

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3408  
ANSWERED ON:20.08.2004  
INTEREST RATE ON SAVINGS  
Das Gupta Shri Gurudas;Nair Shri P.K. Vasudevan

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the wholesale price index has risen to 5.5 percent by the end of June, 2004 making the real interest rate on the savings account lowest in the world;
- (b) if so, the details thereof; and
- (c) whether the Government is considering a proposal to raise the interest rate so that household savings could be encouraged leading to a rise in capital formation in economy?

**Answer**

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)(SHRI S.S.PALANIMANICKAM)

(a) to (c): The year-on-year rate of inflation as measured by the wholesale price index was 6.09 percent as on June 26, 2004. There is no single inflation rate, with reference to which real interest rates are calculated internationally. The Consumer Price Index (CPI), which reflects retail prices, may be more appropriate for calculating real interest rate in specific circumstances. Real interest rates based on CPI do not indicate that the real interest rate on savings account is the lowest in the world. The interest rates are market determined except those on savings accounts, small-savings and General Provident Fund, etc. The Government has introduced, effective from August 2, 2004, a new scheme called the 'Senior Citizens Savings Scheme' offering interest rate of 9 percent per annum to protect the interest income of senior citizens. The Government Savings Bonds carry an interest rate of 8 percent per annum.