Fourteenth Loksabha

Session : 10
Date : 07-05-2007
Participants : Chidambaram Shri P.,Dasgupta Shri Gurudas,Swain Shri M.A. Kharabela,Chidambaram Shri P.,Kumar Shri Shailendra,Pal Shri Rupchand,Radhakrishnan Shri Varkala

>

Title: Shri Gurudas Dasgupta called the attention of the Minister of Finance to the need to increase the interest rate of small savings in Post Offices and bring it at par with the interest rate in Bank so as to prevent the outflow of deposits and safeguard the interests of depost of small savings.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:-

> "The need to increase the interest rate of small savings in Post offices and bring it at par with the interest rate in Banks so as to prevent the out flow of deposits and safeguard the interests of depositors of small savings."

… (*Interruptions*)

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, the basic philosophy of small savings instruments offered through Post Offices is to encourage the habit of thrift among small investors by providing a secure avenue for their savings and risk-free, assured returns. Post Office Time Deposits are more akin to bank deposits. National Savings Certificate, Kisan Vikas Patra and Public Provident Fund are medium to long-term instruments. Placed in its historic perspective, such instruments were introduced at a time when the banking and capital markets were relatively underdeveloped and the reach of banks through branches was limited.

While most of the interest rates relating to banks and financial institutions and debt market have been deregulated, the interest rates on small savings continue to be administered by the Government.

In 2001, a Committee on Administered Interest Rates and other Related Issues chaired by Dr. Y.V. Reddy, the then Deputy-Governor, RBI, had examined the issue of benchmarking the administered interest rates on small savings instruments to align them more closely to market determined rates and, *inter-alia,*

---

* Placed in Library. See No. LT-6301/07

had recommended that the administered interest rates including those on small savings schemes should be benchmarked to the average annual yield on Government securities of comparable maturity in the secondary market, with a suitable spread subject to a maximum of 50 basis points over the benchmark yield, depending upon the maturity and liquidity of the instrument. Interest rates on small savings schemes were revised with effect from March, 2003 based on these recommendations. In 2004, the Advisory Committee under the Chairmanship of Dr. Rakesh Mohan, the Deputy-Governor, RBI, recommended continuation of average G-sec yields as the suitable benchmark.

Currently, the benchmark yields for Government securities of shorter maturities (1 year/2 years) are higher by 69 basis points and 61 basis points respectively, compared to the rates on 1 year/2 years Post Office Time Deposits. However, three-year time deposit rates are on par with G-sec yields; and in the case of medium and longer maturities of five years and above, the small savings rates still enjoy a spread ranging from two basis points to 152 basis points. In so far as senior citizens are concerned, their deposits under the 5-Year Senior Citizens Scheme enjoy a spread of 152 bps over G-sec yield for comparable maturity. [MSOffice6]

Collections under small savings schemes constitute a significant portion of revenue for the States. Any increase in the small savings deposit rates will require a concomitant increase in the on-lending rate to the States. The State Governments have not been comfortable even with the existing rate of 9.5 per cent for 25 years (including a moratorium of five years) and any increase thereof will be resisted by them, as the higher debt servicing cost would undermine their effort at achieving fiscal correction.… (*Interruptions*)

MR. DEPUTY-SPEAKER: Shri Anil Basu, please sit down.

… (*Interruptions*)

MR. DEPUTY-SPEAKER: Nothing will go on record except the Statement of the hon. Finance Minister.

*(Interruptions)**

SHRI ANIL BASU (ARAMBAGH): The Finance Minister is a very intelligent man. … (*Interruptions*)

SHRI P. CHIDAMBARAM: Whether I am intelligent or not is not the issue. I am reading a Statement and you want to interrupt me! I am answering to a Calling Attention Motion.

[MSOffice7]State Governments have also expressed their inability to avail of 100 per cent of the net collections from the respective States.

Notwithstanding a more competitive market offering a wider menu of savings instruments, the net collections (i.e. gross collections minus withdrawals, which includes redemptions on maturity in each financial year) under the Small Saving Schemes still remain positive. There is no evidence of any net outflow of deposits from the Small Savings Schemes. Moreover, from the trends in the Small Savings deposits, it is observed that administered interest rates alone do not necessarily drive the demand for Small Savings instruments.

