

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION No. 1492
ANSWER ON 20 DECEMBER 2022

Household savings rate

1492 Shri Sanjay Singh:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the savings rate of Indian households is steadily declining;
- (b) if so, the reasons therefor and savings rate during the last five years, year-wise;
- (c) whether the interest rates of the banking savings account schemes have been reduced by Government during the said period; and
- (d) if so, the details of cuts made in interest rates on schemes like Senior Citizen Savings Account, Kisan Vikas Patra Account, Public Provident Fund Account, National Savings Recurring Deposit Account, National Savings Certificate, National Savings Time Deposit Account during the last five years, year-wise?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a)-(b): The savings rate of Indian households is their gross saving as a ratio to GDP. Gross savings comprises net financial savings, savings in physical assets and savings in the form of gold and silver ornaments. As per the First Revised Estimates of National Income, Consumption Expenditure, Savings and Capital formation for 2020-21 released by National Statistical office, Ministry of Statistics and Programme Implementation, the trend in gross savings of Indian households and their estimated savings rate is given in the table below: -

Annual Trend in Gross Household Sector Savings and Savings Rate		
	In Rs. Crore	In Per cent
Year	Gross savings of Household Sector	Savings Rate Gross Savings to GDP Ratio
2016-17	27,87,134	18.1
2017-18	32,96,596	19.3
2018-19 (3rd RE)	38,44,582	20.3
2019-20 (2nd RE)	39,29,148	19.6
2020-21 (1st RE)	43,90,584	22.2

Source: MoSPI

The savings rate of Indian households increased during FY 2020-21 as compared to FY 2019-20, primarily on account of the reduction in discretionary spending and surge in precautionary saving during the uncertain times of the COVID-19 pandemic.

More recent data is available from RBI on the net financial savings of households, which is shown in the table below: -

Quarterly and Annual Trend in Net Financial Savings of Households					
In Per cent					
	Q1	Q2	Q3	Q4	Annual
2019-20	4.8	9.8	7.5	10.3	8.1
2020-21	15.5	12.1	8.8	12.5	12.0
2021-22	10.1	6.4	7.2	9.6	8.3

Source: Reserve Bank of India, www.rbi.org.in.

With the increase in consumption owing to the recovery of the economy from COVID-19, the net financial savings of households as a ratio to GDP has normalised from 2020-21 to 2021-22.

(c)-(d): Trend in interest rate for small savings scheme is presented in the table below: -

Trend in interest rate for Small Savings schemes							
In Per cent							
Quarter ended	Savings account	5 Year Time Deposit	5 Year Recurring Deposit	5 Year Senior Citizen Savings Scheme	5 Year National Savings Certificate	Public Provident Fund	Kisan Vikas Patra
Sep-18	4	7.4	6.9	8.3	7.6	7.6	7.3
Jun-19	4	7.8	7.3	8.7	8.0	8.0	7.7
Mar-20	4	7.7	7.2	8.6	7.9	7.9	7.6
Jun-20	4	6.7	5.8	7.4	6.8	7.1	6.9
Dec-22	4	6.7	5.8	7.6	6.8	7.1	7

Source: Ministry of Finance quarterly document on the revision of interest rate for Small Savings Scheme
