GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3035
ANSWERED ON:02.08.2002
INTEREST RATES ON SMALL SAVINGS AND PF
NARESH KUMAR PUGLIA

Will the Minister of FINANCE be pleased to state:

a) whether the Expert Committee constituted to review the system of administered interest rates and other related issues has since been submitted its report to the Government;

b) if so, the salient features of the recommendations contained in the said report;

c) whether the Government has since examined the recommendations made by the Expert Committee; and

d) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANT G. GEETE):

(a)&(b) The Expert Committee on administered interest rates and other related issues, setup under the Chairmanship of Dr. Y.V. Reddy, Deputy Governor of Reserve Bank of India,submitted its report on 5.10.2001. The main recommendations of the Committee were as under :
(i) Interest rates on small savings schemes be bench marked to average secondary market yields on Government securities.
(ii) Transfer of the entire net collections to the States from 1.4.2002 instead of 80% to States and 20% to the Centre as at that time.
(iii) Withdrawal of all tax concessions on short and medium term financial savings (maturity not more than 6 years). With regard to long term savings, tax concessions at the time of accrual may be provided @ 20% on investment upto Rs. 60,000.

The Report of the Committee is available at the official website of the Ministry of Finance (www.finmin.nic.in).

(c)&(d)) Main recommendations of the said Committee viz: benchmarking interest rates onsmall savings schemes to the yield on Government securities of like maturity in the secondary market, transfer of entire net proceeds of small savings to States, etc. have been accepted and acted upon w.eJ. March 1, 2002 and April 1, 2002 respectively.

The Committee`s other recommendations on various issues will provide an input to Government`s approach on the subject.