Since the National Savings Fund is part of the Public Account of the Union Government, the interests of the depositors are fully safeguarded.

---

*Not recorded.

SHRI GURUDAS DASGUPTA : Sir, may I appeal to the hon. Finance Minister not to make the State Governments the scapegoat. According to the Finance Minister, the reason why the Central Government is not increasing the interest rate because the State Governments are of the view that they cannot pay more interest if they avail loan out of this small scale deposits. Let us not make the State Governments the scapegoat.

It is a nicely and innocently drafted Statement. But the innocence of the language cannot hide the main intention of the hon. Minister, who is the most vociferous campaigning Minister for the liberalization of the economy.

What is the main intention of not increasing the interest rate on small savings? The main intention, according to the Statement, is:

> "Placed in the historic perspective, such instruments were introduced at a time when banking and capital markets were relatively under developed. "

Since the secondary market has developed now, the innocent intention of the hon. Minister is to ensure that small savings flow into the stock market or Mutual Funds. It means small savings should be part of the speculative adventure, which the hon. Minister would like to promote in order to see that the stock market is booming. The hon. Minister is very unhappy that the Small Savings Scheme is not negative. It is a negative Statement. It is not a positive Statement. But what is the trend that we look at? In 2003-04, the withdrawal from MIS was Rs. 6,383 crore.[MSOffice8]

Next year, the withdrawal increased by Rs. 4,000 crore and became Rs. 10,504 crore. In 2005-06, the withdrawal was Rs. 15,770 crore which means, withdrawal was increasing at a galloping speed. Then again the hon. Minister speaks of the net saving. What are the figures? I am speaking of net collection. Net collection means deposit minus withdrawal – repayment. In 2004-05, the net collection was Rs. 96,788 crore; in 2006-07, it has dwindled down to nearly half – Rs. 45,191 crore. If the scheme is not negative today, if the policy that has been formulated, if allowed to continue, it will be negative within a short period of time. The entire community of small investors will be forced to withdraw their money and go to the mercy of the speculators, that is, the stock market. It is not negative today. It will be negative tomorrow or day after. May I ask most respectfully why the small saving scheme is being killed gradually by the hon. Minister of Finance?

Sir, the point is that the Post Office is the largest bank in the country, larger than the State Bank and it has a well spread out network throughout the country and because of the well spread out network; poor, semi-poor, not so affluent middle class, used to put in their funds under the small savings scheme for a safe and steady return. That is how the scheme was brought out. They used to save money as a provision for the future. They used to save money to meet the contingent liability – for the marriage of the daughter or for the education of the son. The main reason is the wide accessibility. There may not be a bank in the rural areas, but there is always a post office. Therefore, it was in the post office that the hard-earned savings of the working peasantry, school teachers, small businessmen in the rural areas -- not in the urban area where the five-star culture is shining thanks to the liberalization of the hon. Minister -- used to put in their funds for safe and steady income. For years together, the interest rate on small savings and interest rate on deposits in the bank, maybe long-term, was identical and there was stability. Now the stability has been upset. There has been an increase in the interest rate on deposit in the nationalized and private banks. Moreover, the earnings out of small savings have been eroded thanks to the policy of the hon. Minister of Finance that inflation cannot be controlled. It is inflation which has further resulted in the erosion of the income out of the small saving[a9].

