference between the observed correlation and the predicted correlation. Maximum value of permissible SRMR is 0.08. A value of less than 0.08 is generally considered a good fit (Hu and Bentler, 1999)⁴.

6.2.4 Root Mean Square Error of Approximation (RMSEA)

The fit statistic was first developed by Steiger and Lind. A measure of goodness of fit for statistical models, where the goal is for the population to have an approximate or close fit with the model, rather than an exact fit, which is often not practical for large populations (Kaplan DW, 2000)⁵. Generally values near to 0.080 are regarded as good. Hu & Bentler (1998)⁶ stated that RMSEA should not exceed 0.08.

6.3 Assessing the Overall Measurement Model Fitness

Measurement model is the model in which latent variables are prescribed and measured. Unobserved latent variables are measured indirectly by responses to a number of observable variables. The model indicates which measured variables are indicators of latent variables. It shows the mapping of measures into theoretical constructs. Here, the latent variables such as service quality, product quality, customer satisfaction and customer loyalty are measured by 18 statements. Figure 6.1. represents the measurement model combining all the constructs involved in the study i.e., service quality, product quality, customer satisfaction and customer loyalty.

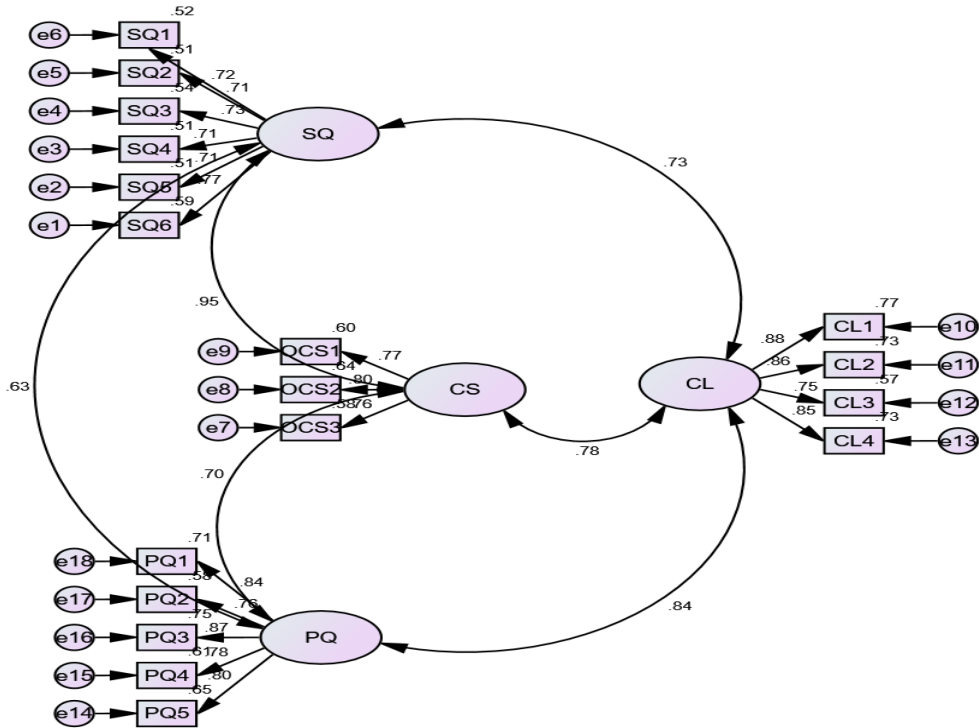


Figure 6.1: Measurement Model

Table 6.1: Model Fit Indices for measurement model

CFI	TLI	SRMR	RMSEA
0.906	0.90	0.04	0.08

The measurement model with 18 items produced the following Fit statistics: Comparative Fit Index (CFI) 0.906 Tucker Lewis Index (TLI) 0.90, Standardised Root Mean Residual 0.04, Root Mean Square of Error Approximation (RMSEA) 0.08 and CFA yielded acceptable values of CFI, TLI, SRMR and RMSEA. CFI values of 0.90 or above suggests good model fit (Bentler, 1990)⁷.

The results of Confirmatory Factor Analysis reveals that the fitness indices of the measurement model achieved the required level of acceptance as stated above and the measurement model is accepted for further analysis.

Table 6.2: Standardized Factor Loadings of Observed Variables

	Sl. No.	Statement	Factor Loading
Service Quality	1	Punctuality and timeliness of performing service	0.724
	2	Courteous behaviour of Postal Staff to customers	0.711
	3	Availability of physical facilities in the post office	0.732
	4	Adequacy of operating hours for financial services	0.713
	5	Error free records and performing the service	0.714
	6	Knowledge level of staff to satisfy the requirements of customers	0.767
Product Quality	7	Variety and innovativeness of Financial Products	0.840
	8	Attractiveness of features of Financial Products	0.761
	9	Simplicity of Terms and conditions of Financial Products	0.869
	10	Benefits from the services are attractive	0.780
	11	Overall, Postal Financial Products are Superior to other financial products	0.805
Customer Satisfaction	12	Satisfaction on adherence to standard time for performance	0.773
	13	Satisfaction regarding the use of modern technology	0.799
	14	Overall performance of financial services exceeds expectations	0.761
Customer Loyalty	15	I intend to communicate positive things about postal financial services and recommend to my friends and relatives	0.877
	16	I would like to buy additional financial products from Post Offices	0.855
	17	I would like to increase the number of financial transactions with POs	0.753
	18	As long as the present service continues I will not switch my existing financial transactions with post offices	0.852

Source: Field Survey, AMOS Output

From the Table 6.2 it is clear that the factor loadings of all variables are above 0.700.

Service quality is measured by 6 statements and all the statements have loading more than 0.0700 which indicates the consistency of the construct. Similarly statements on product quality, customer satisfaction and customer loyalty also have acceptable factor loadings which are above 0.700. All these indicate that the statements are consistent in explaining the latent variables used in the study.

6.4 Reliability of Constructs Using Composite Reliability and Validity Test Results

A measure is reliable to the extent that independent but comparable measures of the same construct of a given object agree. Reliability depends on how much of the variation in scores is attributable to random or chance errors. If a measure is perfectly reliable random error will be equal to zero.

Composite Reliability (CR) measure the reliability of a construct in the measurement model. It enables the overall internal consistency of a construct. A Composite Reliability of 0.70 or greater is acceptable (Anderson & Gerbing⁸, 1988; Bragozzi & Yi⁹, 1991). Here, all the four constructs have CR value more than 0.70 which indicates the overall internal consistency of the constructs.

Table 6.3: Reliability Test Result of Constructs

Construct	CR Value	AVE value
Perception on Product Quality	0.906	0.659
Perception on Service Quality	0.871	0.529
Customer Satisfaction	0.821	0.605
Customer Loyalty	0.902	0.698

Table 6.3 reveals the Composite Reliability values and Average Variance Extracted values of constructs used in the study i.e., customer perception on product quality, service quality, customer satisfaction and customer loyalty of postal financial services. AVE is the amount of variance that a construct obtains from the indicators in relation to the amount of variance of the measurement error. It should be greater than 0.50 (Fornel & Larker, 1981)¹⁰.

Validity was evaluated for the four constructs and it is found that there is validity based on the following points.

- 1) All factor loadings are above 0.70 and significant
- 2) Construct reliability values are more than 0.80 and
- 3) All AVE values more than 0.500

Since, there is adequate loading for all factors, AVE and reliability scores are satisfactory, the measurement model is accepted.

6.5 Testing of Hypotheses

The hypotheses generated from the literature review and conceptual model are statistically tested here with a view to fulfilling the sixth objective of the study. Hypothesis testing was based on Structural Equation Modelling using AMOS 23.

6.5.1 Relationship between Service Quality and Customer Satisfaction

A service organisation is said to have quality service when the customer experience meet or exceeds customer expectations. Service quality and customer satisfaction have certain elements in common. However, both are

different concepts and service quality is considered as an independent variable which influences customer satisfaction. Satisfaction is a broader concept to service quality as the former focuses more number of attributes while the latter focuses on quality of services itself. Previous studies suggest that service quality has great influence on customer satisfaction of product or service. The relationship between service quality and customer satisfaction is tested by Structural Equation Modelling and the results are given in figure 6.2 and table 6.4

Hypothesis 1: Customer perception on service quality of postal financial services significantly influences customer satisfaction.

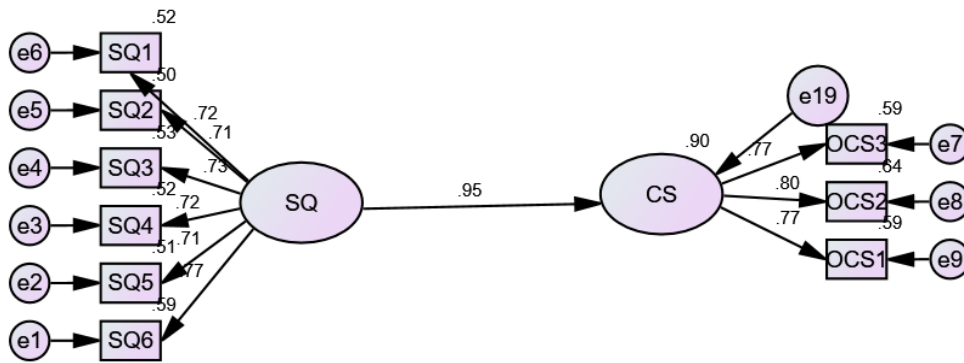


Figure 6.2: Relationship between Service Quality and Customer Satisfaction

The results of statistical test conducted with Structural Equation Model to test the relationship between customer perceptions on service quality and customer satisfaction is presented in Table 6.4.

Table 6.4: Relationship between Service Quality and Customer Satisfaction

Model Fit Indices				Regression Results						
CFI	TLI	SRMR	RMSEA	Path	R.	SRW	SE	CR	P value	R ²
0.929	0.921	0.0435	0.08	SQ→CS	0.947	0.950	0.054	18.118	0.000*	0.897

**Significant at 1 per cent level*

CFI-Comparative Fit Index

NFI- Normed Fit Index

SRMR-Standardised Root Mean Residual

RMSEA-Root Mean Square Error of Approximation

SRW- Standardised Regression Weight

SE-Standard Error

CR- Critical Ratio

R²- R-squared

Model fit indices reveals that all the fit indices selected are having satisfactory value such as CFI 0.929, TLI 0.921, SRMR 0.435 and RMSEA 0.08. Regression weights and the p value shows that customer perception on service quality of postal financial services strongly influences on customer satisfaction. Results reveals that 89.70 per cent of the total variance in the customer satisfaction is explained by the customer perception on service quality of postal financial services.

