

**ALL INDIA BANK RETIREES' FEDERATION (REGD.)**  
**(A.I.B.R.F)**

**D/1/ Sector C Scheme No. 71 Indore 452009**

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**Ref. 2021/511**

**03.04.2021**

Smt. Nirmala Sitaraman  
Honorable Finance Minister,  
Government of India  
New Delhi

Respected Madam

Re: Falling Interest Rates on Bank Deposits and Small Saving Schemes for Senior Citizens  
Re; Increasing Cost of Living

We have been witnessing continuous downward trend in interest rates on bank deposits and small saving schemes in last four years. It has come to the historical low. Interest rates on small saving schemes would have been all time low, had the recent notification on it not been withdrawn promptly.

2. As you are aware, the falling rate of interest trend seriously affects SAVERS and in particular senior citizens who are mostly savers only and who are largely dependent on interest income to meet cost of day to day life, adversely. The following data will show how falling interest rates have brought down interest income of savers in last four years on one side and continuous rise in prices of essential commodities/ services have increased monthly financial budget of senior citizens on the other side.

**INTEREST RATE AND ANNUAL INTEREST INCOME ON FD OF ONE YEAR FOR RS.ONE LAKH**

<b>YEAR</b>	<b>RATE</b>	<b>ANNUAL INTEREST INCOME</b>	<b>FALL IN INCOME</b>	<b>PERCENTAGE</b>
<b>2015</b>	<b>8.63%</b>	<b>8630</b>	<b>NIL</b>	<b>NIL</b>
<b>2016</b>	<b>7.38%</b>	<b>7380</b>	<b>1250</b>	<b>14.48%</b>
<b>2017</b>	<b>6.88%</b>	<b>6880</b>	<b>1750</b>	<b>20.27%</b>
<b>2018</b>	<b>6.58%</b>	<b>6580</b>	<b>2250</b>	<b>26.07%</b>
<b>2019</b>	<b>6.55%</b>	<b>6550</b>	<b>2280</b>	<b>26.41%</b>
<b>2020</b>	<b>5.43%</b>	<b>5430</b>	<b>3200</b>	<b>37.07%</b>
<b>2021</b>	<b>5.17%</b>	<b>5170</b>	<b>3460</b>	<b>40.09%</b>

Interest income on one year FD has come down from Rs. 8630 p.a. to Rs. 5170 p.a. registering fall of Rs.3460 in aggregate amount and 40.09% in terms of percentage. It is steep fall from all standards. Similar trend is seen in interest rates on small savings schemes including senior citizen savings schemes during this period.

3. On the other side, there is continuous rise in prices of essential services and commodities during the same period. LPG Cylinder prices have gone up by almost 80 percent, petroleum cost has gone up by 55 per

Cent, health insurance premium rates have gone up by more than 250 per cent, essential commodities prices have gone on average by 60 per cent during the same period. In other words, what one could have purchased given quantity in Rs. 8630 in 2015 has now to pay Rs. 12000/- for the same quantity in 2021. In this way, saver, in particular senior citizens have suffered doubly. On one hand their interest income has come down from Rs. 8630/- to Rs. 5710/- on each FD amount of Rs. 1 lakh annually and other side cost of living has gone up as explained above.

3. In view of the above, it is our humble request you to consider our following suggestions to **give minimum safety net** to the senior citizens so they are able to manage their day to day life in the falling interest rate scenario.

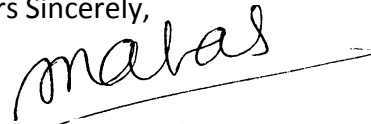
(a) On senior citizen deposit scheme, minimum rate of interest on 5 year deposit should be **8 per cent p.a.** instead of present 7.1 per cent. It should not go below 8 per cent under this scheme irrespective interest rate movement in the country. However, in case interest rates harden in future, interest rate under the scheme may be revised upwardly.

(b) IT exemption limit on interest income on bank deposit for senior citizen should be increased from present Rs. 50000 to Rs. 1, 00,000.

4. We hope our above suggestions will be considered favorably. On this occasion, we wish to convey our sincere thanks to you for pragmatic decision announced in the last budget to extent benefit of deposit insurance scheme that to up to enhanced amount of Rs. 5 lakhs to the depositors even during the moratorium period of bank. It has given added confidence to lakhs of depositors in the country including senior citizens.

With respectful regards,

Yours Sincerely,



(S.C.JAIN)

GENERAL SECRETARY

C.C. to

1. The Governor, Reserve bank of India, Mumbai
2. The Chairman Indian Banks' Association, Mumbai
3. The Convener and Constituents of UFBU.

