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Govt to move cautiously trim small savings rate: Arun Jaitley

Government will bring down interest rates on small savings "cautiously" so as to protect the interest of weaker and vulnerable sections, Finance Minister Arun Jaitley said today.

By: PTI | New Delhi | Published: December 4, 2015 4:59 PM



As a lot of people depend on small schemes, Arun Jaitley said, “we as an elected government have to look at it in addition to the economic principles with a sense of political pragmatism.” (PTI)



Government will bring down interest rates on small savings “cautiously” so as to protect the interest of weaker and vulnerable sections, Finance Minister [Arun Jaitley](#) said today.

Citing example of girl child scheme launched last year, he said that “if after one year you immediately slash it down radically, it may not be very politically prudent and therefore, you have to move in that direction but you have to move a little cautiously”.

As a lot of people depend on small schemes, the Finance Minister said, “we as an elected government have to look at it in addition to the economic principles with a sense of political pragmatism.”

Sukanya Samridhi Scheme currently gives the highest interest rate of 9.2 per cent and this was to incentivise the people investing in the name of girl child.

[RBI](#) and banks have been pressing for reduction of small savings rates and bring them in line with market rate for effective transmission of monetary policy.

“It has been always suggested by the RBI, the Governor of RBI even publicly suggested it and that also has been a view expressed by a lot of very reasonable people, that small savings rate must come down,” he said at the HT Leadership summit.

Earlier this week, RBI Governor [Raghuram Rajan](#) said the rate reduction on small savings like PPF and post office deposit is also going to bring down the cost of fund for banks.

“The government is considering small saving rates and tying them more to market interest rates. I think these actions will help (effective monetary policy) transmission,” Rajan had said.

The Finance Ministry in September had announced its intention to review interest rates on small savings, which includes Post Office Savings and Public Provident Fund (PPF), after bankers said that high rates on such schemes run by the government make it difficult for banks to cut fixed deposit rates.

With small saving deposits commanding a rate of 8.7-9.3 per cent, banks have been reluctant to transmit the entire policy rate reduction by the Reserve Bank to borrowers. 

The median base lending rates of banks have come down by about 60 basis points despite extremely easy liquidity conditions, as against the 125 basis points of the policy rate reduction by RBI since January.

Small saving schemes include Post Office Monthly Income Scheme (MIS), PPF, Post Office Fixed Deposit Scheme, Senior Citizen's Savings Scheme, Post Office Savings Account and Sukanya Samriddhi Accounts.

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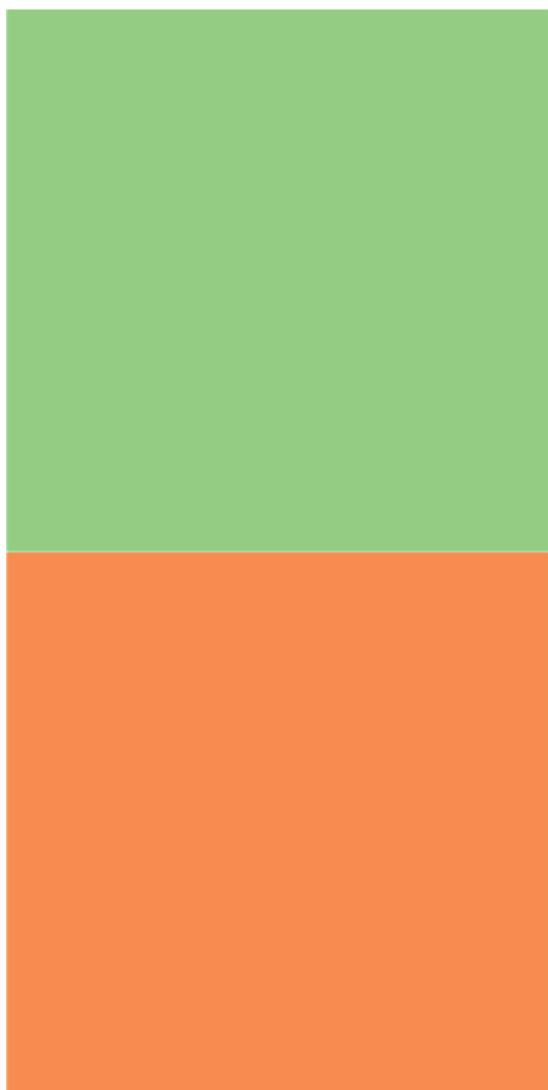


Pradeep Deo

The Govt should take care that the Banks should not sell dubious schemes under the guise of Wealth Management.....Care should be taken to educate the customers about the pitfalls of such schemes.....Till then , Bank deposits would be considered as the safest investments.....

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