

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5161
ANSWERED ON:26.04.2013
CUT IN INTEREST RATES OF SMALL SAVINGS SCHEMES
Gutha Shri Sukender Reddy;Ramasubbu Shri S.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has reduced interest rates on various savings schemes;
- (b) if so, the details thereof and the reasons therefor, scheme-wise and its likely impact on the holders of these instruments for the last 3 years and the current year;
- (c) whether any efforts have been/are being made to safeguard the holders from any kind of losses;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE : SHRI NAMO NARAIN MEENA:

(a): Yes, Sir.

(b) As per the recommendations of the Committee on comprehensive review of National Small Savings Fund (NSSF) headed by Smt. Shyamala Gopinath, then Deputy Governor, Reserve Bank of India, the interest rates of small savings schemes have been benchmarked to G-Sec. yields of equivalent maturity with suitable spread. The committee has recommended that the rates should be reset every 1st April. Based on this principle, the interest rates fixed with effect from 01.04,2013 are annexed herewith. Rate of interest of Small Savings Schemes is reduced from 01.04.2013, hence there will be no impact of it on account holders prior to 01.04.2013.

(c),(d)&(e) 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. The changed rates are applicable prospectively on new deposits and instruments issued on or after the date on which the new rates have come into effects. Existing holders continue to avail interest rates that were applicable when they subscribed to the instruments.