What has been the result? The result has been persistent and consistent outflow. This outflow has undermined the Scheme itself and jeopardized the interest of the small investors. The Postal System is deeply affected. Mobilization of Small Savings is one of the most important functions they perform. Their other functions have been diluted thanks to the policy of privatization. Nowadays, there are not numerous letters. Nowadays, there are a very few registered parcels. Nowadays, there is not much post-card business. Therefore, the major function that the Postal System does in India today is to mobilize the Small Savings. Therefore, if you kill the scheme – that is the intention of the hon. Minister – then the post office will turn sick, the Postal System in the country will turn sick. You may close it down or you can privatize it. That is, of course, your option if you still remain in power. That is not for me to question. But sickness of the bank is not the issue. The loss of employment is not the question. The employees will fight that. But the basic question is: Why is the Small Savings Scheme being killed? The cat is out of the bag because of the Statement that he has issued. He wants to promote small investment in the stock market. He would like to promote small savings investment in the private Mutual Funds. It will undermine the interests of the State Governments also. Whether the Statement of Shri Chidambaram is right or wrong, I have no evidence. But out of the Small Savings, it was the State Governments which used to take large loans. If the Scheme is killed, the most important source of borrowing of the State Governments will be closed.

It is most perplexing and startling. The Government does not intend to increase the interest rate on Small Savings. From 8 or 8.5 per cent, it has not increased. But it is under the direction of the Finance Ministry that the nationalized banks – you will be really startled to know - are procuring bulk deposits from big corporate houses. Can you imagine what is the interest they are being offered? Reliance, Tatas, Dalmias, the friends of the political patrons of the country, the friends of the important personalities in the corridor of power are being offered 13 to 14 per cent by the nationalized banks. The Tatas will get 13 per cent offered by the public sector banks under the guidance of the Finance Ministry. But the small peasants, small artisans, the petty primary school teachers will not be offered more than 8.5 per cent interest. For the benefit of the hon. Minister, I can inform him that according to the estimate of our Union, Rs.1,20,000 crore has been procured by the nationalized banks from the corporate houses at the interest rate of 13 to 14 per cent! What is the system? This is growth with equity! This is growth with social justice!! This is the beneficiary of the economic policy being pursued by the Government!!![R10]

This is inclusive growth! The corporate sector, for unloading Rs. 100 crore in nationalized banks, will be given 13 to 14 per cent rate of interest. But the poor, semi-poor and not so affluent middle class will be denied more than 8 per cent to 8.5 per cent. Is it justice? Is it Common Minimum Programme? Is it tears for the poor? Is it sympathy for the downtrodden? Every piece and every bit of the economic policy that the Government is pursuing shamelessly patronizes the rich and cynically this favours the rich. This is another example of that.

Sir, I want that the Small Savings Scheme should not be killed. They are talking of market economy. What is the problem in offering them either market or semi-market interest rate? Why can they not increase it to 10 per cent at least? What is the problem?

Secondly, the Government is making the postal department sick. I can tell you one thing while concluding. All the misdeeds of the Ministry of Finance is going to affect the political fortune of the present political regime of the country, either no tears today, maybe tears for tomorrow. The bulldozing that is being done by the Finance Ministry to bulldoze all criticisms, may not be of the enemy or the Opposition but of the friends led me to believe that whatever may be the public reaction, they will carry on their policy irrespective of whatever popular impact that policy will have on the people.

Sir, Punjab has given no political lesson to this Government, Uttaranchal has not been able to bring them to sense, maybe Uttar Pradesh will. I will appeal to the Government to reconsider the rigid, inflexible interest policy so far as small savings is concerned.

MR. DEPUTY-SPEAKER: Hon. Members, although the rule does not permit, as a special case I am giving chance to four other hon. Members to ask questions. They are requested to seek only clarifications for one minute each and not make lengthy speeches.

श्री शैलेन्द्र कुमार (चायल) : उपाध्यक्ष महोदय, जैसा कि अभी हमारे वरिठ सहयोगी सा,थी श्री गुरुदास दासगुप्त जी ने बड़े िवस्तार से अपनी बातें कही हैं और यह भी सत्य है कि डाकघरों में जो भी एकाउंट्स हैं, उनमें ज्यादातर किसान और गरीब लोगों के ही एकाउंट्स खुले हुए हैं। मैं आपके माध्यम से माननीय मंत्री जी से चाहूंगा कि ग्राहकों को प्रोत्साहन स्वरूप बैंकों की तरह डाकघरों में भी ब्याज की धनराशि सुनिश्चित की जाए या ग्राहकों को आकर्ाित करने के लिए ज्यादा ब्याज की व्यवस्था वहां पर की जाए तभी हमारे किसान और गरीब लोगों के एकाउंट्स जो डाकघरों में खुले हैं, वे और ज्यादा डाकघरों में एकाउंट्स खोलने के लिए आकर्ाित होंगे और इस तरह से डाकघरों में ज्यादा निवेश हो सकेगा तथा उनकी स्थिति भी सुदृढ़ हो सकेगी।

SHRI RUPCHAND PAL (HOOGHLY): Mr. Deputy-Speaker, Sir, I will just ask one question in three or four parts.

