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Evaluating Customers Perception towards Savings Instruments: with Special Reference to Fixed Deposit

Aniket Sanjay Nandurkar, Dr. Nilesh Anute

ASM's Institute of Business Management & Research, Pune, India

Associate Professor, ASM'S Institute of Business Management and Research, Pune, India

ORC ID : 0000-0001-6599-813X

ABSTRACT: This research investigates customer perceptions of savings instruments, focusing on fixed deposits (FDs), which remain a popular investment choice for their safety and guaranteed returns. Despite competition from other financial products like mutual funds and bonds, FDs continue to attract risk-averse investors. The study, conducted for Shriram Finance, evaluates factors influencing consumer decisions, including safety, returns, liquidity, and tax implications, while considering the demographic impact of age, income, and education.

Primary data were collected through structured surveys of 50 respondents across various demographics. The findings reveal that while FDs are favoured for their security and simplicity, low returns and lack of flexibility deter some investors. Awareness of advanced FD features such as tax-saving options remains limited, highlighting a need for better customer education. Younger investors tend to diversify their portfolios, favouring higher-risk products, whereas older and middle-income groups prioritize the stability of FDs.

KEYWORDS: Fixed Deposit, Savings Instruments, Customer Perception, Investment Preferences, Risk-averse Investors, Guaranteed Returns.

I. INTRODUCTION

Savings instruments play a vital role in financial planning, enabling individuals to safeguard their wealth and meet future financial goals. Among these, fixed deposits (FDs) have traditionally been a preferred choice in India due to their guaranteed returns, safety, and simplicity. However, with the increasing popularity of alternative investment options such as mutual funds, bonds, and digital savings tools, the landscape of consumer preferences is shifting.

This study focuses on understanding customer perceptions of fixed deposits in comparison to other savings instruments. Conducted at Shriram Finance, a leading non-banking financial company (NBFC), the research aims to examine key factors influencing investment decisions, such as security, returns, liquidity, and tax benefits. Additionally, it explores the level of awareness and understanding of FDs, evaluates their perceived advantages and disadvantages, and analyses how demographic variables—age, income, and education—shape consumer preferences.

By employing a mixed-method approach, including surveys and secondary data analysis, the research provides insights into the evolving financial behaviour of Indian consumers. The findings highlight the continued relevance of FDs among risk-averse investors and older demographics while noting the rising inclination of younger investors toward higher-return instruments. The results aim to guide financial institutions in enhancing product offerings and aligning them with changing consumer needs, ensuring FDs remain competitive in a dynamic financial market.

II. REVIEW OF LITERATURE

(Charan Karthik Y., 2020) Fixed deposits (FDs) are a popular savings instrument offering secure and predictable returns through fixed interest rates over a predetermined tenure, typically up to five years or more. They appeal to risk-averse investors, such as individuals and organizations, by ensuring capital preservation and financial stability. However, their locked-in nature limits liquidity, posing challenges during emergencies, although loans against FDs can provide some flexibility. The decision to invest in FDs depends on factors like interest rates, tenure, and economic

conditions, with their fixed returns making them less attractive in fluctuating markets compared to dynamic alternatives. Despite these limitations, FDs remain a reliable tool for disciplined savings and achieving medium- to long-term financial goals.

(Ray, 2021) Indians have traditionally shown a strong preference for safe, low-risk investments, driven by a risk-averse mindset and the desire for financial security. Fixed deposits, including Bank Fixed Deposits (FDs) and Company Fixed Deposits (CFDs), are among the most favored options for such investors. Research highlights the importance of understanding the awareness, perception, and behavior of individuals toward these instruments, with studies often emphasizing their role as secure avenues for savings. Comparative analyses of Bank FDs and CFDs indicate differences in investor awareness, influenced by factors such as trust in financial institutions and perceived risk. Data collection through structured questionnaires and statistical tests, such as the Mann-Whitney U Test, is commonly employed to assess investor preferences. These insights contribute to understanding the dynamics of low-risk investment choices, guiding future research and practical applications in the domain.

(Nippatlapalli, 2013) Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, NOW which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India.

