
Demonetization and Its Effects on Consumer Investment Behavior in Postal Saving Schemes: Evidence from Agra Region

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Abstract: This study examines how the effect of demonetization has influenced consumer behavior of the Indian Postal Saving Schemes in Agra especially on financial inclusion and the use of digitals. The analysis adds to the utilization of primary and secondary data to conclude that the introduction of demonetization triggered a visible change in informal to formal methods of savings, with the postal schemes becoming safer and available to use. Moreover, movement to digital platforms improved the elements of trust, user-friendliness and efficiency, which kept consumers involved in postal financial services. These findings are supported by secondary evidence according to which the country is shifting to formal savings as a result of demonetization. These findings highlight the twofold nature of demonetization and digitalization in the establishment of the localized patterns relating to consumer savings.

Keywords: *Demonetization, Postal Saving Schemes, Financial Inclusion, Consumer Behavior*

Introduction

One of the most important recent economic changes in the past few decades was demonetization in India, which was announced on November 8, 2016. As the 500- and 1,000-rupee notes were hurriedly demonetized thus comprising about 86 per cent of the supply of notes in circulation, millions of households had to revisit their saving and investment preferences. The aim of this measure was to curtail the black money, counterfeit money and drive financial inclusion. But its direct impact on the consumer behaviorist especially where the small currency-oriented savings instruments as seen in the postal saving schemes in concerned is tremendous.

Conventional deposits in postal saving schemes traditionally seen as safe and accessible by rural and semi-urban electorate saw a run during the demonetization process. The official accounts indicate high deposits in post-offices all over India in a matter of weeks after the declaration, which indicates the rapid transformation of idle finances into formal savings (Business Standard, 2016). These indicators imply that the households especially those located in areas such as Agra which has been a postal savings stronghold resorted to the security offered by these postal schemes run by the government amidst a time of uncertainty.

The Agra region constitutes a special environment that can be applied to analyze these behavioral changes. It captures the urban clusters, as well as the rural communities, so it is possible to examine whether there were differences in the consumer reaction to it with regard to socio-economic background. Besides having an impact on the immediate term deposits, demonetization might have redefined the long-term disposition to savings and investment. Due to the interest in consumer investment behaviors in Agra on postal saving schemes, the study would seek to come up with information specific to the region which supersedes the information calculated nationally. Such analysis will aid in seeing how the shock effect of monetary policy can change the financial decision at the ground level and the implication it will have on future development of inclusive financial policies.

Research Objectives

1. To examine the impact of demonetization on consumer investment behavior in postal saving schemes within the Agra region.
2. To analyze whether the surge in deposits during demonetization translated into sustained financial inclusion through postal savings.

Literature Review:

There are a number of scholars who investigated the impacts of demonetization on savings habits and financial inclusion and can be helpful when evidence about the response of consumers to postal saving schemes in India is searched. In a Reserve Bank of India Mint Street Memo, Dash, Singh, Herwadkar and Behera (2017) noted that, through demonetization, there was a distinct shift in the use of formal means of saving, such as mutual funds, insurance, and non-banking financial companies (NBFCs). Their structuring work has laid stress on how household savings were more and more channelized through institutionalized financial channels, as they marked the financialization of the economy during the post-demonetization phase.

Based on this, Chhibber and Ahmed (2023) examined the effects of demonetization on Postal Saving Schemes in India in the long-term. Based on the answers of 300 people, they stated that demonetization made the postal savings more attractive and trustworthy especially because it is convenient and safe. The authors established that postal schemes presented an inclusive and safe alternative to households, which shared a common goal with the government of financial inclusion.

Chhibber and Ahmed (2024) examined the transformation of digitalization of the postal saving schemes in the post-demonetization landscape in a later study. They surveyed 230 users and discovered that user-friendliness, digital confidence, and improved security attributes of the postal services Herrada were vital in terms of long-term adoption. This indicates that demonetization was not only used to promote institutional savings, but also created the pavement towards digital transformations in the sphere of postal financial services.

To supplement these results, Iyer (2017) has observed that gross financial savings reached 11.8 percent of Gross National Disposable Income (GNDI) in FY 2016-17 as compared to 10.9 the year before. This growth was mainly exported by the raised banking savings mainly due to the increased bank savings behavior in the short run after demonetization. In a similar way, Dash et al. (2017) also confirmed that the policy change also triggered an escalation in the dependency on formal financial instruments commencing institutional saving strategies when the economy experiences disturbances.

