

Raise 5-year rates for elderly, urges depositors' body

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Mumbai, November 20:

With falling deposit rates pinching golden-agers the most, the All India Bank Depositors' Association wants the government to protect their interests by pegging the return they earn on five-year deposits with banks and post offices at a mark-up of at least two percentage points over the average yield on the government security of comparable maturity.

Further, since the majority of the country's population does not have a social security scheme, the Association wants the maximum amount that can be invested in the five-year senior citizens savings scheme (SCSS) to be increased to ₹ 25 lakh from ₹ 15 lakh. This will help many people park their entire terminal benefits in the scheme.

Following the Centre's announcement in February that interest rates on Small Saving Schemes will be recalibrated on a quarterly basis with effect from April 1, 2016 to align their rates with market rates, the interest rate on SCSS has been cut twice — from 9.3 per cent in FY16 to 8.60 per cent in first quarter of FY17 and to 8.50 per cent in the current quarter. The interest rate was left unchanged in the second quarter.

AIBDA President SS Bhandare said senior citizens were bearing the brunt of softer interest rates.

"For them, interest earning is the most important source of income. So, the maximum investment limit in the Senior Citizens Savings Scheme (SCSS) should be raised to ₹ 25 lakh from the ₹ 15 lakh now," said Bhandare.

Instead of quarterly reviewing the rates, he felt there should be an assured rate of return on SCSS for a longer tenure. From the point of view of senior citizens, there should be stability in the interest income which they get.

In February, the government said that since small savings schemes such as Sukanya Samriddhi Yojana, SCSS and Monthly Income Scheme are based on laudable social development or social security goals, the interest rate and spread that these schemes enjoy over the Government Security rate of comparable maturity — of 0.75 percentage points (pps), 1 pps and 0.25 pps respectively — would remain unchanged.

The softer interest rate cycle evidenced by the fact that in response to the reduction in the policy repo rate by 1.75 percentage points since January 15, 2015 till date, interest rates on bank deposits of greater-than-one-year duration have gone down from 8/9 per cent (at the beginning of January 2015) to 6.50/7.30 per cent (November 11, 2016).

They want a mark-up of at least two percentage points over the avg yield on government security of comparable maturity

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