The savings rate in our country has gone up to maybe 32 to 33 per cent. Of this, the majority is the household savings. Out of this, more than 70 per cent is small savings. As far as interest rate is concerned, there is a big difference between the bank rate and the small savings rate because of various steps that have been taken by the Reserve Bank of India.

Sir, is it not a fact that a huge amount of money from the postal savings has already been transferred to the banking system? [R11]I[r12]f that be so, how much such transfer has taken place during the last seven-eight months?

Secondly, is it not creating a sort of discouragement to the savings? Why I am saying this is because the postal and small savings, which can be mobilized to the length and breadth of this country, to the remote parts of the country, and there is hardly any such arrangement in the banking system, although, the micro-finance is there and even the multi-national companies are trying to mobilize resources? That is a different story. So, I want to know whether this is creating a sense of rather disincentive to savings amongst the common people, amongst the lower middle-class and other people.

Lastly, what is the Government's savings encouragement policy, if they have discontinued the already existing encouragement to savings policy? Earlier, it has been stated that the Government has been encouraging people to go to the capital market. I would like to know whether this is another step to push the common people, the small investors, to the capital market to, once more, be looted by the operators and manipulators in the country.

SHRI KHARABELA SWAIN (BALASORE): Sir, the hon. Finance Minister, in his reply, has mentioned that there is no evidence to any net outflow of deposits from the small savings schemes. My question is, does he not want to increase the savings rate up to 32 per cent for a GDP growth rate of 9 per cent per year?

Secondly, should the stock market or the mutual funds be the only savings avenues for the poor and the middle-class people?

Lastly, can the small savings not be utilized by somebody other than the State Governments?

SHRI VARKALA RADHAKRISHNAN (CHIRAYINKIL): Thank you Sir. In the Statement furnished by the hon. Minister, there is a mention about this outflow, but there is no evidence of any net outflow deposits from the small savings schemes. I do not know how do they got the information. That is for the hon. Minister to answer.

One thing has happened that there no inflow because nobody is prepared to deposit in smalls savings schemes now. According to the hon. Minister, it must be a mistaken notion, but the common notion is that people are not prepared to deposit in small saving schemes because the banks offer much higher rate of interest and there is a feeling among the common public, especially among the senior citizens, that it will not be in their interest to deposit in small savings schemes.

As a matter of fact, one thing is certain that there is security. That is all right. But the feeling is otherwise. So, I would request the hon. Minister to consider all these basis points, 152-points and all that and the bench-mark position is also there. So, withdrawal may not be possible in the present context. The outflow may be less due to other restrictions… (*Interruptions*)

SHRI GURUDAS DASGUPTA : It is increasing. The outflow is also increasing at a violent rate.

SHRI VARKALA RADHAKRISHNAN : I do not dispute that fact. I only say that inflow is not there.

SHRI GURUDAS DASGUPTA : The hon. Minister's answer is there.

MR. DEPUTY-SPEAKER: Please do not disturb.

SHRI VARKALA RADHAKRISHNAN : The outflow is restricted due to many other reasons. This bench-mark, the basis and the security arrangement of all these factors are there. But the inflow is less.

I would request the hon. Minister to consider it, as an experimental measure, at least, by raising 0.5 per cent interest for small savings schemes so that the, common people, the senior citizens may come into the field of small savings schemes.[r13]

SHRI P. CHIDAMBARAM: Mr. Deputy-Speaker, Sir, I thought my statement was quite elaborate as well as self-explanatory. The figures are there for any one to see. Gross collections in NSSF are the investments made by investors every year. Withdrawals does not mean that people are abandoning the small savings schemes. Withdrawals, as I said in the Statement, include the redemptions on maturity.

