

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:380
ANSWERED ON:06.12.2013
INFLATION LINKED SAVINGS CERTIFICATES
Thakur Shri Anurag Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to issue inflation-linked savings certificates based on the rise in Consumer Price Index;
- (b) if so, the details and the objectives thereof; and
- (c) if not, the reasons therefor?

Answer

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

(a) & (b): Yes, Madam. The Government of India, in consultation with Reserve Bank of India, has decided to launch "Inflation Indexed National Savings Securities-Cumulative (INSS-C)" in the second half of December 2013 for retail investors to protect the savings from inflation, especially the savings of the poor and middle classes with broad features as follows:

The distribution/sale of INSS-C would be through banks. The eligible investors would include individuals, Hindu Undivided Family (HUF), Charitable Institutions registered under Section 25 of the Indian Companies Act and Universities incorporated by Central, State or Provincial Act or declared to be a University under Section 3 of the University Grants Commission Act, 1956 (3 of 1956). Interest rate on these securities would be linked to final combined Consumer Price Index [CPI (Base: 2010=100)]. Interest rate would comprise two parts, i.e. fixed rate (1.5% per annum) and inflation rate based on CPI and the same will be compounded in the principal on half-yearly basis and paid at the time of maturity. Early redemptions will be allowed after one year from date of issue for senior citizens and 3 years for all others, subject to penalty charges at the rate of 50% of the last coupon payable for early redemption. Early redemptions, however, can be made only on coupon dates.

(c): Does not arise.