(Jain, 2018) Financial planning is a systematic process of making optimal use of savings. Every man needs money to meet his financial goals. These goals can be achieved with proper financial planning which can be achieved using a variety of financial tools. The purpose of this paper is to explore which investment options consumers prefer and to explore consumer insights about life insurance policies. Data were collected from 116 respondents in Delhi. Factor analysis techniques have been used to identify factors that affect consumers' perceptions of investments. The study found that there are four factors that influence consumer perceptions.

(Baigalwar A, 2024) The success of any organization depends on employee motivation and job satisfaction, especially in today's competitive environment. This study examines the impact of company policies on employee motivation and job satisfaction, with a specific focus on Shriram Finance. Research uses a comprehensive approach using surveys, interviews, and literature reviews to collect data from employees and managerial staff. Its goal is to influence employee motivation and job satisfaction, including a variety of strategies, including compensation, performance assessments, training programs, and work-life balance initiatives, ultimately revealing how it affects overall productivity and organizational success. This research serves as a valuable resource for HR professionals, providing insights and recommendations to enhance policy effectiveness and improve the work environment. It contributes to a broader understanding of HR strategies in the financial sector and lays the foundation for future research in this area.

Objectives

To assess the level of consumer awareness and understanding of the features, terms and benefits of fixed deposits

To explore the perceived advantages and disadvantages of term deposits from a customer perspective

To examine factors that influence consumers' decisions to invest in fixed deposits compared to other savings instruments.

III. RESEARCH METHODOLOGY

Research Method

Descriptive method was used for research in this research paper. As the area of research is vast and wide spread it is hard to collect data so survey method is adopted for this study.

Sampling Method

The process of sampling is selecting units from a set of peoples who are interested in studying the sample we may fairly generalize the results back to the population from the area that they have chosen. Data was collected from the Peoples who are using Saving Instruments.

Sample Size

Respondents	Frequency
Respondents	50
Total	50

Data Collection Technique

This research was carried out using primary data as questionnaire and observation as well as secondary data form the previous research on the similar topic.

Primary Data

Primary data was acquired by online questionnaire. For online questionnaire Google forms was use as tool community guidelines were given priority. 50 peoples were included for this research.

Secondary Data

Secondary data is that data which is already available in the form of magazine, research journal, books etc. For this research paper secondary data was collected from internet and research papers.

IV. DATA ANALYSIS & INTERPRETATIONS

1. Factors consider as most important at the time of Choosing Savings Instrument.

Table No. 1

Frequency Wise Distribution		
Particular	Frequency	Percentage
Safety of Capital	38	76%
Rate of Return	40	80%
Liquidity (Ease of Withdrawal)	25	50%
Tax Benefits	24	48%
Investment Tenure	14	28%
Risk Tolerance	10	20%

This question asked about which type of Factors are considered which are most important when choosing saving instrument. 38 i.e., 76% respondents consider that safety of Capital is affecting their Saving/Investment Decision, Maximum 40 i.e., 80 % respondents consider that Rate of Return affecting their Saving/Investment Decision., 25 i.e., 50 % respondents consider that Liquidity (Ease of Withdrawal) is affecting their Saving/Investment Decision, 24 i.e., 48 % respondents consider that Tax Benefit is affecting their Saving/Investment Decision, 14 i.e., 28 % respondents consider that Investment Tenure is affecting their Saving/Investment Decision, and the last 10 i.e., 20 % respondents consider that Risk Tolerance is affecting their Saving/Investment Decision.

2. Familiar with Fixed Deposit as a Saving Instrument.

Table No. 2

Frequency Wise Distribution		
Particular	Frequency	Percentage
Very familiar	21	42%
Somewhat familiar	18	36%
Neutral	10	20%
Somewhat unfamiliar	1	2%
Not familiar	0	0%
Total	50	100%

Out of 50 respondents 21 i.e., 42 percentage of respondents are very familiar about Fixed Deposit as a Saving Instrument, 18 i.e., 36 percentage of respondent are Somewhat familiar about Fixed Deposit as a Saving Instrument, 10 i.e., 20 percentage Respondents are Neutral about Fixed Deposit as a Saving Instrument it means they are not sure about it., 1 i.e., 2 percentage respondents are Somewhat unfamiliar about Fixed Deposit as a Saving Instrument and None of the respondents are Not Familiar About fixed Deposit. It shows that there is Most of the peoples who knows about FD's and they are familiar with FD.