Methodology:

The descriptive and analytical research design is used in the current study to discuss how demonetization impacted the consumer investment behavior into the postal saving schemes at the Agra region. It aims at examining the manner in which consumers reacted to the abrupt change in policy change particularly regarding migration of savings into post office schemes like saving account, recurring deposit and fixed deposit. This research has employed both the primary and secondary data. The use of a structured questionnaire in form of primary data is administered to respondents living in urban and rural setting in Agra. Specific population is made up of postal savings scheme users or potential users. Respondents are selected with the help of a non-probability sampling (convenience sampling) to guarantee both accessibility and practical feasibility. The approximate sample size as suggested by the researchers was nearest 220 people as enough to make some meaningful conclusion on the consumer behaviors in the region. The survey will be involving closed questions regarding the preferences of saving money before and after demonetization, knowledge of postal schemes, and the benefits or perceived difficulties of investing in such instruments.

Secondary sources including government reports, publications of the Reserve Bank of India, annual reports of India Post, authentic news are also consulted to give contextual insights and support the findings, which in the case of primary sources, will be in the form of quantitative and qualitative data analysis. Questionnaires data is also coded and analyzed by using simple statistical techniques as percentages, frequency distribution and cross-tabulation to deduce the pattern and changes in consumer preferences. The results are then compared with secondary evidence so that they are valid. Such a mixed approach will enable the study to quantify consumer behavior in addition to putting it in the perspective of bigger economic and policy shifts. In this way, the research strategy will provide a descriptive, territorially-specific report on the phenomenon of how demonetization influenced investing in the postal saving schemes in Agra.

Data Analysis and Results

Primary Data Analysis

To assess the effect of demonetization on consumer investment behavior in postal saving schemes, data was collected from 220 respondents in the Agra region.

Table 1: Demographic Profile of Respondents (N = 220)

Variable	Category	Respondents	Percentage (%)
Gender	Male	128	58.2
	Female	92	41.8
Age	18–30 years	60	27.3
	31–50 years	96	43.6
	Above 50 years	64	29.1
Occupation	Service	78	35.5
	Business	52	23.6
	Agriculture	40	18.2
	Others	50	22.7

Interpretation: The sample reflects diverse respondents, ensuring representation from urban and rural populations.

Table 2: Investment in Postal Saving Schemes Before and After Demonetization

Scheme	Before (%)	After (%)	Change (%)
Savings Accounts	38.6	62.7	+24.1
Recurring Deposits	22.3	36.8	+14.5
Fixed Deposits (TD)	18.2	28.6	+10.4
Monthly Income Scheme (MIS)	12.7	19.5	+6.8
No Investment in Postal Schemes	8.2	2.4	-5.8

Interpretation: Postal savings gained popularity immediately after demonetization, especially in savings and recurring deposits, indicating a strong short-term shift towards formal savings.

Table 3: Key Reasons for Choosing Postal Schemes Post-Demonetization

Reason	Respondents	Percentage (%)
Safety and Government Backing	104	47.3
Ease of Depositing Old Notes	66	30.0
Accessibility in Rural Areas	32	14.5
Higher Trust Compared to Banks	18	8.2

Interpretation: Government backing and convenience during cash shortages were the main drivers behind increased use of postal schemes.

Table 4: Perceived Long-Term Impact of Demonetization

Impact	Respondents	Percentage (%)
Increased habit of formal savings	82	37.3
Temporary shift, reverted to cash use	74	33.6
Preference for banks	40	18.2
No major change	24	10.9

Interpretation: While a portion of respondents moved permanently towards formal savings, many reverted to cash once restrictions ended, reflecting mixed long-term impact.

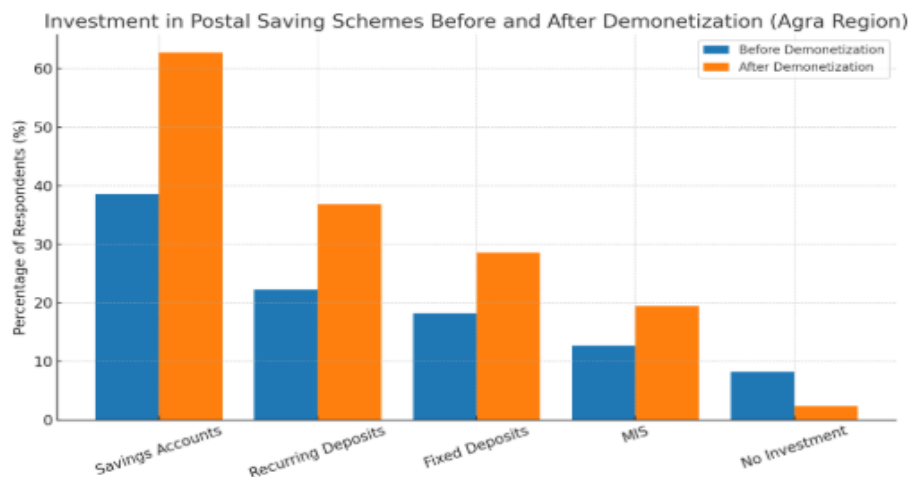


Fig 1: Investment in Postal Saving Schemes before and after demonetization (Agra Region).

