

CLARIFICATION ON INTEREST RATES ON SMALL SAVINGS SCHEMES

PRESS RELEASE

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Ministry of Finance has clarified that although the rate of interest on small savings schemes will be aligned every year with rates of Government securities of similar maturity, with suitable spread, the rates are fixed and not floating so far as individual investments except PPF are concerned. This is in response to news items appearing in certain sections of the Press that the interest rates on small saving schemes, revised by the Government w.e.f. 1.12.2011, are floating rates, which will undergo change according to fluctuations in the yield on the Government securities.

It has been clarified that the rate prevailing at the time of investments will remain fixed and unchanged till the maturity of the investment. Any revisions in interest rates in subsequent years will only be applicable to the investments made in the relevant period. For instance, investment made in an instrument other than PPF on 1.12.2011 will remain valid till the maturity of that instrument, irrespective of revision of interest rate with effect from 1.4.2012. As regards PPF, the interest rate fixed every year will be applicable to all PPF accounts.