

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:282
ANSWERED ON:10.03.2006
BONUS ON MONTHLY INCOME ACCOUNTS
Chandrapan Shri C.K.;Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has decided to do away with the 10% bonus on the maturity value of post office monthly income accounts;
- (b) if so, the details thereof;
- (c) the reasons for reducing the effective returns on the small saving instrument of the Government;
- (d) the extent to which this decision of the Government is likely to affect the small savings in the post offices; and
- (e) the steps proposed to be taken to safeguard the interest of persons who propose to opt for the monthly income scheme?

Answer

FINANCE MINISTER: SHRI P. CHIDAMBARAM:

(a) to (e) A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 282 FOR 10TH MARCH, 2006, BY SHRI C.K.CHANDRAPAN AND SHRI ASADUDDIN OWAIS:

(a) to (c): Yes, Sir. Bonus will not be paid on the deposits made in accounts opened on or after 13.2.2006 under the Post Office Monthly Income Account (POMIA) Scheme. However, deposits in accounts opened before 13.2.2006 shall continue to be eligible for bonus as hithertofore. The amendment has been made to align the effective yield on deposits under this scheme with other comparable savings instruments.

Simultaneously the rates of penalty for premature withdrawal of deposits under the POMIA Scheme have also been modified with effect from 10.2.2006. If the account is closed between 1 to 3 years from the date of opening of the account, deduction at the rate of 2% of the deposit (as against the earlier rate of 3.5%) and if the account is closed after 3 years, deduction at the rate of 1% of the deposit shall be made.

(d) & (e): POMIA is one of the small savings instruments offered by the Government. The amendments are not expected to impact the growth of small savings nor adversely affect the interest of small savers. The effective return under the POMIA scheme at 8% per annum payable monthly is still higher than returns on other comparable savings instruments. While the revised penalty rates will provide relief to the depositors who need to close their accounts before 3 years, the nominal penalty of 1% after 3 years is expected to encourage the depositors to hold their deposits till maturity.