3. Key Advantages of fixed Deposit.

Table No. 3

Frequency Wise Distribution		
Particular	Frequency	Percentage
Safety and Security of Investment	34	68%
Guaranteed Returns	29	58%
Easy to Open and Manage	24	48%
Loan Facility against FD	16	32%
Tax Saving (if applicable)	12	24%

This question is asked about Key Advantages of fixed Deposit, in this question there is a Possibility to choose more than 1 Options for his Researcher Use Multiple Choice Question. 12 i.e., 24 % Respondents Tax Saving is the Advantage of Fixed Deposit, 16 i.e., 32% respondents said that Loan Facility Against FD is the best Advantage of FD, 24 i.e., 48 % respondents said that Easy to Open and Manage Facility is the Best Advantage about the FD, 29 i.e., 58% Respondents said Guaranteed Returns are more important for them they said it's the best advantage of FD and the last and Highly 34 i.e., 68% Respondents said Safety and Security of Investment is best Advantage according to them. It shows that Most of the Peoples want Safety and Security of the Investment as well most of the Peoples are Looking for Guaranteed Returns. So basically, they need safety about their investments.

4. Disadvantages of Fixed Deposit.

Table No. 4

Frequency Wise Distribution		
Particular	Frequency	Percentage
Low Returns Compared to Other Instrument	29	58%
Fixed Tenure (Lack of Flexibility)	30	60%
Taxable Returns	18	36%
Early Withdrawal Penalty	8	16%

This question is asked about Disadvantages of fixed Deposit, in this question there is a Possibility to choose more than 1 Options for this Researcher Use Multiple Choice Question. According to 8 i.e., 16 % Respondents said Early withdrawal Penalty is the Disadvantage of Fixed Deposit, 16 i.e., 32% respondents said that Taxable Returns is the disadvantage of FD, 30 i.e., 60 % respondents said that Fixed Tenure (Lack of Flexibility) is the Disadvantage of the FD, 29 i.e., 58% Respondents said Low Returns compared to another instrument are more important for them they said it's the disadvantage of FD.

5. Satisfaction level of a Customer for Fixed Deposit as an Investment Option.

Table No. 5

Frequency Wise Distribution		
Particular	Frequency	Percentage
Very Satisfied	11	22%
Satisfied	21	42%
Neutral	18	36%
Dissatisfied	0	0%
Very Dissatisfied	0	0%
Total	50	100%

Out of 50 respondents 11 i.e., 20 percentage of respondents are very Satisfied after making Fixed Deposit as an Investment Option, 21 i.e., 42 percentage of respondents are Satisfied after making Fixed Deposit as an Investment Option. 18 i.e., 36 percentage of respondents are neutral after making Fixed Deposit as a Investment Option. None of the Respondent are Dissatisfied and Strongly Dissatisfied after making fixed deposit as an investment option. It shows that most of the peoples are satisfied from Fixed Deposit.

6. willing to lock your funds in a fixed deposit.

Table No. 6

Frequency Wise Distribution		
Particular	Frequency	Percentage
Less than 1 year	4	8%
1-2 years	29	58%
3-5 years	14	28%
More than 5 years	3	6%
Total	50	100%

It is important to lock your funds for a certain period of time. There is different types of peoples who lock their periods according to their convenience, now in this question 4 i.e., 8% respondents said that they are willing to lock their funds for Less than 1 year, 29 i.e., 58% respondents said that they are willing to lock their funds for 1-2 years, 14 i.e., 28 % respondents said that they are willing to lock their funds for 3-5 years and remaining 3 i.e., 6% respondents said that they are willing to lock their funds for more than 5 years. It shows that most of the peoples are interested to locking their funds for 1-2 years and it's a normal time period.

