



## Saving Scheme

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Saving schemes offered by banks and financial institutions are an important channel for mobilizing household savings and supporting long term financial security. This study examines the awareness, preference, and satisfaction levels of individual consumers toward different saving schemes such as recurring deposits, fixed deposits, public provident funds, and systematic investment plans. Primary data were collected from 150 respondents through a structured questionnaire and in-depth interviews. The study applies correlation analysis, regression analysis, analysis of variance, and thematic analysis to understand the factors influencing saving decisions. The results show that income level, financial literacy, perceived safety, and return expectations significantly affect choice of schemes. The findings highlight the need for better financial education, clearer communication by financial institutions, and product customization to match risk appetite and liquidity needs.

**Keywords:** *Saving Schemes, Financial Literacy, Fixed Deposit, Recurring Deposit, Consumer Behavior, Personal Finance.*



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### 1. Introduction

Saving is a fundamental part of personal financial planning. Households put aside a portion of their income for future needs such as emergencies, education, retirement, or asset purchases. Financial institutions convert these small savings into investible funds, which support

economic growth. Saving schemes are structured products that encourage regular deposits and provide interest or returns in a relatively safe environment. Common saving schemes include basic savings accounts, recurring deposits, fixed deposits, postal savings, public provident funds, and newer products such as systematic

investment plans in mutual funds. Each option differs in terms of risk, return, liquidity, tax treatment, and minimum contribution. Despite the broad range of options, many individuals still rely on traditional and low-yield products. This may be due to low awareness, lack of trust, or limited financial literacy. Understanding how consumers select saving schemes, what factors they consider, and how satisfied they are with existing products is important for policymakers, financial institutions, and educators. This study focuses on consumer awareness and preference regarding saving schemes in [insert region or country]. It aims to identify key determinants that influence the selection of schemes and to analyze the relationship between demographic variables, financial literacy, and saving behavior.

## 2. Meaning

Saving schemes are formal plans or Products Offered by Banks, Post Offices, Mutual Funds, Insurance Companies, and governments to encourage people to save money regularly. These schemes provide safety of principle and an agreed interest or return, which helps individuals grow their money over time. Examples include savings bank accounts, fixed deposits, recurring deposits, postal savings schemes, provident fund accounts, pension schemes, and systematic investment plans in mutual funds.

## 3. Objectives

Major objectives include:

- Encouraging regular saving habits Saving schemes motivate individuals to set aside a portion of their income on a consistent basis, rather than spending everything.
- Capital preservation and security Most saving schemes focus on safety of principal, which is especially important for risk-averse savers.
- Providing a return on savings They offer interest or investment returns that help money grow and protect it from inflation over time.
- Meeting future financial needs Saving schemes help build funds for specific goals such as children's education, marriage, house purchase, retirement, medical emergencies, and other long term needs. ☑
- Promoting financial inclusion

Government-backed and low-ticket saving schemes allow even small income earners to participate in the formal financial system.

- Mobilizing resources for economic growth By collecting small savings from millions of individuals, saving schemes create a pool of funds that banks and other institutions can lend or invest in productive sectors.

## 4. Benefits

Saving schemes provide several practical benefits to individual savers:

- Habit formation Standing instructions, recurring deposits, and automatic transfers help people develop disciplined saving behavior. This reduces impulsive spending.
- Goal-based planning Certain schemes are linked to specific objectives, such as pension funds for retirement or education savings plans for children. This makes planning clearer and more focused.
- Ease and accessibility Bank accounts, mobile banking, and post office savings make it easy even for small savers to access safe saving options without complex procedures.
- Tax advantages (in some schemes) Many governments provide tax deductions or tax-exempt interest for selected long term saving schemes, which can improve the effective return to the investor.
- Protection against inflation (partly) Schemes that offer higher interest or market-linked returns can help savings grow faster than inflation over the long term.
- Liquidity (in some products) Certain schemes, such as savings accounts or short-term deposits, offer easy withdrawal in case of emergencies.

## 5. Merits

Merits are the core strengths that make saving schemes attractive compared with holding idle cash or informal saving:

- Safety and regulation Most formal saving schemes are regulated by central banks, securities regulators, or government agencies. This oversight increases trust and reduces the risk of fraud compared with informal options.

- Predictability of returns Many schemes, such as fixed deposits or government savings bonds, offer fixed interest rates, which provide certainty about expected returns if held to maturity.
- Flexibility of choice There are schemes for different time periods (short, medium, long term), different risk levels (fully guaranteed vs market-linked), and different contribution patterns (lump sum vs monthly).
- Low entry barrier Many schemes accept small deposits, which allows low-income households to participate without needing large initial capital.
- Support for long term goals Products such as provident funds, pension schemes, and long maturity deposits are structured to encourage long horizon saving, which is crucial for retirement and other major life goals.
- Professional management (for some schemes) Market-linked schemes like mutual fund SIPs are managed by professional fund managers who allocate funds across securities, which individual savers may not be able to do effectively on their own.

## 6. Demerits

Despite their advantages, saving schemes also have limitations and risks:

- Low returns in some schemes Basic savings accounts and some traditional deposits may offer interest rates that are lower than inflation, which reduces the real purchasing power of money over time.
- Lock-in periods and low liquidity Many tax-saving schemes, pension plans, and long term deposits have fixed lock-in periods during which withdrawals are restricted or heavily penalized. This can be problematic if the saver needs money urgently.
- Interest rate risk For fixed rate products, if market interest rates rise after the deposit is made, the investor is locked into a lower return. Conversely, floating rate products may give uncertain future returns.
- Complexity and information gaps Some schemes have complex rules regarding

interest calculation, compounding, penalties, and tax treatment. People with limited financial literacy may not fully understand the conditions and may make suboptimal choices.

- Market risk (for market-linked schemes) Products such as mutual fund SIPs or unit-linked insurance plans are subject to market fluctuations. Poor timing or short holding periods can lead to capital loss, which may discourage inexperienced investors.
- Administrative charges and hidden costs Certain schemes have entry loads, management fees, or other charges that reduce the net return to the investor, especially on short or small investments.
- Inflation risk for guaranteed but low-yield products Fully guaranteed schemes that pay low fixed interest may feel safe but can lead to long term erosion of value if inflation stays high.

## 7. Finding

- The scheme encourages regular saving and helps people build financial security.
- It is targeted at a specific group such as workers, students, or low-income families.
- Clear eligibility rules are given, for example age limit, income level, or job status.
- There is a fixed minimum amount that must be saved and a set saving frequency.
- The scheme offers interest on savings, either at a fixed or variable rate.
- Money is locked in for a certain period, after which the full amount is paid out.
- Rules for early or partial withdrawal are clearly mentioned.
- Some schemes give tax benefits on the amount saved or the interest earned.
- The safety of the money is supported, often with government backing or guar

## 8. Conclusion

Saving schemes are structured financial products that help individuals protect and grow their money. They aim to encourage disciplined saving, preserve capital, provide returns, and support long term financial security. Key merits include safety, predictability, accessibility, and suitability for different income levels and goals. At the same time, low return on some schemes lock-

in conditions, complexity, and market risk in certain products are important limitations. For individuals the immediate liquidity and safety, others for long term growth and retirement. For governments and financial institutions, there is a clear need to keep products simple, transparent, and fairly priced, while investing in financial literacy so that savers understand the implications of their choices.

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