Analysis of data based on Structural Equation Modeling confirms the theory that customer satisfaction on postal financial service is influenced by service quality associated with it.

6.5.2 Relationship between Product Quality and Customer Satisfaction

Being a financial product, postal financial services have some tangible and product related elements which are not explained by the service quality of financial products. Selected studies in the field pointed out that it is a combination of service quality and product quality which lead to customer satisfaction. Review of existing literature revealed that there exist a positive relationship between product quality perceived by customers and their satisfaction. The assumption is tested as follows.

Hypothesis 2: Customer perception on product quality of postal financial services positively affects the level of customer satisfaction.

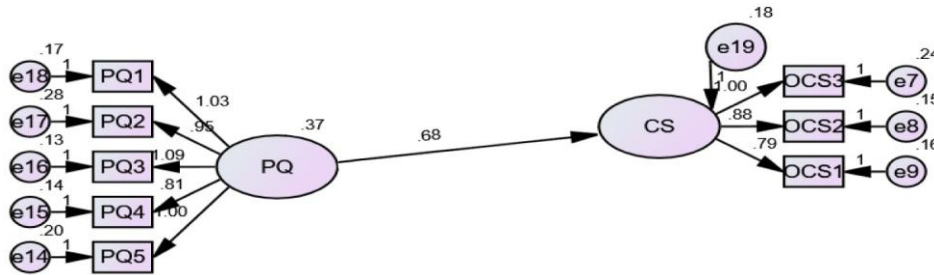


Figure 6.3: Relationship between Product Quality of Financial Services and Customer Satisfaction

The results of statistical test conducted with Structural Equation Model to test the relationship between customer perceptions on product quality of financial services and customer satisfaction is presented in Table 6.5.

Table 6.5: Relationship between Product Quality of Financial Services and Customer Satisfaction

Model Fit Indices				Regression Results						
CFI	TLI	SRMR	RMSEA	Path	R	SRW	SE	CR	P value	R ²
0.966	0.960	0.0377	0.08	PQ→CS	0.699	0.680	0.047	14.314	0.000*	0.488

*Significant at 1 per cent level

Model fit indices given in table 6.3 shows that the fit indices like CFI (0.966), TLI (0.960), SRMR (0.0377) and RMSEA (0.08) are satisfactory to fit the model to the data. Influence of product quality on customer satisfaction is tested and the results reveals that product quality of financial services positively affects level of customer satisfaction with standardised regression estimate 0.680 and p value 0.000. Thus, the second hypothesis formulated for the study has been proved. The variance in customer

satisfaction to the extent of 48.8 per cent is explained by the customer perception on product quality of financial services.

6.5.3 Relationship between Customer Satisfaction and Customer Loyalty

Satisfaction is regarded as a pre-requisite for building long-term relationship with the customers and is likely to increase the retention chance which is otherwise known as loyalty. Customer satisfaction is bound to result in creating a favorable opinion about the organisation and its products. So customer satisfaction will also increase the likelihood of recommending the product or service which is also a part of loyalty. Here, the relationship between customer satisfaction and customer loyalty is tested and the result is given in figure 6.4 and table 6.6.

Hypothesis 3: Higher the customer satisfaction, more is the customer loyalty to postal financial services.

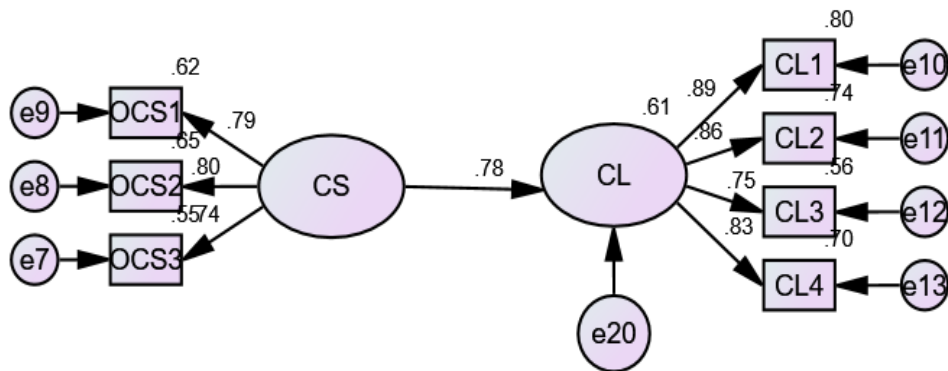


Figure 6.4: Relationship between Customer Satisfaction and Customer Loyalty

The results of statistical test conducted with Structural Equation Model to test the relationship between customer satisfaction and customer loyalty is presented in Table 6.6.

Table 6.6: Relationship between Customer Satisfaction and Customer Loyalty

Model Fit Indices				Regression Results						
CFI	TLI	SRMR	RMSEA	Path	R	SRW	SE	CR	P value	R ²
0.976	0.971	0.0277	0.08	CS→CL	0.780	0.78	0.059	16.169	0.000	0.608

**Significant at 1 per cent level*

CFI (0.976), TLI (0.971), SRMR (0.0277) and RMSEA (0.08) values point out that the model fit indices are satisfactory and the model is fit to explain the relationship between customer satisfaction and customer loyalty. Relationship between customer satisfaction and customer loyalty is tested and based on the observations it can be concluded that higher the customer satisfaction more is the customer loyalty to postal financial services. Results are significant at 1 per cent level and 60.80 per cent of the total variance in customer loyalty is explained by customer satisfaction.

Customer satisfaction is considered as the major antecedent of customer loyalty. Here it is concluded that customer satisfaction on financial services of India Post has influence on customer loyalty.

6.5.4 Relationship between Service Quality and Customer Loyalty

Customer perception on service quality is regarded as one of the most frequently analysed determinant of customer loyalty. Several studies are conducted on the relationship between service quality and customer loyalty. Some authors suggested that service quality determines customer satisfaction and affects customer loyalty through satisfaction (Cronin and Taylor¹¹, 1992; Rust and Oliver¹², 1994). Others stated that there is direct positive relationship between service quality and customer loyalty (Chen & Lee (2008)¹³. Here direct influence of service quality on customer loyalty of postal financial services is tested and the results are given below.

Hypothesis 4: Customer perception on service quality of financial services significantly influences customer loyalty.

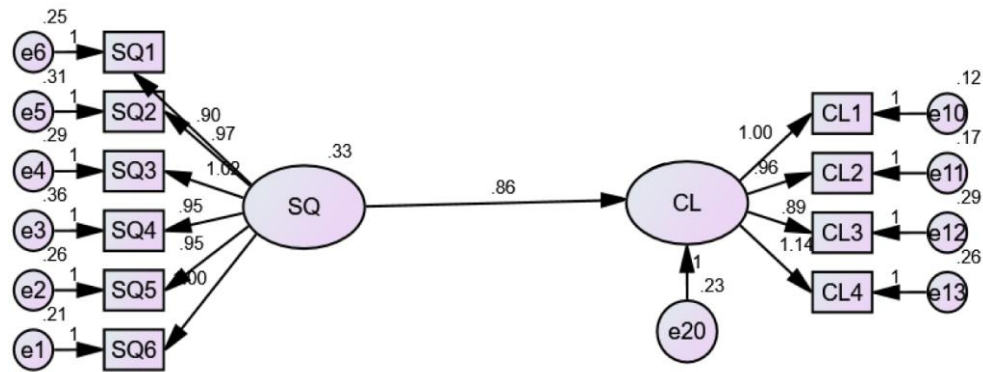


Figure 6.5: Relationship between Service Quality and Customer Loyalty

The results of statistical test conducted with Structural Equation Model to test the relationship between service quality and customer loyalty is presented in Table 6.7.

Table 6.7: Relationship between Service Quality and Customer Loyalty

Model Fit Indices				Regression Results						
CFI	TLI	SRMR	RMSEA	Path	R	SRW	SE	CR	P value	R ²
0.932	0.923	0.0424	0.08	SQ→CL	0.718	0.86	0.053	16.285	0.000	0.516

*Significant at 1 per cent level

Table 6.7 presents the fit indices and regression results on relationship between service quality and customer loyalty. Fit indices such as CFI (0.932), TLI (0.923) SRMR (0.0424) and RMSEA (0.08) are satisfactory to explain the relationship between service quality and customer loyalty. Hence, the fourth hypothesis is validated that customer perception on service quality of financial services significantly influences customer

loyalty. P value shows that the results are significant at 1 per cent level and 51.60 per cent of the total variance in customer loyalty is explained by customer perception on service quality of postal financial services.

In short, it is evident that customer perception on service quality associated to financial services of India Post has significant direct influence on the customer loyalty of postal financial services.

6.5.4 Relationship between Product Quality and Customer Loyalty

Product quality may be defined as the customers' overall perception about the quality of a product. It is customer judgment about the overall excellence or performance of a product in relation to its features or attributes. There are varying opinions about the relationship between customer perception on product quality and customer loyalty. However, few studies are conducted on product quality and its impact on customer loyalty. Hypothesis used for the analysis is stated as follows.

Hypothesis 5: Higher the customer perception on product quality more is the customer loyalty to postal financial services.

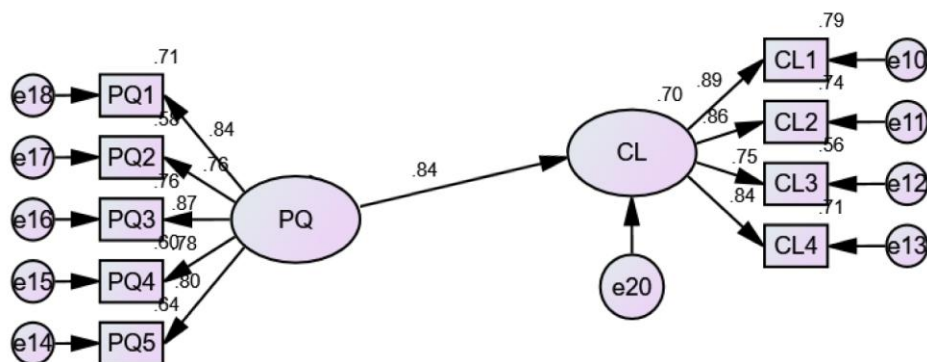


Figure 6.6: Relationship between Product Quality and Customer Loyalty

The results of statistical test conducted with Structural Equation Model to test the relationship between product quality and customer loyalty is presented in Table 6.8.

