

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:2837
ANSWERED ON:15.03.2010
WITHDRAWAL OF MONEY FROM POST OFFICES
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the account holders are withdrawing their money deposited under small savings schemes in Post Offices;
- (b) if so, the reaction of the Government thereto;
- (c) the estimated total deposits in Post Offices during the last three years and the current year; and
- (d) the steps taken by the Government to increase interest rates on deposits in Post Offices on the line of Banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI GURUDAS KAMAT)

(a) to (c) The amount of withdrawals have been increasing yearly as have the amounts of total deposits. The popularity of savings schemes of post offices is a function of choices available to an investor at any given time. The detail of total deposits in Post Office Small Savings Schemes during last three years and current year is as follows:-

2006-07	154417.29 Cr.
2007-08	128971.64 Cr.
2008-09	146697.43 Cr.
2009-10	149182.28 Cr. (up to December 2009)

From the above figures, it may be seen that total deposits in the year 2007-08 declined in comparison to 2006-07 but increased in 2008-09 by 13.74% as compared to 2007-08. In the year 2009-10, the trend of increase in deposits is so far maintained.

(d) The small savings schemes, carrying different terms and rates of interest administered by the Government of India, are designed to provide safe and attractive investment option to all individuals who invest in these savings schemes. The interest rates on small savings schemes are administered by the Central Government. High administered interest rates impact on the interest burden of the Government, whether Centre or State, which is the largest single item of non-plan expenditure of Government. They also impart a downward inflexibility on the interest rate regime, thereby increasing the cost of borrowing across all sectors of the economy.

Banks have been given freedom by Reserve Bank of India (RBI) to fix their own interest rates on domestic term deposits of various maturities. Interest rates on Small Savings Schemes are administered interest rates and are benchmark 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 instruments. Therefore, interest rates of small savings schemes are not comparable with the interest rates being offered by the Banks for their various term deposit schemes.