15.31 hrs. (Shri Balasaheb Vikhe Patil *in the Chair*)

Suppose, five years ago, a large proportion of gross collections had come in a five-year instrument. There will be corresponding redemption at the end of five years and that will be reflected in the withdrawal column. Likewise, three years ago, if there had been a large inflow into the three-year instruments, three years later that will be reflected in the redemption which will be reflected in the withdrawal column.… (*Interruptions*)

MR. CHAIRMAN : He is not yielding. Let him complete. Kindly cooperate. We cannot force the Minister; let him speak as he likes.

… (*Interruptions*)

SHRI P. CHIDAMBARAM: He made a speech and asked questions. I am answering the questions. … (*Interruptions*)

MR. CHAIRMAN: Mr. Dasgupta, kindly cooperate.

… (*Interruptions*)

SHRI GURUDAS DASGUPTA : Let us know the truth.… (*Interruptions*)

MR. CHAIRMAN: If there is untruth, you have your right to privilege.

… (*Interruptions*)

SHRI P. CHIDAMBARAM: Unlike what Shri Radhakrishnan said, withdrawal does not mean that people are abandoning NSSF. Withdrawal is the withdrawals from the scheme as well as redemptions which would be reflected in the withdrawal column. The question is whether there is a net outflow from the NSSF. As I have said, the answer is: 'No'. The gross collection minus withdrawal remains substantially positive. In fact the NSSF is a very large account today and from the figures that I have, I do not envisage any situation now or in the near future whereas one hon. Member alleged that NSSF will wither away and die; that simply will not happen. That is an alarmist description of the situation. There is no evidence of that happening. … (*Interruptions*)

Questions have been asked and I am answering.… (*Interruptions*)

MR. CHAIRMAN: Let him complete. Nothing will go on record.

*(Interruptions)**

SHRI P. CHIDAMBARAM: This is only calling attention.

SHRI GURUDAS DASGUPTA : Give me the figures. … (*Interruptions*)

MR. CHAIRMAN: He can give the figures. Figure is not the problem.

… (*Interruptions*)

SHRI P. CHIDAMBARAM: I can only answer in my own way.… (*Interruptions*)

MR. CHAIRMAN: Mr. Dasgupta, allow him to speak.

… (*Interruptions*)

MR. CHAIRMAN: Nothing is going on record if this dialogue is going on. He is not yielding.

Nothing will go on record.

*(Interruptions)**

SHRI P. CHIDAMBARAM: If the idea is to provoke me, I am not going to be provoked. My learned friend can be provoked.… (*Interruptions*)

MR. CHAIRMAN: Kindly cooperate. Nothing will go on record.

*(Interruptions)**

SHRI P. CHIDAMBARAM: In 2006-07, up to February 2007 – we do not have yet the final figures for March – the gross collection was Rs. 1,56,755 crore. The withdrawals including redemption was Rs. 1,11,564 crore. Therefore, the net collection in 2006-07, up to February 2007, is Rs. 45,191 crore. To my mind, it is not evidence of any net outflow from NSSF; it is net accretion to the NSSF.

---

*Not recorded.

SHRI GURUDAS DASGUPTA : Comparatively it is declining.

SHRI P. CHIDAMBARAM: Sir, if I am interrupted, how do I answer?

MR. CHAIRMAN: Let him reply.

SHRI P. CHIDAMBARAM: I think the intention is to interrupt and to provoke; and not listen to the answer.

MR. CHAIRMAN: Shri Dasgupta, kindly cooperate. You are a senior Member; you are a learned Member; you are a competent Member. He cannot go beyond the figures and can say what he thinks. I cannot compel him to reply as you think.

SHRI P. CHIDAMBARAM: Secondly, as I have said in the statement, these instruments were introduced at a time when the banking system as well the capital market were undeveloped. Leave the capital market alone; I know of political parties which invested in UTI mutual fund. Leave alone capital market; let us take the banking syste[r14]m.