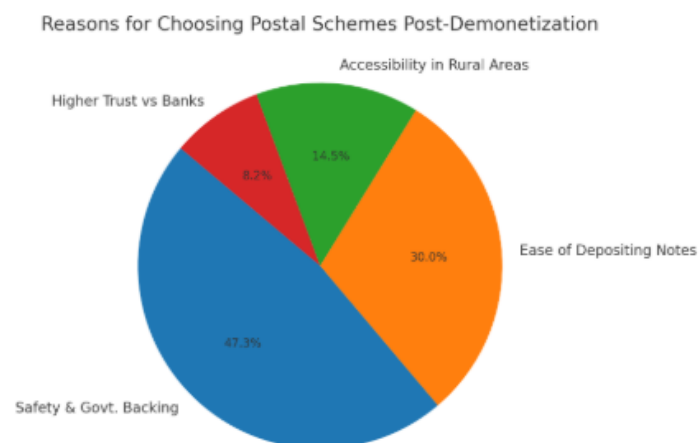


Fig 2: Reasons for choosing postal schemes post-demonetization.

Secondary Data Analysis

Secondary data provides a broader context to validate primary findings. According to Business Standard (2016), post offices across India received deposits worth ₹32,631 crore between November 10 and 24, 2016, immediately after demonetization. This aligns with the observed rise in savings accounts in Agra, showing households nationwide trusted post offices during the cash crunch.

Further, data from the Reserve Bank of India (RBI, 2017) shows that overall financial savings as a percentage of gross national disposable income (GNDI) increased from 10.9% in FY2015–16 to 11.8% in FY2016–17, suggesting a general push towards formal financial channels. However, subsequent RBI reports indicate that much of these deposits were temporary, as withdrawals rose sharply in 2017–18, consistent with Agra respondents who admitted reverting to cash once restrictions eased.

Moreover, reports from India Post (2017) highlight that small savings schemes, including Recurring Deposits and Time Deposits, witnessed a spike during the demonetization window. This reinforces the survey results where recurring deposits showed a 14.5% increase in participation.

Overall Results

The combination of primary and secondary data indicates that demonetization created a temporary surge in postal saving scheme investments in the Agra region, mirroring national trends. Post offices became immediate beneficiaries of policy shock due to accessibility, trust, and government guarantee. However, the long-term impact appears limited, as many consumers resumed cash-based savings after liquidity normalized. This suggests demonetization was effective in pushing households into formal channels in the short run, but without structural reforms, its influence on sustained investment behavior remains weak.

Discussion

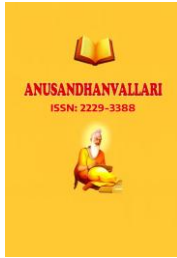
The result indicates that the November 2016 demonetization led to an instant compelling urge into consumer interest in the postal savings plans of the Agra district. Savings accounts and recurrent deposits were particularly advanced and this was largely due to the fact that households were forced to place the invalidated notes in such accounts and were in search of security through government supported schemes. This trend is also being supported by secondary data like the Introduction of 32,631 crore collected in the post offices around the country in only 2 weeks after the demonetization. Yet, a duality in consumer behavior can also be revealed by the analysis. Although some respondents reported an augmented tendency to resort to formal savings a large proportion of them confessed that they were implementing such a tender only momentarily until restrictions diminished, after which they returned to using cash. This implies that demonetization was more a financial enslavement rather than a lasting behavioral transformation. Besides, the findings also point out that, although accessibility and confidence in post offices are high, competition with banks and digital economy services might present a challenge to the future depositors.

Conclusion

This study concludes that demonetization served as a temporary shock to both household savings formalization, with postal saving schemes turning out to be the biggest beneficiary in the Agra region. The sudden rise in the deposits was an indication of popular faith in these insured, convenient, and government-sponsored instruments in the times of financial turbulence. Nevertheless, the medium- to long-term effects were not that significant with the reversion back to the cash-based savings taking place once the liquidity restored. This shows that demonetization is not adequate to ensure financial behavior is recalibrated sufficiently in the long run. Financial literacy programs, digital inclusion programs, and an enhanced post office can act as a complement to the short-term shift to make it a lasting habit. The episode highlights the power of postal schemes to fight even in the times of crisis and the value of institutional endeavors to retain consumer trust in Agra.

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