Table 6.8: Relationship between Product Quality and Customer Loyalty

Model Fit Indices				Regression Results						
CFI	TLI	SRMR	RMSEA	Path	R	SRW	SE	CR	P value	R ²
0.953	0.947	0.0424	0.08	PQ→CL	0.836	0.84	0.047	20.252	0.000*	0.700

*Significant at 1 per cent level

Model fit indices reveals satisfactory results on the fitness of model to explain the relationship between variables. The relationship was found significant at 1 per cent level with standardised regression estimate 0.84 and R squared is 0.700. Hypothesis testing reveals and prove the fifth hypothesis that higher the customer perception on product quality more is the customer loyalty to postal financial services. R² value shows that 70 per cent variance in customer loyalty is explained by customer perception on product quality of postal financial services

6.6 Testing of Conceptual Model

Analysis of hypotheses on direct individual relationship between the variables revealed that there is direct relationship between all the variables. In order to find the combined effect of the independent variables on dependent variable structural equation model is conducted using AMOS 23. Here, the relationships between service quality, product quality, customer satisfaction and customer loyalty proposed in the conceptual model are tested with the structural equation modeling.

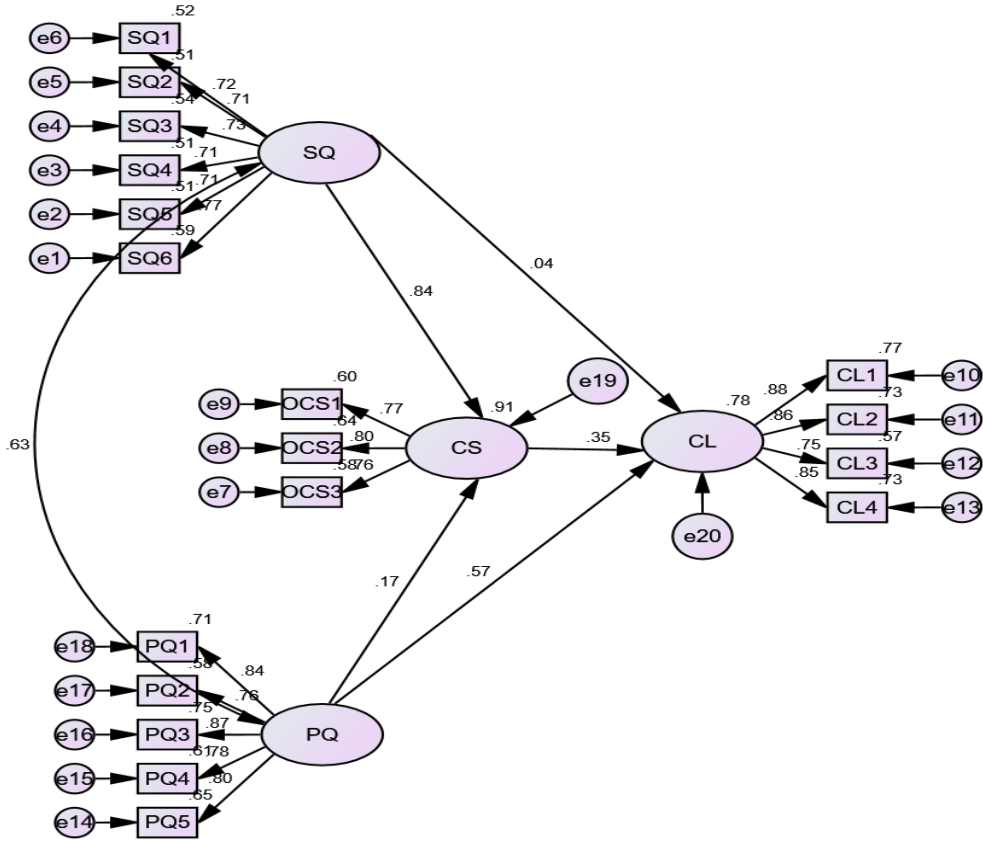


Figure 6.7: Structural Model on Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

There are 4 latent variables and 18 observed variables in the structural model. 6 variables are used to represent perception about service quality; 5 variables are used to measure product quality; 3 variables are used to measure customer satisfaction and 4 variables are used to measure customer loyalty relating postal financial services. In reviewing the SEM path model it can be seen that Customer Loyalty is influenced by Customer Satisfaction, Customer Perception on Service Quality and Product Quality; and Customer

Satisfaction is influenced by service Quality and Product Quality Perception about postal financial services.

Table 6.9: Model Data on Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

Model Fit Indices		Regression Results						
		Path	R	SRW	SE	CR	P value	R ²
Indices	Values	SQ→CS	0.869	0.84	0.057	15.308	0.000*	0.914
		PQ→CS	0.167	0.17	0.037	4.479	0.000*	
CFI	0.906	CS→CL	0.407	0.35	0.225	1.812	0.070**	0.782
TLI	0.90	SQ→CL	0.043	0.04	0.209	0.206	0.837	
SRMR	0.04	PQ→CL	0.644	0.57	0.057	11.369	0.000*	
RMSEA	0.08	SQ- Service Quality PQ – Product Quality			CS-Customer Satisfaction CL- Customer Loyalty			

* Significant at 1 per cent level, ** significant at 10 per cent level

The structural equation model indicating the relationships between service quality, product quality, customer satisfaction and customer loyalty is tested and the model has acceptable fit indices such as CFI = 0.906, TLI=0.90, RMSEA=0.08 and SRMR = 0.04. P values were found significant at 1 per cent level for the paths such as Service Quality-Customer Satisfaction, Product Quality-Customer satisfaction, and Product Quality-Customer Loyalty with standardized regression estimates 0.84, 0.17 and 0.57 respectively.

Customer satisfaction-Customer Loyalty relationship is found significant at 10 per cent level with standardized regression weight 0.407. It is found that 91.40 per cent of the variance in customer satisfaction is explained by service quality and product quality of postal financial services. It is clear that 78.20 per cent of variance in customer loyalty is explained by customer satisfaction and product quality. Hence it can be concluded that there exists

strong positive relationship between service quality & customer satisfaction and Product quality & Customer loyalty. There is a weak relationship between customer satisfaction and customer loyalty.

6.6.1 Managerial Implications of the Model

The final model tested reveals the following points associated to customer loyalty on postal financial services. Structural model says that service quality-customer loyalty path is not significant but service quality-customer satisfaction path is significant at 1 per cent level. Customer perception on product quality is also influencing customer satisfaction. However, it is evident that service quality plays a major role in customer satisfaction than product quality. On the other hand product quality-customer loyalty path is found significant and it is concluded that product quality has direct influence on customer loyalty.

In the financial service industry, customer satisfaction is based on the nature of the relationship between the customer and the provider of the products and services i.e. banks and products offered. Both product and service quality are commonly noted as a critical prerequisite for satisfying and retaining valued customers in financial service industry.

Deming, (1982)¹⁴ stated that “It will not be sufficed to have customers that are merely satisfied. An unhappy customer will switch. Unfortunately a satisfied customer may also switch on the theory that he could not lose much, and might gain”.

India Post has been offering financial services as an agency function. The products are aimed at small savings mobilisation and providing basic

financial products (insurance and money transfer) to people who otherwise are excluded from the financial system. India Post offers small saving schemes to customers to satisfy their needs such as thrift saving, tax reduction, future investment, short term deposit etc.

The model states that product quality is the most important element in determining customer loyalty of postal financial services. It is true that more than service quality, customers of postal financial services are looking for products with attractive features, innovation, benefits and overall superiority of the product. It is to be identified as the focal point for creating customer loyalty and India Post has to design the products with attractive features to maximize customer loyalty.

6.7 Problems Faced by Customers of Postal Financial Services

India Post, with its vast network and variety of services, stands in a predominant position in the financial services sector of India. Prior to the bank nationalisation and liberalisations, India Post was the primary financial service institution functioning in rural areas of India. Now liberalisations in banking and insurance sector have resulted in mass branch openings and availability of insurance products in rural areas also. Even then, India Post remains as the only financial institution in some rural areas of our country and further it clearly enjoys public confidence everywhere. India Post has been offering banking products such as savings bank, time deposit, recurring deposit certificates etc on behalf of Ministry of Finance Govt. of India. The traditional small savings products are offered through post offices for mobilisation of savings in India. India Post also offers life insurance products to rural customers and government employees. It also facilitates fund transfer from one place to another.

In today's competitive world, creating and maintaining a customer is not an easy task for both production and service oriented organisations. The ability to create a long term customer relationship can reduce and eliminate customer attrition and increase customer satisfaction. For this purpose organisations have to identify the reasons for customer satisfaction or dissatisfaction. Customer dissatisfaction generally comes from unsolved complaints or grievances. India Post has been offering banking, insurance and money transfer products to its customers, over a very long period of time without facing any serious lacuna till the on set of liberalisation.

Review of previous studies found that customer complaints are quite substantive in financial services sector. However the frequency and density may vary from service to service and organisation to organisation. Here, an attempt is made to analyse the difficulties of respondents regarding postal financial services.

Review of literature and customer interactions helped to identify the major difficulties faced by the customers of postal financial services. The problems were incorporated in the final interview schedule. Following problems are identified regarding postal financial services.

- 1) Delay in counter transaction
- 2) Mistakes in passbooks and statements
- 3) Delay in getting cash and inadequate business hours
- 4) Lack of proper financial advices from postal staff
- 5) Lack of awareness among postal staff about the products]
- 6) Delay in claim settlement
- 7) Delay in getting certificates on banking and insurance products
- 8) Inadequate counters for financial services
- 9) Non-availability of financial products in the nearest post offices.

Opinion of respondents regarding customer grievances are gathered and analysed. Following procedure is adopted for identifying the primary problem faced by the respondents.

