

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

STARRED QUESTION NO:157

ANSWERED ON:22.08.2012

POSTAL SAVING SCHEMES

Jaiswal Shri Gorakh Prasad ;Rani Killi Krupa

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) the measures taken by the Government to promote small saving schemes in Post Offices vis-a-vis other banking services in India;
- (b) whether the interest rates of postal savings is lower than banks and other financial institutions;
- (c) if so, the reasons therefor;
- (d) the action taken by the Government to make the postal saving schemes more attractive; and
- (e) whether a number of saving accounts in post offices are inactive and unclaimed deposits are lying therein for several years and if so, the details thereof, State-wise and the action taken by the Government in this regard?

Answer

THE MINISTER OF HUMAN RESOURCE DEVELOPMENT AND COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI KAPIL SIBAL)

(a) to (e) A Statement is laid on the table of the House.

STATEMENT TO BE LAYED ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 157 FOR 22ND AUGUST, 2012 REGARDING 'POSTAL SAVING SCHEMES'

(a) 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.

(b) Yes Madam. At present, Interest Rates of some of the Small Savings Schemes are slightly lower than Banks and other Financial Institutions.

(c) 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 over the benchmark yield, depending upon the maturity and liquidity of the instruments. Whereas, Interest rates of banks are fixed by each bank on the basis of RBI policy on liquidity ratio and its cost of available funds as per current market position. 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.

(d) The Government has taken following measures to make the small saving schemes more attractive:-

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

(e) Yes, Madam. Postal Circle wise detail of inactive (silent) accounts and amount lying therein as on 31.3.2011 may be seen in the Annexure. The depositor of such account can activate the account at any time by a transaction. The following steps are taken at regular intervals to sensitize such depositors for activating their accounts:-

(i) Notices are issued every year to the account holders of such accounts who are not maintaining minimum balance.

(ii) Special drives are launched to re-activate such accounts by issuing notices and giving information through electronic media.