

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4472
ANSWERED ON:20.08.2010
DEREGULATION OF INTEREST RATES
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Will the Minister of FINANCE be pleased to state:

- (a) whether Government is considering to deregulate interest rates on small savings schemes like Public Provident Fund (PPF) and Post Office Deposits, linking them to prevailing interest rates in the markets;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether any efforts have been made to ensure that the hard earned money of the people kept in PPF and Post Office savings is safeguarded from heavy losses;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

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

(a) to (e). As a follow up to one of the recommendations of the 13th Finance Commission the Government has set up a committee headed by Deputy Governor, Reserve Bank of India for comprehensive review of National Small Savings Fund (NSSF) structure, interest rate, tenor and other administrative matters. The terms of reference of the Committee include, inter alia, review of the existing parameters for the small saving schemes, terms of lending to States and other related issues.

The small savings schemes continue to enjoy investor confidence as the risk-return equation of these schemes is favourable with the benefits of liquidity, accessibility, tax incentives and implicit sovereign guarantee.

Interest rates on Small Savings Schemes are Administered Interest Rates, and are 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 point over the benchmark yield, depending upon the maturity and liquidity of the instruments.