

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:279
ANSWERED ON:20.11.2009
``SAVING SCHEMES``
Mahajan Smt. Sumitra

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is contemplating to formulate any scheme to make saving schemes more attractive by increasing the interest rates on the savings;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c); No, Madam. Interest rates on small savings schemes are Administered Interest Rates. High rates of administered interest rates have fiscal implications and therefore, need to be linked to the cost of borrowings by the Central Government. In 2001, a Committee on Administered Interest Rates and other Related Issues chaired by Dr. Y.V. Reddy, the then Deputy Governor, RBI, had examined the issue of benchmarking the administered interest rates on small savings instruments to align them more closely to market determined rates and, inter-alia, had recommended that the administered interest rates including those on small savings schemes, should be benchmarked to the average annual yield on Government securities of comparable maturity in the secondary market, with a suitable spread subject to a maximum of 50 basis points over the benchmark yield, depending upon the maturity and liquidity of the instrument.