V. FINDINGS

Here from this Research, some Main findings are found by the researcher. Following it mention that in which direction research going through:

1. Factors influencing consumers' decisions to invest in fixed deposits

Security: Most respondents value the security of fixed deposits, as they provide guaranteed returns and protect the principal amount.

Guaranteed returns: Fixed interest rates, unlike market-related investment fluctuations returns, make FD attractive to risk-averse consumers.

Simplicity: The simplicity of opening and managing FDs, especially through digital banking, is another reason why many opt for this tool over more complex options such as mutual funds or stocks.

Lack of risk appetite: Compared to mutual funds or equities, many clients prefer FD due to their low risk, which carries high risk.

2. Awareness and understanding of term deposits

Awareness levels about the various features and benefits of FDs vary:

Basic awareness: Most respondents are aware of key benefits such as assured returns and different duration options.

Low awareness of specific FD types: Many customers were not aware of the various fixed deposit options available (e.g., tax-saving FDs, cumulative/non-cumulative FDs). A lack of knowledge forces consumers to stick to standard FDs rather than looking for alternatives that better suit their financial goals.

Terms and Conditions: Understanding important terms such as premature withdrawal penalties, interest rate fluctuations, and tax consequences is also relatively low. This highlights the need for more effective communication from banks and financial institutions.

3. Perceived Advantages and Disadvantages of Term Deposits

Advantages

Security: FD is widely understood as a safe, reliable investment option that gives investors peace of mind.

Certainty: Consumers appreciate knowing exactly what return they will get by the end of the FD term, different from market-related products.

Tenure flexibility: Respondents valued the ability to choose an FD term based on their financial goals.

Disadvantages

Low returns: Many respondents expressed dissatisfaction with relatively low interest rates, especially during periods of inflation or compared to returns from other investment instruments such as mutual funds.

Lack of liquidity: Penalties for early withdrawals were seen as an inconvenience, limiting the flexibility to receive funds in emergencies.

Tax: Interest earned from FDs is taxable, which is viewed negatively by respondents, especially those with high tax credits.

VI. SUGGESTIONS

Increase Customer Awareness

Banks should focus on educating customers about different types of term deposits (such as tax-saving FDs or cumulative FDs). Simple, clear information through online platforms, brochures, and customer service can help people better understand their options.

Offer the best interest rates

To make term deposits more attractive, especially for young people, banks may consider offering slightly higher interest rates for long-term FDs or linking returns to inflation. This will make FDs more attractive than other investments.

Provide more flexibility:

Because many people are concerned about penalties for early withdrawals, banks can offer FDs with more flexible conditions, such as allowing partial withdrawals without larger penalties. This will give customers more access to their money in case of an emergency.

Promote tax saving options:

Many consumers are concerned about the tax on interest earned from FD. Banks can promote other tax-friendly options like tax-saving FDs or Public Provident Fund (PPF) to attract more customers who want tax benefits.

Regular updates and offers:

Banks should regularly communicate with their customers about current FD rates, special offers and new products. Informing customers can encourage them to invest more in FD.

VII. CONCLUSION

This study has shown that consumers generally prefer fixed deposits (FDs) because they offer security, guaranteed returns and less risk compared to other savings options such as mutual funds or stocks. Although some other investments can offer higher returns, the certainty and security of FDs makes them a popular option, especially for people who don't want to take risks with their money.

However, many consumers have only basic information about FDs. While they are aware of key benefits such as guaranteed interest and flexibility in choosing tenure, most are not fully aware of specific features such as tax-saving FDs, various types of FDs (cumulative/non-cumulative), or penalties for early withdrawals. . The lack of awareness shows that banks and financial institutions need to provide clearer and more detailed information to help customers make better decisions.

After all, fixed deposits have remained a popular savings option, especially for those who value security and guaranteed returns. However, factors such as low interest rates, tax problems, and limited liquidity are driving some clients to look for other investment options. To keep FDs attractive, banks should focus on increasing customer awareness about different types of FDs and offering more flexible features to meet the changing needs of different customer groups.

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