Today, in the banking system, unlike 10 or 20 years ago, Public Sector Banks have 48,098 branches; Regional Rural Banks have 14,488 branches, Cooperative Banks have 13,811 branches;

and other banks, including private sector banks, have 6,805 branches.

We have a huge banking network. Since the UPA Government took office, in the last three years we have emphasized financial inclusion. In fact, we have a Committee under Dr. Rangarajan, which has given an interim report on financial inclusion. Banks are opening no frills account. Many banks today allow accounts to be opened with Rs. 5 as an opening balance, and some even with zero rupees as an opening balance.

There are banks, which have, in one or more districts, achieved 100 per cent financial inclusion. For example, in one district in Kerala, Palghat, there is 100 per cent financial inclusion. In Puducherry, one bank has achieved 100 per cent financial inclusion. So, people are investing in bank deposits also, opening bank accounts and putting their money there. Now, I cannot tell a person: "Listen. You should not put your money in a bank account and you should put your money only in a Post Office account." He has a choice today, a wider choice than what he had a few years ago. He has a choice of Post Office account; he has a choice of bank account; he has also a choice of mutual fund including UTI mutual fund, which is a public sector fund; LIC mutual fund, which is a public sector fund. Are we saying that he should not put his money in a mutual fund? A wider menu of savings instrument today is available.

I am very happy that Shri Rupchand Pal has correctly pointed out one thing. If our policies are such de-generative policies as is alleged, how has the savings rate in the UPA Government increased by four per cent, and how has the investment rate increased by three per cent? If we are so dimwitted that we follow wrong policies, how does the savings rate move up by three per cent? One half of the savings is financial savings. Is that good or bad? One half of the savings is financial savings, and financial savings includes today postal savings, bank savings, and savings in other instruments. This is the only way in which savings will grow and our policies are encouraging savings as will be clear if anybody cares to read the *Economic Survey* or the Reserve Bank's Report on Monetary Development. We, in fact, take pride in the fact that the policies that we are following are encouraging savings in a wider variety of instruments including Post Office instruments.

Sir, it is this Government which introduced, for senior citizens, a nine per cent Savings Scheme. It was not there earlier. This Government, having regard to the need for senior citizens to have an attractive savings scheme, introduced a nine per cent Savings Scheme.

Sir, some questions were asked. Let me quickly answer those questions. One question was that I am shifting the blame to State Governments. I am not. NDC appointed a Sub-Committee. The Sub-Committee was asked to report on NSSF. The Sub-Committee made unanimous recommendations. In the Sub-Committee, States said: "Interest rate on borrowings by State Government from NSSF should be reduced to as low as 7.5 per cent." They wanted a reduction in the rate at which they borrow from NSSF.

There were five recommendations made unanimously by the Sub-Committee which included the Finance Ministers of States. The first recommendation was that the States should not be obliged to borrow – let me repeat that the States should not be obliged to borrow – 100 per cent of the net collections from that State, their responsibility and liability should be limited to 80 per cent. They say: "We cannot afford to borrow 100 per cent of the net collections from our State because the interest rate of lending is high." Then, after debate, I agreed that old loans would be consolidated, and the interest rate would be reduced to 10.5 per cent on old loans from 1st of April, 2007, and for new loans, I agreed to reduce the interest rate to 9.5 per cent. Today, the interest rate at which they borrow is 9.5 per cent, and they wanted 7.5 per cent. And then, the State Governments made a request that additional open marketing borrowing will be allowed, and they made a request for pre-payment of NSSF loan. They want to pre-pay NSSF loan.[R15]

They do not want to borrow; they want to repay the NSSF loan. This will also be considered on a case by case basis. This is the Report of the NDC Sub-Committee. These are the five recommendations. There is no recommendation by the State Finance Ministers, who constituted the NDC Sub Committee; this Report is approved by the entire NDC composed of the Chief Ministers and the Finance Ministers. There is no recommendation that the interest rate on NSSF should be increased. On the contrary, the demand is, reduce the interest rate at which NSSF will lend to the State Governments. And, therefore, we have reduced it to 9.5 per cent. If you increase the interest rate on NSSF deposits, you would have to correspondingly increase the interest rate at which they will borrow, and they do not wish to borrow. They do not wish to borrow 100 per cent; they do not wish to borrow at even 9.5 per cent; and they want to repay the NSSF loan.