- 1) Respondents were asked to rank the difficulties from 1 to 9 based on the level of difficulty faced by them frequently. One means the difficulty faced frequently and 9 means least difficulty.
- 2) For the purpose of analysis, 1st rank is given 9 weight and so on.
- 3) Weights corresponding to each rank of the difficulty are multiplied with the frequency of response to get total score.
- 4) Total score is divided by number of respondents to get the weighted mean.
- 5) Final ranks are assigned to these difficulties on the basis of weighted mean. Here, First rank means (Maximum weighted mean) primary difficulty faced by the respondents.

Analysis of problems faced by the respondents, corresponding weight and rank are given in the following table.

Table 6.10: Problems Faced by Customers of Postal Financial Services

Sl. No.	Problems	Weighted Average	Rank
1	Delay in counter transaction	5.62	4
2	Mistakes in passbooks and statements	3.46	9
3	Delay in getting cash and inadequate business hours	6.30	2
4	Lack of proper financial advices from postal staff	6.61	1
5	Lack of awareness among postal staff about the products	4.06	8
6	Delay in claim settlement	4.08	7
7	Delay in getting certificates on banking and insurance products	5.94	3
8	Inadequate counters for financial services	4.10	6
9	Non availability of financial products in the nearest post office	4.83	5

Source: Field Survey Data

Table 6.10 highlights that lack of proper financial advice has highest weighted mean (6.61) and is ranked as the primary difficulty faced by the respondents. Delay in getting cash and inadequate business hours (weighted mean 6.30) is the second major difficulty faced by the respondents followed by delay in getting certificates (weighted mean 5.94), delay in counter transactions (weighted mean 5.62) and non-availability of certain financial products (4.83). However, inadequate counters, delay in claim settlement, lack of awareness among postal staff and mistakes in passbooks and statements are the problems faced by the respondents less frequently.

Location plays an important role in providing facilities and restricts the availability of goods and services. Location-wise analysis of problems faced by the respondents is analysed and the result is given in Table 6.11

Table 6.11: Difficulties Faced by Customers of Postal Financial Services – Location-wise Analysis

Sl. No.	Problems	Urban		Rural	
		Weighted Average	Rank	Weighted Average	Rank
1	Delay in counter transaction	5.87	4	5.37	5
2	Mistakes in passbooks and statements	3.63	8	3.30	8
3	Delay in getting cash and inadequate business hours	6.02	3	7.01	1
4	Lack of proper financial advices from postal staff	6.96	1	6.58	2
5	Lack of awareness among postal staff about the products	4.83	6	3.29	7
6	Delay in claim settlement	3.65	7	4.51	6
7	Delay in getting certificates on banking and insurance products	6.47	2	5.40	4
8	Inadequate counters for financial services	4.91	5	3.29	9
9	Non availability of financial products in the nearest post office	2.65	9	6.26	3

Source: Field Survey Data

Table 6.11 indicates the major difficulties faced by urban and rural respondents. It is clear that the major difficulty faced by the urban respondents is lack of proper financial advices from postal staff (weighted mean 6.96) followed by delay in getting certificates (weighted mean 6.47) and delay in getting and inadequate business hours (weighted mean 6.02). Least significant difficulty faced by the urban respondents is non-availability of certain financial products.

Rural respondents opined that delay in getting cash and inadequate business hours is the major difficulty faced by them (Weighted mean 7.01) followed by lack of proper financial advices from postal staff and non-availability of certain financial products in the nearest post office with weighted means 6.58 and 6.26 respectively. Inadequacy of counters (Weighted mean 3.29) and mistakes in passbooks (Weighted mean 3.30) are the difficulties faced by the respondents less frequently.

6.8 Conclusion

Based on the above, the following conclusions are made. Customer perception on service quality, product quality and customer satisfaction are influencing customer loyalty related to postal financial services. However, it is the product quality which has highest influence on customer loyalty and is contributing towards retention of existing customers. Analysis of problems faced by the respondents revealed that both rural and urban customers faced the major problem of lack of financial advice from postal staff. Even though post office is considered as the major source of information (financial information less frequently available in print media and other advertisement) customers are not getting proper advice on

selection of financial services/product suitable and appropriate in the given scenario. Maximisation of quality of products and elimination of the above problems in connection with the availability of financial products will contribute to the long term customer relationships and survival of India Post.

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SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

Contents

- 7.1 Summary of Findings*
- 7.2 Suggestions*
- 7.3 Conclusion*
- 7.4 Scope for Further Research*

The study is based on both primary and secondary data. Secondary data for 10 financial years were collected from postal records and reports to analyse the growth of postal financial services. The primary data is collected from 600 customers of postal financial services in Kerala. Inferences of the study include findings relating to growth of postal financial services and observations based on customer perception. This chapter presents summary of findings and suggestions based on the observations and conclusion of the study.

7.1 Summary of Findings

7.1.1 Growth of Postal Financial Services in Kerala

Secondary data relating to Post Office Banking Products, Postal Life Insurance and Money Transfer Services for 10 years (2006-07 to 2015-16) were collected and analysed to know the growth of postal financial services in Kerala. Compound Annual Growth Rate was used to analyse the data on postal financial services and the summary of findings are given below.

Number of Post Office Savings Bank accounts in Kerala shows an increasing trend over the last 10 years with CAGR 14.05 per cent and Kerala's contribution to total number of POSB accounts in India also shows an increasing trend with 4.31 per cent in 2015-16. Outstanding balance in the SB accounts in Kerala also shows an increasing trend with CAGR 27.16 per cent and contribution of Kerala to India's total also has increased significantly. In terms of CAGR of outstanding balance and accounts, Kerala Postal Circle out performs the national rate.

Growth analysis of number of Recurring Deposit accounts in Kerala revealed that there is a decreasing trend in number of accounts over the last 10 years with CAGR 0.25 per cent. Kerala Postal Circle's contribution to India's total has also decreased from 8.15 per cent (2006-07) to 4.03 per cent (2015-16). However, outstanding balance in Recurring Deposit accounts in Kerala revealed a positive trend with CAGR 11.77 per cent and contribution to India's total in 2015-16 has reached 11.87 per cent. RD accounts show a better performance in terms of fund mobilised. It is clear that RD can be considered as an attractive product of post offices which can increase saving habit among poor and low income people. Outstanding balance in RD shows a satisfactory result. However, decrease in customer base (outstanding number of accounts) is to be considered seriously.

Compound Annual Growth Rate of Time Deposit account is 1.73 and 17.86 per cent for number of accounts and outstanding balance in Kerala. Kerala Postal Circle's contribution to total number of accounts and outstanding balance also shows a decreasing trend and is nearly one per cent of annual figures. However, there is high level of fluctuation in outstanding

balance at Kerala level. It may be due to the fact that mainly in rural areas private and co-operative banks are offering time deposits at a rate competitive to post office deposits. Moreover, private banks and nationalised banks also offer time deposit products with attractive technology backups.

Monthly Income Scheme in Kerala shows a decreasing trend in both number of accounts and outstanding balance in accounts with negative growth rate of CAGR 16.49 and 6.32 per cent respectively. Kerala's contribution towards total number of Monthly Income Scheme accounts is 1.19 per cent in 2015-16 and outstanding balance is 1.85 per cent of national figures. It may be attributed to the fact that MIS is not having tax advantage to customers and there are number of alternative financial products for POMIS such as annuity schemes of insurance companies, SIP of Banks and other financial services companies. Rate of interest offered by some finance companies is higher than MIS scheme of India Post and have a higher limit for investment.

Compound Annual Growth Rate of number of Senior Citizen Savings Scheme is 2.77 per cent while that of outstanding account is 5.65 per cent. However, 2014-15 showed a decrease of 28.13 per cent in number of accounts and 7.49 per cent in outstanding balance compared to 2013-14. Kerala's contribution towards total is around one per cent for number of accounts and around two per cent for outstanding balance in accounts. Growth rate is fluctuating both at National and Kerala levels.

Growth analysis of Public Provident Fund account in terms of number of accounts shows a negative growth of 1.80 per cent. However, there is 12.23 per cent CAGR increase in outstanding balance in accounts. Kerala's

contribution towards total PPF accounts and outstanding balance is less than one per cent. PPF is a tax saving product. However due to the lengthy lock in period it is less attractive to cater to the needs of rural and low income people. Moreover, there are number of alternatives for tax savings under section 80 C of Income Tax Act.

Analysis of data on investment in National Savings Certificates in Kerala shows a decreasing trend with negative CAGR of 9.84 but the national figures show a better position. Most of the respondents invested in NSC to reduce income tax liability. This financial product of post office is losing its popularity among customers in Kerala mainly because of two reasons viz. one is the interest earned from this product is taxable and the second one is relating to the availability of other tax savings schemes.

Kisan Vikas Patra shows a decreasing trend with CAGR -9.86. Old KVP was cancelled in 2011 and new KVP was introduced in 2014. Therefore, annual growth shows 637.72 per cent in 2014-15 compared to 2013-14. Gestation period of the scheme was also increased.

Sukanya Samridhi Accounts are introduced by Central Government, in 2014, to encourage parents of girl children to save for their education and future. Kerala contributes nearly 4 per cent of total amount collected through SSY accounts in India. Kerala stands in a better position in terms of number of accounts and balance in Sukanya Samridhi Accounts.

Growth of Postal Life Insurance is analysed on the basis of number of policies procured and sum assured for each year. There is a negative growth in number PLI policies over the last 10 years. CAGR for the last 10 years is -2.35 and there is a sharp decline in number of policies for the last two

years. Sum assured showed a CAGR of 1.74 per cent. However, there is a decrease of 26.6 per cent in sum assured for the last year. Kerala Postal Circle's contribution to total number of PLI policies and sum assured for are around two per cent. PLI products are offered to Government and Semi-government employees while RPLI products are targeted to rural people. Due to the liberalisation of insurance market a number of new insurance players are offering products to rural and urban people.

Money Order traffic in Kerala was analysed in terms of number of money orders booked, value of money orders booked and commission earned. There has been increase in number of money orders booked, value of MOs booked and commission earned with CAGR of 5.91, 15.13 and 15 per cent respectively. It is to be noted here the shift from the conventional money order system to e-money order transfer helps India Post to maintain a growth in this product.

