

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1606
ANSWERED ON:13.12.2013
IMPACT OF PRICE RISE ON SAVINGS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any study/assessment regarding effects of rapidly increasing prices on the savings of the common man;
- (b) if so, the details and findings thereof; and
- (c) the corrective measures being taken by the Government to mitigate the problems of the common man?

Answer

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

(a) & (b) Gross domestic savings of the household sector increased from Rs. 1832901 crore in 2010-11 to Rs. 2003720 crore in 2011-12 (the latest year for which data on savings are available). However, as a ratio of GDP at current market prices, gross domestic savings of the household sector declined from 23.5 per cent in 2010-11 to 22.3 per cent in 2011-12. High level of inflation might have affected the real rate of return on financial savings.

(c) Several fiscal, administrative and monetary measures have been taken by the Government to control inflation and to raise the real rate of return on financial savings. Some of the specific measures taken to control inflation include: reducing import duties for wheat, onion, pulses and refined edible oils; banning export of edible oils and pulses; imposing stock limits for select essential commodities; maintaining the Central Issue Price for rice and wheat since 2002; suspending futures trading in rice, urad and tur; fixing the Minimum Export Price of onion at USD 1150 per MT; and, allocating 195000 tonnes of rice and 327000 tonnes of wheat for distribution to retail consumers under Open Market Sales Scheme (Domestic) for the period up to March, 2014. The policy stance and measures in the Second Quarter Review (October 29, 2013) of the Reserve Bank of India are intended to curb mounting inflationary pressures. The decision to launch inflation indexed bonds to protect the savings of the poor and the middle classes from inflation would help households to channelize their savings to financial instruments.