Therefore, Sir, the policy that was recommended by Dr. Y.V. Reddy Committee, the policy that was affirmed once again by Dr. Rakesh Mohan Committee, is a correct policy, namely, benchmark the interest rate to the G-sec rate. And that is precisely what we have done. I have said in my statement that G-sec rate at the shorter end, one and two years, is slightly higher than the NSSF rate. But G-sec rate is a function of the current monetary situation. If the RBI moderates the bank rate, G-sec rate also at the shorter end will moderate . But at three years and above, the NSSF rate is competitive, is comparable to the G-sec rate. In fact, at the highest point, it is 152 basis points above the comparable Government security rate.

Sir, there were questions asked. Well, Mr. Shailendra wanted me to answer: "Will I bring it on par with bank rates?" I regret; the recommendation is to keep the NSSF rate on par with G-sec rate; and that is the effort. That policy continues.

Shri Rupchand Pal asked me. It is very easy to answer each of his four questions. Has money from the post office flowed to the banking system? Possibly, yes. But if money flows from the post office system to the banking system, that is not necessarily bad. In fact, that should be welcomed. Then, he asked whether there is discouragement to savings. The answer is 'no'. Is the Government discouraging savings in the post office? The answer is 'no'. Is the Government pushing the small savings to the capital market? The answer is 'no'.

Sir, Shri Swain wanted to know: should not savings rate increase? It should. But it has increased. It did increase in the last year of the NDA Government, but in the three years of the UPA Government, it has increased sharply. Should capital market be the sole avenue? No; capital market should not be the sole avenue. That is why, we have a wide variety of savings instruments, one among them being capital market instruments. Capital market instruments are equity instruments, debt instruments and mutual funds. A wide menu of instruments must be available. We have, in this country, a wide menu of instruments, and we will introduce more instruments. Post office savings is a very important instrument, and people should save through post offices also. Should not somebody else access NSSF? Correct. In my Budget Speech, I suggested, I proposed that, if the State Governments do not take even the 80 per cent they are obliged to take, then what happens to the NSSF? Therefore, I said that IIFCL may be allowed to access NSSF funds. The details are being worked out. But I am confident that with the reduction in liability from 100 per cent to 80 per cent and the reduction in interest rate to 9.5 per cent, the State Government will, I hope, fully avail of all the net collections from that State to the NSSF.

MR. CHAIRMAN : Now, we will go to Item No. 15.

SHRI GURUDAS DASGUPTA : Sir, the Finance Minister not honestly has bypassed my question. I do not say anything else. I told him categorically that while for the bulk deposit, for the corporate depositors, the banks are allowing 13 per cent to14 per cent, economically, how is it justified that the small depositors will be allowed only eight per cent to 8.5 per cent?

MR. CHAIRMAN: It is the banker's business. What can he do?

SHRI P. CHIDAMBARAM: I have explained the policy by which we administer the interest rates on post offices. Banks have accessed bulk deposits at higher interest rates in the months of February and March, and if anybody had cared to read the Press report on what I told the bankers in the last meeting that the Government has taken a very serious view of banks accessing bulk deposits at very high rates.[r16]

This is a legacy issue. If you did it last year after 12 months, you will be forced to do it this March. If you do it this March, you will be forced to do it next March. In fact, the public sector companies are asking banks to quote bids for interest rate to deposits for 15 days and 20 days in the months of February and March. This is a legacy issue. This has been going on for many years. I have taken a serious view. I have told banks that they should not outbid each other by bidding for bulk deposits at high rate. After I took a strong stand, IBA has appointed a Committee through which they will evolve the policy, by which banks will not access bulk deposits for 15 days, 20 days and 30 days in the months of February and March just to make up for the deposit they have to redeem which they took in the previous year, which is for deposits they took in the previous year. This is a legacy issue and I am trying to break that legacy issue.

MR. CHAIRMAN : I thank you all.