Post offices are having agreement with Western Union Money Transfer and Money Gram services for international transfer of cash. Records revealed that there is decrease in terms of value of transactions in 2014-15 but the CAGR is 7.21. Region wise CAGR are 7.46, 4.1 and 9.95 for Southern, Central and Northern regions respectively. There is increase in value of transactions through Money gram services. Initially there was less competition in the field of money transfer. Now, commercial banks and Non-Banking Companies and other private organisations have established partnership with Western Union Money Transfers and other money transfer agencies which offer attractive services to customers such as 24 hours facility and hassle free transactions etc. This has resulted in decrease in money transfer business.

7.1.2 Demographic Profile of Sample Respondents

Gender wise analysis shows that out of 600 respondents 62 per cent are male and female respondents represent 38 per cent of the total sample. There is no significant difference between rural and urban areas regarding the male-female representation in the sample. Urban sample has male-female ratio of 61:39 and that of rural sample 63:37. In short, majority of the respondents are male respondents. Age-wise classification clearly revealed that 63 per cent of the total respondents are above 40 years. Respondents below the age of 40 constitute 32 and 43 per cent of rural and urban respondents. It is clear from the analysis that young people are less attracted towards postal financial services.

The education-wise classification of respondents points that 76 per cent of them are having educational qualification of degree or below and 38 per cent of the total respondents have school level education only. Out of 300 rural respondents 50 per cent possess school level education. It shows that people with lower level of education are more attracted towards the postal financial services. It may be due to simple procedures or nearness of post office.

Occupation-wise analysis shows that, 24 per cent of the respondents are government servants while 20 per cent of the sample represents coolie workers group. Out of urban respondents, 35 per cent are Government employees. On the other hand, 29 per cent of the rural respondents are coolie workers. Private employees and business persons are less attracted towards postal financial services.

Income is regarded as an important factor in availing of financial services. Financial services available from post offices such as post office

Banking Products, Postal Life Insurance and Money Transfer Services are based on the motive of mobilising small savings from people in India. Therefore, income is an important factor in deciding purchase of financial services. Income-wise analysis showed that 32 per cent of the total respondents are in the monthly income group of ₹ 15,000-30,000 while only 17 per cent of the respondents represents monthly income above ₹ 45,000. Out of the respondents in rural areas 75 per cent are having income below ₹ 30,000 while more than 50 per cent of the respondents residing in urban areas having income more than ₹ 30,000. In short, low income groups are more attracted towards post office financial services.

7.1.3 Customer Awareness about Postal Financial Services

Study revealed that 76.34 per cent of respondents in residing in rural areas and 59.33 per cent of respondents residing in urban areas depend postal staff for getting information about financial services followed by postal agents and friends/relatives. Advertisement is not regarded as an important source of awareness in rural and urban areas. Postal department has been giving less importance to advertisements in TV and other media. However, analysis of problems faced by the respondents revealed that customers are not getting proper financial advices from post offices.

Awareness of respondents was studied on the basis of four basic elements of financial services such as, range of financial services available with post offices, rules for opening and operating financial services, benefits or returns associated and risks or costs related to the financial services. Post office banking products are the most common financial service offered by post offices in Kerala. Analysis of the primary data revealed that 36.67 per cent of total

respondents are fully aware about the product range of post office banking products; 28.50 per cent of respondents are fully aware about rules for opening and operating accounts; 26 per cent are fully aware about benefits or returns and 24.17 per cent of the total respondents are fully aware about risks and costs. Gender wise analysis revealed that male respondents are more aware compared to female respondents. Independent sample test results show that there is significant difference in awareness level of respondents residing in urban and rural areas and it is concluded on the basis of mean score respondents in urban areas have higher level of awareness compared to respondents in rural areas.

Postal life insurance products are offered to customers in rural areas and government/semi-government employees. Major portion of respondents in urban area are not getting the benefit of risk coverage through PLI policies. Study revealed that the awareness level of respondents about PLI/RPLI policies is low. Out of 600 respondents, only 18.17 per cent are fully aware about the product range of postal life insurance; 12 per cent of the respondents are fully aware on the rules regarding PLIs; 5.50 per cent of the total respondents are fully aware about benefits associated and only 6.50 per cent of the total respondents are fully aware regarding costs/risks. Location-wise analysis revealed that there is no significant difference in the awareness level of respondents residing in urban and rural areas regarding postal life insurance. However, gender-wise analysis shows that there is significant difference in the awareness level of male and female respondents and based on mean score it is concluded that male respondents have higher awareness compared to female respondents. Lower level of awareness and marketing campaign in rural areas may be the reason for low level of awareness among customers in rural areas.

It is revealed from the study that out of 600 respondents, 26.83 per cent are fully aware about money transfer products available with post offices; 16.67 per cent of total respondents are aware about the rules and conditions; 14.66 per cent of the total respondents are fully aware about costs and risks. Independent sample test results indicate that there is significant difference in the awareness level of respondents in urban and rural areas regarding money transfer service and mean score indicates that respondents in urban areas are having higher level of awareness compared to respondents in rural areas. Urban post offices offer all money transfer products which come under its product portfolio. However, international money transfer and other instant cash transfer facilities are not available in rural areas.

7.1.4 Motivating Factors to Avail of Postal Financial Products

The analysis of factors motivated the customers to avail of postal financial services reveal that safety (Weighted Average 8.23) is the major motivating factor (post office banking products) followed by advice from others (Weighted average 7.68) and nearness of post offices (weighted average 7.08). But the residential location wise analysis shows that the primary motivating factor of customers in urban centres is safety (Weighted average 8.48) while that of customers in rural areas is nearness (Weighted average 8.21) of post office to avail post office banking products. Return is the second factor (Weighted average 7.54) considered by customers in urban areas and advice from agents, friends, and relatives (8.00) is the second factor of rural customers. Agents play an important role in selling post office banking products such as RD, NSC, KVP and other products. Third motivating factor of urban customers is advice from others (Weighted average 7.36) while safety (Weighted average 7.98) is the third important

factor of rural customers. Age-wise analysis of motivating factors revealed that safety is the primary motivating factor for age groups such as ‘below 30 (Weighted Average 8.07), 40-50 (Weighted Average 8.24), and above 60 (Weighted Average 8.82) and advice from agents, friends and relatives is the primary motivating factor for 30-40 (Weighted Average 8.12) and 50-60 (Weighted Average 8.53) age groups. Occupation-wise analysis also revealed that safety, advice from agents, friends and relatives, nearness of branch and return are the major motivating factors of post office banking products. Income-wise analysis also revealed the same result.

Regarding PLI and RPLI policies, risk coverage and advice from others are the first two motivating factors of both respondents in urban areas (Risk coverage-Mean 8.11 and Advice - Mean 6.85) and rural areas (Risk coverage-Mean 9.87 and Advice- Mean 8.42). Respondents in urban areas rated return (Mean 6.13) as the third important factor while respondents in rural areas rated image of India Post (Mean 7.44) as the third important factor. Those who buy PLI policies are attracted by less premium. It also shows that tax benefit is least important factor for respondents in rural areas, because they are buying insurance policy not to reduce their income tax liability. Advertisement is the least important motivating factor both urban and rural respondents.

Safety (Weighted average 7.90), nearness of post offices (Weighted average 7.59) and speed (Weighted Average 5.51) are the first three motivating factors of money transfer services of India Post. Based on residential location-wise analysis, it is revealed that safety (Weighted average 8.14), nearness of post offices (Weighted average 7.20), and image

of India Post (Weighted average 5.91) are the three important factors for availing postal money transfer service by respondents in urban centres. Respondents in rural areas are attracted to money transfer services of India Post due to nearness (Weighted average 8.05), safety (Weighted average 7.58) and speed (Weighted average 5.03). In short, respondents in rural areas consider nearness of post offices as the most important motivating factor of postal financial services.

7.1.5 Use of Postal Financial Services

Post office savings bank is the most widely used postal financial service. Out of 600 respondents, 84.17 per cent availed post office savings bank account. Of the savings bank account holders 56.24 per cent are respondents in rural areas and remaining 43.76 per cent are in urban areas. Of the total respondents 51.67 per cent availed recurring deposit accounts which constitute 43.87 per cent respondents in urban areas and 56.13 per cent respondents in rural areas. Majority of the respondents who availed PPF, TD, SCSS, MIS, NSC and KVP certificates belong to urban areas. Out of the respondents, 217 respondents availed Sukanya Samridhi Scheme which includes 46.08 per cent respondents in urban areas and 53.92 per cent respondents in rural areas. Of the 600 respondents, 231 respondents have availed PLI/RPLI policies which constitute 48.05 per cent respondents in urban areas and 51.95 per cent respondents in rural areas. Postal Life insurance products in urban area are limited to government and semi government employees. Therefore, most of the people residing in urban areas are outside the scope of postal life insurance. As far as the use of money order service is concerned, 74.83 per cent respondents availed money order services from post offices. Out of the total respondents, 244

respondents in urban area and 205 respondents in rural area availed money order service of India Post. Total number of IMT, MMT, IMO and IFS transactions is less than fifty each. There are no transactions in MO Videsh, Electronic Clearing, Forex, and mutual funds through post offices.

Analysis of years of use of postal financial services revealed that 42 per cent of total respondents are using postal financial services for more than 10 years. Out of 600 respondents, 8 per cent have more than 25 years of experience with India Post. However, customers in urban areas are having long years of experience with India Post compared to customers in rural areas.

