

Small savings schemes get a demonetisation boost

Collections show 80% jump; experts point to attraction of post office plans

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Demonetisation has had a "huge impact" on the net collection of small savings schemes, which saw a 80% jump in their growth during 2016-17 compared with the previous year.

As per provisional data on the collections of small savings schemes, the State had recorded a net collection of around ₹3,510 crore in 2016-17 against ₹1,945 crore in 2015-16.

In the initial period after the demonetisation announcement made by Prime Minister Narendra Modi, post offices were allowed to accept cash deposits, even in demonetised notes.

During November alone, the gross collections exceeded the ₹3,000-crore mark (to be precise, ₹3,174.21 crore) and the net collection was around ₹1,386 crore, a feat in itself.

Till then, since 2014, the maximum gross and net collections in a month totalled ₹2,237 crore and ₹592.8 crore, both in March 2016.

Even though the negative trend in the net collections of small savings, which has been in existence since 2011-12, got reversed in 2015-16, the performance of the State in 2016-17 impressed many.

Notwithstanding the periodical reduction in rates effected by the Central government on various products under the small savings schemes, the rates are still higher than what is being



Huge hit: Apart from easy accessibility, modernisation efforts have also endeared post offices to the masses. ■ FILE PHOTO

offered by commercial banks. From 2015 onwards, interest rates offered by banks have progressively gone down.

"Be it the monthly income scheme or National Savings Certificate (NSC)-VIII Issue or Sukanya Samridhi Accounts (also known as Selvamagal Savings Scheme), the rates are 7.6%, 7.9% and 8.4% respectively," points out B. Raju Babu, Regional Director of the National Savings Institute, adding that a cursory look at the rates being offered by the bank reveals that the rates on small savings schemes are at least half a percentage point higher.

Except for the Senior Citizens Savings Scheme, the post offices do not carry out

income tax deductions at source (TDS), a move which many investors may consider beneficial, Mr. Babu feels.

Modernisation effect

Asserting that the accessibility of post offices is a major positive, T. Murthy, former Director General of Postal Services and who was Commissioner of Small Savings in the Tamil Nadu government during 2003-07, claims that modernisation of the postal system is yielding fruits and this has been borne out by the return of retail investors to the small savings schemes. "Today, you can get the NSC document in demat form also. Besides, several restrictions being imposed by banks concerning

transactions by saving bank account holders are driving people towards post offices," he says. The post offices are increasingly issuing ATM cards, which are as good as ATM cards of the banks.

As for the acceptances of the deposits immediately after the demonetisation, Mr. Murthy says this was done as per rules and regulations of the Union Finance Ministry. "They were all legitimate transactions," he adds.

A senior government official says that the fact that the small savings schemes have regained their sheen is a reflection of the importance attached by the people to the factors of safety, security and reliability, while making retail investments.