GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4071
ANSWERED ON:05.09.2012
AMOUNT COLLECTED THROUGH SAVINGS SCHEMES
Baalu Thiru Thalikkottai Rajuthevar

Will the Minister of FINANCE be pleased to state:

(a) the amount collected through various savings schemes during the last three years, scheme-wise and year-wise;

(b) the reasons for poor response from these schemes; and

(c) the corrective measures proposed by the Government for improving collection through these savings schemes?

Answer

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

(a): The scheme-wise and year-wise details of small saving collections during the last three years are given in the Annexure.

(b): The collections under small savings depend upon a variety of factors like the administered interest rates on these schemes, the interest on equivalent market instruments, prevailing savings rate and the economic growth in general. With a view to give remunerative returns on these schemes, Government has decided to market-link the interest rates on these schemes and reset them every year on 1st of April based on last year`s G-sec. Rates.

(c): 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.

The Government has, inter alia, taken the following decisions with regard to interest rates of small saving schemes and other measures to encourage savings:-

1. The rate of interest on Post Office Savings Account (POSA) has been increased from 3.5% to 4%. The ceiling of maximum balance in POSA ? 1 lakh in single account and 2 lakh in joint account) has been removed.

2. The maturity period for Monthly Income Scheme (MIS) and National Savings Certificate (NSC) has been reduced from 6 years to 5 years.

3. A new NSC instrument, with maturity period of 10 years, is being introduced.

4. The annual ceiling on investment under Public Provident Fund (PPF) Scheme has been increased from rs 70,000 to rs 1 lakh.

5. Liquidity of Post Office Time Deposit (POTD) - 1, 2, 3 & 5 years - has been improved by allowing pre-mature withdrawal at a rate of interest 1% less than the time deposits of comparable maturity. For pre-mature withdrawals between 6-12 months of investment, Post Office Savings Account (POSA) rate of interest will be paid.

6. Central and State Governments take various measures from time to time to promote and popularise small saving scheme through print and electronic media as well as holding seminars, meetings and providing training to the various agencies involved in mobilising deposits under various small savings schemes.

The rate of interest on small savings schemes has been aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (New Instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps. The interest rates for every financial year will be notified before 1st April of that year. Interest rates on small savings instruments has been enhanced as under, with effect from 1st April, 2012.

Scheme	Rate of Interest w.e.f. 1.4.2012
Savings Deposit	4,0

1 year Time Deposit	8.2
2 year Time Deposit	8.3
3 year Time Deposit	8.4
5 year Time Deposit	8.5
5 year Recurring Deposit	8.4
5 year SCSS	93
5 year MIS	8.5
5 year NSC	8.6
10 year NSC	8.9
PPF	8.8