7.1.6 Customer Perception on Service Quality of Postal Financial Services

Moderate level of service quality was perceived by the customers of postal financial services with a mean score of 3.618 and standard deviation of 0.598. Further analysis revealed that there exists significant differences in service quality perceptions in different demographic groups. Service quality perception is high among respondents in rural area (Mean 3.724) compared to respondents in urban area (3.513). Female respondents perceived higher level of service quality (Mean 3.713) on postal financial services than male respondents (Mean 3.562). Education-wise analysis revealed that 'Others' category (diploma, higher secondary etc.) has higher level of perceived service quality (Mean 4.243) than other education groups, followed by respondents having school level education (Mean 3.855). Post Hoc analysis results indicate that respondents having diploma, certificate courses etc. and Post Graduates have highest mean difference (Mean difference 0.920) regarding service quality perception. Service quality perception was found significant difference across occupation categories. Agriculturists (Mean

3.917), Retired persons (Mean 3.866) and Coolie workers (Mean 3.842) have higher perceived level of service quality and private employees (Mean 3.355) have least perception of service quality regarding postal financial services. Income-wise analysis indicate that respondents in the income category of 'below 15000' (Mean 3.815) have higher level of perception on service quality of postal financial services. It was observed from the analysis that higher the income lowers the service quality perception regarding postal financial services and above ₹ 60,000 income group has least level of service quality perception. Age-wise analysis indicates that respondents above 50 years (50-60 and above 60 age groups) perceived higher level of service quality compared to other age groups. Mean score analysis shows that higher level of perception is on error free records and performing service (Mean 3.732) followed by punctuality (Mean 3.686). Physical facility and adequacy of operating hours are the least scored elements of service quality.

7.1.7 Customer Perception on Product Quality of Postal Financial Services

Being a financial product, the product quality aspects were measured on the basis of elements such as product variety and innovativeness of product, attractiveness of features, attractiveness of benefits, simple terms and conditions and overall superiority compared to financial products offered by other financial institutions. Moderate level of product quality is perceived by respondents with mean 3.117 and standard deviation 0.598. Lowest mean score recorded (mean 2.934) for attractiveness of features of postal financial services.

Analysis of product quality perception and demographic variables revealed that there is major role for residential location, gender, education,

income, occupation and age of customers in product quality perception. Among different demographic groups, female respondents (mean 3.262), respondents residing in urban areas (Mean 3.124), respondents retired from service (Mean 3.639), respondents having income below ₹ 15,000 (Mean 3.318) and respondents above 60 years of age (Mean 3.612) have high level of product quality perception. Usage analysis of postal financial services revealed that respondents residing in urban areas have availed all financial services. Respondents under the education group of others (who possess diploma, certificate courses etc.) scored highest mean (Mean 3.633) compared to other education groups.

Most of the financial products are beneficial for small savings and are targeted towards low income categories. There is also tax saving and long term investment schemes such as NSC, KVP, PPF etc. for higher income groups. Due to maximum limit on investment, restrictions and lack of technology banking, higher income groups are less attracted towards banking products of post offices. Benefits of postal life insurance are also not available to a wider section of the society (urban non-government customers). Money transfer products of India Post are costly and time consuming compared to other money transfer methods offered by banks and financial institutions. These aspects related to postal financial services are to be considered for increasing the product quality perception of customers of financial services of India Post.

7.1.8 Customer Satisfaction

Overall customer satisfaction was studied on performance of postal financial services based on adherence to standard time, acceptance of technology in post offices and overall performance. Time element constitutes

highest satisfied factor followed by overall performance and technology acceptance. Location and other demographic variables are found significant factors in customer satisfaction. Satisfaction level of respondents in rural areas (Mean 3.694) is high compared to respondents in urban areas (Mean 3.493). Female respondents (Mean 3.713) are highly satisfied compared to male respondents (Mean 3.522). Similarly, respondents in the education category of 'Others' who possess diploma, certificate courses etc. (Mean 4.375), Agriculturists (Mean 4.019) and coolie workers (Mean 3.904), respondents having monthly income below ₹ 1, 5000 (Mean 3.872) and respondents above the age of 50 are highly satisfied. Income wise analysis revealed that lower income groups are highly satisfied compared to higher income groups. Similarly, older people are more satisfied than younger people.

7.1.9 Customer Loyalty on Postal Financial Services

Moderate level of customer loyalty was found regarding the financial services with mean 3.510 and standard deviation 0.730. Further analysis of customer loyalty revealed that location and other demographic variables are having a major role in customer loyalty. Based on mean score on customer loyalty it is clear that female respondents (Mean score 3.681) have higher score on customer loyalty compared to male respondents (mean 3.413). Mean score of respondents in rural areas, 3.614, is higher than that of respondents in urban areas (3.412). Similarly education wise analysis revealed that respondents who possess school level education are having higher level of loyalty with mean 3.843 and standard deviation 0.529. Farmers (agriculture category) scored a mean score of 4.306 and standard deviation 0.389 regarding customer loyalty is the highest among the occupation groups. Income-wise analysis revealed that 'below ₹ 15,000' income group as highest level of loyalty with mean score

3.859 and standard deviation 0.528. Respondents in the age group of 50-60 and above 60 scored mean scores of 3.975 and 3.968 respectively and being the respondents having highest level of loyalty towards postal financial services.

Generally, years of use of a product or service can also be used as a measure of loyalty. Based on analysis of use of postal financial services it was found that, 48 per cent of the total respondents have been using the postal financial services for more than 10 years which means they are highly loyal to postal financial services. On the other hand 52 per cent of the total respondents are using the financial services for less than ten years. It is found from the age-wise analysis of respondents that 63 per cent of the respondents are above 40 years. Comparison revealed that 15 per cent of respondents above 40 years are less loyal to postal financial services.

From these findings, it is clear that people who have less access to banks and other financial institutions and weaker sections of the society are highly loyal to postal financial services. Major reasons are wide network and high level of rural penetration of post offices in Kerala. Descriptive analysis shows that retention aspect of loyalty has lowest mean score compared to other elements under the study. Willingness to purchase additional financial products through post office is the maximum scored item. Post office has to utilise this potential and thereby increase retention loyalty.

7.1.10 Relationship between Service Quality, Product Quality, Customer Satisfaction and Customer Loyalty

All the hypotheses framed on the basis of relationships between the variables were tested to explain the individual relationships and found that all

are significant. These hypotheses were tested using Structural Equation Modelling technique.

The first hypothesis, customer perception on service quality of postal financial services significantly influences customer satisfaction was accepted (Standardised regression weight = 0.95 and p value <0.01) and 89.70 per cent of the variance in customer satisfaction is explained by customer perception on service quality. It means the satisfaction level of customers of postal financial services primarily depends on service quality.

Customer perception on product quality of postal financial services positively affects the level of customer satisfaction as per the second hypothesis. Results (Standardised regression weight = 0.680 and p value less than 0.01) of the hypothesis testing revealed that, the conceptual relationship as postulated in the hypothesis is proved. Product quality perception on financial services of India Post has positive influence on customer satisfaction. The result of analysis further revealed that 48.80 per cent of the variance in customer satisfaction is explained by customer perception on product quality. When separately comparing the level of influence of service quality on customer satisfaction and product quality on customer satisfaction, service quality has highest influence on customer satisfaction than product quality.

The third hypothesis formulated is that higher the customer satisfaction more is the customer loyalty towards postal financial services. Based on the test results (Standardized regression weight = 0.780 and p value <0.01), it is concluded that higher the customer satisfaction more is the customer loyalty to postal financial services. The results are significant at one per cent level

and 60.80 per cent of the total variance in customer loyalty is explained by customer satisfaction.

It is concluded that satisfied customer of postal financial services will result in positive word of mouth, additional purchase of financial products and retention associated to postal financial services.

Customer perception on service quality of financial services significantly influences customer loyalty is the fourth hypothesis of the study. The relationship between service quality and customer loyalty established with R^2 value of 0.516 and p value <0.01 significant at 1 per cent level. Hence, the fourth hypothesis is proved and interpreted that 51.60 per cent of the total variance in customer loyalty is explained by customer perception on service quality of postal financial services.

The fifth hypothesis formulated for the study is higher the customer perception on product quality more is the customer loyalty to postal financial services. The relationship was found significant at one per cent level with standardised regression estimate of 0.84 and R^2 value of 0.700. Hypothesis testing results proved the fifth hypothesis. The R^2 value shows that 70 per cent variance in customer loyalty is explained by their perception on product quality of postal financial services.

The hypothesis testing results has clearly substantiate and proved that all the independent variables tested here are significantly influencing the dependent variable customer loyalty.

7.1.11 Testing of Conceptual Model

Conceptual model formulated for the study explaining the relationships between service quality, product quality, customer satisfaction and customer loyalty was tested using Structural Equation Modelling method.

Results revealed that service quality and product quality are influencing customer satisfaction and 91.40 per cent variance in customer satisfaction is explained by service quality and product quality. Service quality has highest influence on customer satisfaction with standardised regression weight 0.84. Regarding customer loyalty, it is found that customer satisfaction and customer perception on product quality are leading to customer loyalty. However, product quality has highest influence on customer loyalty with standardised regression weight 0.57. Customer satisfaction and product quality perception together explains 78.20 per cent variance in customer loyalty on postal financial services. Regression results, standardized regression weight 0.043 p value 0.837, revealed that the relationship between service quality and customer loyalty is not significant.

India Post is the oldest departmental undertaking which has a long tradition in offering financial services. Being a government organisation, following traditional methods of selling financial products and lack of professionalism in customer relationships management, the results of the model tested is significant to explain the relationship between quality aspects, customer satisfaction and customer loyalty of postal financial services. Most of the post offices in rural area do not have proper physical facilities and are not upto the service quality standards set by commercial banks or other financial institutions for marketing their financial products.

Still the respondents are having long term relationship with India Post regarding postal financial services. It is the product quality which has the highest influence on customer loyalty on postal financial services. India Post has been offering three major categories of postal financial services such as banking, insurance and money transfer which can satisfy the savings, risk covering and money transfer needs of customers. These products are popular among rural and urban customers in India. They offered high rate of return. So the expectations of the customers are on features and quality of financial products and not on service quality aspects. Higher level of customer perception on service quality has more influence on customer satisfaction. Results indicate that mere customer satisfaction is not enough to retain the customers of postal financial services. Product quality is the primary factor contributing to the customer loyalty of financial services of India Post.

7.1.12 Problems of Customers of Postal Financial Services

Major findings related to the problems of customers of financial services of India Post reveal that lack of proper financial advice from postal staff (Weighted Average 6.61) is the primary problem faced by the respondents. Delay in getting cash and inadequate business hour for financial transactions (Weighted Average 6.30) is the second major problem faced by the respondents frequently. Third major difficulty faced by the respondents is delay in getting certificates with weighted average 5.94.

Residential location wise comparison on difficulties faced by the respondents was made and the result shows that the three major problems faced by the respondents in urban areas are lack of proper financial advice

from postal staff (Weighted Average 6.96) followed by delay in getting certificates on banking and insurance products (Weighted Average 6.47) and delay in getting cash and inadequate business hours (Weighted Average 6.02). Delay in getting cash and inadequate business hour (Weighted Average 7.01) is the primary problem faced by the respondents in rural areas. Second major problem faced by these respondents is lack of proper financial advice from postal staff (Weighted Average 6.58). Non availability of certain financial products (Weighted average 6.26) is the third major problem faced by them.

It was found from the analysis that postal staff constitute to be the major source of awareness of respondents irrespective of their area of residence. Since there is less advertisement and other awareness campaigns on postal financial services, postal staff remains the sole source of information about the postal financial services. However, analysis revealed that they are not in a position to act as a financial advisor to customers regarding the financial products offered by India Post.

Most of the branch post offices (Extra Departmental) are located in rural areas. Working rules and timing of these post offices are different compared to departmental post offices. Restrictions on cash withdrawal and timing of post offices are also considered as major problems faced by respondents in rural areas. Without prior request a customer, from branch post offices, can withdraw only upto ₹ 5000. Maximum withdrawal of cash from a single account per day is limited to ₹ 25,000, for which customer has to submit a request for that one day prior to the withdrawal. Delay in getting certificates, counter transactions, claim settlement and lack of awareness

among the postal staff are other problems faced by the respondents of financial services of India Post.

In short, the findings of the study indicate that the growth in postal financial services is fluctuating and there is a need for improvement in product quality and service quality associated to financial services of India Post. The financial service sector is becoming more and more competitive due to the entry of private players and the technological developments. Demand for new financial services and products also increased tremendously for the last 20 years. Lack of proper marketing and modifications in the product features to suit the current needs of customers are the major hindrances for postal financial services in Kerala.

7.2 Suggestions

This section of the thesis is designed to provide suggestions based on the findings of the study. The following are the major suggestions.

7.2.1 People in Kerala have good banking habits and are more familiar with the new technologies in banking. There are nationalised banks, private sector banks and cooperative banks offering savings deposit products to customers. Secondary data analysis revealed that savings bank is one of the most promising banking products of India Post. However, in this regard India Post has to compete with banks which are well entrenched in the system and established in terms of technology and infrastructure facilities. They are offering savings bank account with multiple facilities such as online banking, ATMs, Mobile banking etc. Recently, India Post installed ATMs in selected places in Kerala. Demonetisation has resulted in the increased level

of use of electronic cash. Recently, the policies taken by nationalised banks to impose charges on ATM services resulted in an increase in demand for savings bank product and ATM facility of India Post. It is suggested that in order to utilize this opportunity, India Post has to speed up its process of computerisation in urban and rural post offices to capture the savings bank market. Moreover, mobile banking and internet banking are to be popularised in urban and rural areas.

7.2.2 ‘Customisation’ is the buzz word at present in the field of financial services. In this competitive environment, customisation of savings bank account should be introduced by India Post to cater to the needs of various segments of customers. Along with the basic savings bank accounts special savings bank accounts may be designed and introduced to attract salaried people, senior citizens, farmers, students, women and kids.

7.2.3 The analysis of data relating to Recurring Deposit at Kerala level shows that there is increase in outstanding amount in RD accounts. However, number of accounts shows a decreasing trend which indicates decrease in market share. Recurring deposit being the most suitable post office product to inculcate regular saving habit among rural and urban people efforts should be initiated to make it more attractive. Interest rate on RD is 7.20 per cent which is above the interest rate of all nationalised banks. However, some private banks are offering RD interest rate higher than that of PORD. Similarly, banks are offering two interest rates for Recurring deposits i.e., ordinary RD account and senior citizens account with higher interest rate. Moreover, banks are having RDs with short term maturity like 1 year, 2 years, 3 years etc. However, PORD is a

medium term investment and is less flexible regarding terms. Hence, earnest endeavour shall be made by India Post to popularize RD accounts particularly in rural areas. This can be achieved by offering competitive interest rates and by easing terms and conditions relating to period of maturity, amount of deposit etc.

7.2.4 Monthly Income Scheme is another suitable product of India post for retired and old-age people, which guarantees 7.80 per cent rate of interest. Analysis of secondary data revealed that there is steep decrease in the number of accounts and outstanding balance in Post Office Monthly Income Scheme. MIS is similar to the systematic investment plans of mutual funds. The attractiveness for MIS is slowly eroding due to stiff competition from banks, mutual funds and other financial institutions which are offering more attractive monthly income schemes. Investments in mutual funds are having tax benefits also. Generally, profile of customers who investing in MIS consists mainly of retired persons and people who search for a monthly regular income. The product is not capable of attracting high income groups as there is maximum ceiling on aggregate investment of ₹ 4.5 lakh. In order to make POMIS more appealing, Government of India has to revamp the scheme, liberalise its terms and conditions and also offer tax benefits to investors.

7.2.5 Similarly, there is wide fluctuation in number of accounts and outstanding balance of Senior Citizen Savings Scheme. Analysis of primary data revealed that respondents above the age of 50 are highly loyal compared to others. This indicated that there is great opportunity to sell the products among senior citizens. To target this segment of

customers, proper marketing strategies have to be adopted and create awareness among such customers about this product. Strategies such as offering of incremental interest on such accounts, easing of conditions and conducting of seminars and for imparting customer education etc. can be resorted to by India Post.

7.2.6 Postal Life Insurance shows a decreasing trend in terms of its number of policies and sum assured in Kerala. RPLI products are ideal micro insurance products available for people residing in rural areas. There is lack of awareness among rural customers about the scheme and its benefits. RPLI Melas are conducted in selected villages in Kerala. However, there is no proper monitoring of RPLI. Awareness is to be created among the customers about Postal Life Insurance by conducting regular customer contact programmes. Similarly after sales surveys are to be conducted on a regular basis to know the feedback of customers about the policy servicing and their satisfaction. Since, PLI products are offered to govt. and semi govt. employees large segment of urban population remains untapped. Product line of PLI/RPLI should be extended to offer benefits to various sections of the society especially to urban customers.

7.2.7 Postal life insurance product is specifically designed for government and semi-government employees with moderate premium which has been silently contributing towards the requirements of our society. In order to promote this product and to increase the revenue of India Post, it is suggested that Central Government may take appropriate measures to make it as a compulsory insurance coverage of employees

of central and state governments, local authorities, autonomous bodies and public sector undertakings and co-operative sector.

7.2.8 Money Order traffic shows an increasing trend with positive CAGR. However, Money transfer products of India Post are traditional and costly compared to modern money transfer facilities offered by banks and other institutions. Moreover, time taken for delivery also depends on distance. Introduction of new mobile based money transfer facility is a threat to money transfer services of India Post. In this scenario, it is suggested that technology adoption similar to the instantaneous money transfer technologies like NEFT and RTGS of commercial banks has to be installed by India Post. For this equipping the rural post offices with appropriate technology is a prerequisite.

7.2.9 Awareness level of respondents revealed that customers are moderately aware about the financial products of India Post. Even though, the major source of awareness is postal staff, customers are still facing the problem of lack of financial advice from them. It is suggested here that steps shall be taken by India Post to create customer awareness through print, visual and social media to give proper information about the features and benefits of postal financial services.

7.2.10 Service quality analysis revealed that inadequate operating hours of banking services of India Post and physical facilities at post offices are not to the expectation of customers. Extra departmental branches located in rural areas have the severe problem of lack of physical facilities. Grameen Dak Sevak in the post office has to arrange physical

facilities for which meager amount of allowance is given by the department. In the modern technology driven service delivery, adequate physical and infrastructural facilities are imperative and it should be provided to the satisfaction of the customers. Then only customers can be retained and market share can be improved. Hence, it is suggested that India Post increase the physical and infrastructural facilities at the post offices and improve the ambiance of them.

7.2.11 From the study it is revealed that product quality of financial services of India Post has highest level of influence on customer loyalty. It is also seen from the analysis that generally women, lower income group people, coolie workers, farmers and people above 50 years of age are more associated with India Post. It is suggested that the primary strategy of India Post should be to design new financial products keeping in mind the aspirations of the above categories of customers.

7.2.12 Since coolie workers and farmers are found to be more loyal to postal financial services, it is also suggested to design a Micro Loan Scheme (MLS) to be introduced to meet the cash requirements of such people residing in rural areas with attractive terms and conditions. It would definitely save these people from the clutches of the local money lenders. Thus, India Post, can pay a way to bring these people, who are still not in the main stream of banking sector, to the banking stream and fulfill the objective of financial inclusion.

7.2.13 Customer referral programmes may be initiated to encourage existing loyal customers of postal financial services to refer new customers for which incentives may be given. This strategy can effectively

utilize the positive word-of mouth of customer loyalty and leverage customer base of India Post as a sales force.

7.2.14 Usually the working time of extra departmental post offices is four hours and the transaction time for financial services is up to 1.30 p.m. It is a primary problem faced by the customers in rural area. Another problem noticed is that, there is maximum ceiling for daily withdrawal from SB accounts at branch level post offices. Banks and other financial institutions have extended their working hours to render better customer service. The maximum limit of withdrawal from SB accounts imposed by post offices has to be eased in tune with the regional realities and the working hours of post offices have to be increased.

7.2.15 India Post, being a central government department, having branch locations in almost all villages, it should be selected by both central and state governments for distributing financial benefits to the weaker sections of the society. So, India Post should be declared by the Central Government as a sole selling agent of government for transferring financial benefits to the weaker sections of the society.

7.2.16 Recently RBI has given license to India Post for starting its own payment bank. More autonomy in decision making is to be given to postal department for designing products. Postal Bank should use the existing infrastructure and facilities of post offices in rural and urban areas to get the synergic effects. Further, an integrated approach is required for the financial services of India Post to deliver best quality products.

7.2.17 From the Reports on working of Extra Departmental branch post office and interactions with the employees in the Extra Department during the data collection, it is learned that their pay and benefits are not commensurate with work load. It is also observed that they are having more leisure time due to restricted working hours. At the same time they are the people who are closely interacting with customers at the rural level. They have made complaint that even though there is an incentive system for them it is not attractive and there is delay in getting the benefits. In this situation, it is suggested that, special training shall be imparted to these staff in order to make them direct marketers and investment consultants of financial products of India Post in rural areas on a commission basis. An appropriate commission package should be framed for them. Since, they are employees of the department; direct supervision and control can also be exercised on them.

7.2.18 The respondents' gender wise analysis revealed that female respondents are having higher level of satisfaction, service quality and product quality perception and customer loyalty. Now a days government and NGOs are making efforts for creating financial empowerment for women. In this regard it is also to be noted here that, in Kerala business ventures run by Kudumba Shree Units have been working very successfully. It is suggested that India Post shall take efforts for opening of accounts of such units and members of these units under consultations with the state governments.

7.2.19 In order to attract high income groups towards the postal financial services such as enhancing the maximum limit of investment,

incorporation of technology banking etc. have to be adopted. At present, financial services organisations are facing a highly competitive environment, where better options are available to customers provided by organised banking, insurance, and mutual fund agencies. Hence there is a desperate need to emulate the same by India Post to cater to the needs of higher income group of people.

7.2.20 It is also suggested that India Post should take initiatives to identify talented employees to maintain customer relationship from almost all branches of post offices. They are to be given proper training on Customer Relationship Management to make them professionals in dealing with customers. It would help them to market the financial products across the counter of post offices.

7.3 Conclusion

The present study is aimed at finding the customer loyalty on financial services of India Post in Kerala. Relationship between customer loyalty and major loyalty indicators like service quality, product quality and customer satisfaction were studied and it is concluded that customer loyalty regarding postal financial services depends mainly on product quality itself. For the purpose of surviving in the field of financial services, India Post has to give importance for product development and modifications of existing postal financial services. Study revealed that customer perception on service quality leads to customer satisfaction. Even though the customers are satisfied with the organisation, they may switch the organisation due to low product quality. Therefore, Postal authorities should try to maximize satisfaction by improving quality aspects relating to financial services and

maximize loyalty by providing financial products with innovative features. There are customer segments that are less satisfied with product quality and service quality. Central government may initiate appropriate plans which are necessary for the survival and expansion of the postal financial services to cater the needs of a wider spectrum of the society.

It is concluded that, with a view to retaining the loyal customers of postal financial services and to attract new customers, India Post should give utmost importance while designing financial products by adding features which meet the varied requirements of customers in order to maintain the quality of products to the level of satisfaction of customers.

7.4 Scope for Further Research

The study is based on the financial services of India Post and its customer perception in Kerala. It studied the influence of service quality, product quality, and customer satisfaction on customer loyalty among the customers in Kerala. An attempt is also made here to suggest studies for further research.

- 7.4.1** No study has been directed towards the cost structure of financial products and new alternatives for reducing cost of financial products. Therefore, future research can be undertaken to study this and to recommend a new model for increasing revenue for the department.
- 7.4.2** Postal system offers insurance products which cater to the needs of rural people and government employees. A Comparative study can be conducted to know the marketing strategies of India Post and LIC for selling insurance products in India.

7.4.3 Study can also be conducted to compare the marketing strategies adopted by India Post and commercial banks in India for marketing of banking products.

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Appendices

Appendix - I

Customer Loyalty on Financial Services of India Post: A Study with reference to Kerala

Interview schedule

Part I: Details about Post Office

- 1) Post Office: 1. HPO 2. SO 3. BO
- 2) 1. Urban 2. Rural
- 3). Postal Region: 1. Southern 2. Central 3. Northern

Part II: Use of Financial Services of India Post

4. Which of the following **financial services**, you are **availing/availed** from post offices? Tick mark in appropriate cell/cells.

Banking Products			
1. Savings Bank		2. Recurring Deposit	3. Monthly Income Scheme
4. Public Provident Fund		5. Time Deposit	6. Senior Citizen Savings
7. Sukanya Samridhi		8. NSC/KVP Certificates	
Money Transfer			
9. Money Order/E-MO		10. Instant MO	11. MO Videsh
12. Intl. Money Transfer		13. Mobile Money transfer	14. Electronic Clearing
15. IFS Money order		16. Forex services	17. Mutual Funds through PO
Postal Life Insurance			
18. Postal Life Insurance		19. Rural PLI	

5. In total, how long you have been a customer of postal financial services? (Tick mark in appropriate cell)

1. Less than 5 years	2. 5-10 years	3. 10-15 years	4. 15-20 years	5. 20-25 years	6. More than 25 years
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Part III: Motivating Factor of Financial Services of India Post

State the *major reasons for availing* the following financial services from post offices.

(Rank the following. 1 means highest rank)

6. Post Office Banking Services

1. Return	2. Safety	3. Liquidity	4. Nearness to branch	5. simple procedures
6. Tax benefits	7. Advt.	8. Image of IndiaPost	9. Service quality	10. Advice from other

7. Postal Life Insurance

1. High return	2. Less prem.	3. Risk coverage	4. Tax benefits	5. simple procedures
6. Near to branch	7. Advt.	8. Image of IndiaPost	9. Service Qlty	10. Advice from others

8. Money Transfer

1. speed	2. Less commission	3. Safety	4. Near to branch	5. simple procedures
6. Service quality	7. Image of India Post	8. Advt	9. Advice from others	

Part IV – Customer Awareness about Financial Services of India Post

9. State your primary **source of awareness** about financial services offered through post offices.

- 1. Postal Staff 2. Postal Agents 3. Friends and Relatives
- 4. Advt. in Print media 5. Advertisement in Television 6. Website
- 7. Others (specify).....

10. State your **level of awareness** about the financial services available in post offices on following.
(Tick mark in appropriate cell)

Awareness level	Products available			Rules for opening and operating accounts/service			Benefirs/ Returns from service			Risk and Cost associated		
	Fully aware	Partly Aware	Not Aware	Fully aware	Partly Aware	Not Aware	Fully aware	Partly Aware	Not Aware	Fully aware	Partly Aware	Not Aware
Financial products												
1. Post Office Banking Products												
2. Postal Life Insurance												
3. Money Transfer												

Part V: Customer Perception on service quality

11. Rate your **perception about the service quality** of India Post in delivering financial services.

	Very Poor	Poor	Fair	Good	Excellent
Punctuality and timeliness of performing services	1	2	3	4	5
Courteous behaviour of postal staff	1	2	3	4	5
Physical facilities available in the post office	1	2	3	4	5
Operating hours for financial services	1	2	3	4	5
Error free records and performing services	1	2	3	4	5
Knowledge level of staff to satisfy customer requirements	1	2	3	4	5

Part VI: Customer Perception on Product Quality of Financial Services

12. Rate your opinion about product quality of financial services of India Post

	<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>
India Post Offers variety of Postal Financial Services	1	2	3	4	5
Features of Postal Financial Services are attractive	1	2	3	4	5
Terms and conditions of Postal Financial services are simple	1	2	3	4	5
Benefits from the services are attractive	1	2	3	4	5
Overall, Postal Financial services are superior to other banking, insurance and money transfer products	1	2	3	4	5

Part VII: Customer Satisfaction:

13. State your Satisfaction level on the following statements.

	<i>Highly dissatisfied</i>	<i>dissatisfied</i>	<i>Neutral</i>	<i>Satisfied</i>	<i>Highly satisfied</i>
adhere to fulfill the service standards (Time) by Post staff	1	2	3	4	5
Mmodern technology in delivering Postal 'Financial services	1	2	3	4	5
Overall, Post Office Financial Services exceeds my expectations	1	2	3	4	5

Part VIII: I Customer Loyalty

14. State your opinion regarding the following statements.
(Tick mark in appropriate cells)

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I intend to communicate positive things about postal financial services and recommend the financial products of India Post to my friends and relatives	1	2	3	4	5
I would like to buy additional postal financial services	1	2	3	4	5
I would like to increase the number of financial transactions with Post Offices	1	2	3	4	5
As long as the present service continues, I will not switch my existing financial transactions with post office to other financial service providers	1	2	3	4	5

Part IX: Customer problems

15. Have you faced the following problems while availing financial services from post offices? Rank the problems (1 means highest rank – primary problem)

	Ranks
Delay in counter transactions	
Mistakes in passbooks and statements	
Delay in getting cash and inadequate business hours	
Lack of proper financial advice from postal staff	
Lack of awareness among postal staff regarding various schemes	
Delay in claim settlement	
Delay in getting certificates on banking and insurance products	
Inadequacy of counter for financial services	
Non availability of financial products in the nearest post office	

Part X: Customer Suggestions

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Part XI: Personal Information (Tick mark \surd in the appropriate cell)

Gender :

1. Male	<input type="checkbox"/>	2. Female	<input type="checkbox"/>
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Education Level :

1. School level	<input type="checkbox"/>	2. Degree	<input type="checkbox"/>	3. PG	<input type="checkbox"/>	4. Professional	<input type="checkbox"/>	5. Others....	<input type="checkbox"/>
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Occupation

1. Govt. Employee	<input type="checkbox"/>	2. Private Employee	<input type="checkbox"/>	3. Cooli worker	<input type="checkbox"/>	4. Retired	<input type="checkbox"/>
5. Business/ Profession	<input type="checkbox"/>	6. Agriculture	<input type="checkbox"/>	7. Unemployed	<input type="checkbox"/>		<input type="checkbox"/>

Monthly Income: (Rs.)

1. Below 15000	<input type="checkbox"/>	2. 15000-30000	<input type="checkbox"/>	3. 30000-45000	<input type="checkbox"/>	4. 45000-60000	<input type="checkbox"/>	5. Above 60000	<input type="checkbox"/>
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Age

1. Below 30	<input type="checkbox"/>	2. 30-40	<input type="checkbox"/>	3. 40-50	<input type="checkbox"/>	4. 50-60	<input type="checkbox"/>	5. Above 60	<input type="checkbox"/>
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Thank You

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||| List of Publications |||

- [1] Sankaran, U. M., & Rajithakumar, S. (2016). Postal Banking and Financial Inclusion - A Strategy for Reaching the Unreached. *International Journal of Micro Finance*, 2 (1), 83-89.
- [2] Sankaran, U. M., & Rajithakumar, S. (2016). Postal Life Insurance: An Investigation into Northern Region of Kerala. *International Journal of Management and Social Science Research Review*, 1 (28), 154-160.

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