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Overseeing oversights

U-turn on the drastic cut in small savings rates deferred the impact, but revealed the intent

India's small savings instruments witnessed unprecedented overnight volatility in rates this week. On Wednesday evening, the Budget division in the Department of Economic Affairs revised downwards the interest rates payable on small savings instruments for the April-June 2021 quarter, by 40 basis points (0.4%) to 110 basis points (1.1%). The return on the most popular PPF scheme was pegged at 6.4%, the lowest level in 46 years. The government had refrained from tweaking these rates for the last three quarters after effecting a similarly sharp cut in Q1 of 2020-21, when the PPF interest was pruned from 7.9% to 7.1%. However, by early Thursday, the rate cuts had disappeared and the *status quo* reinstated, following a tweet by Finance Minister Nirmala Sitharaman. The only explanation: 'Orders issued by oversight shall be withdrawn.' It is not clear whose 'oversight' led to the rates being cut. In the process, the intent has been revealed even if the impact is deferred. Surely, Wednesday's order, approved by the competent authority, was not based on random numbers keyed in and notified inadvertently amidst a flurry of last minute economy-related government notifications on the last day of the financial year.

It is difficult to believe that the oversight is on the bureaucracy's part, for it simply executed the stated policy decision to link small savings rates to the interest paid on government securities of a comparable tenure every quarter. So one must deduce the oversight is on the political executive's part on the timing and implications of executing the required decision as per the extant policy. The clinching factor – the five Assembly polls. The government, that has brazened it out on Opposition jibes about rising unemployment, high inflation along with soaring fuel prices, could ill afford to yield a fresh talking point – the squeezing of the middle class and senior citizens, even as they brace up for the fresh tax on provident fund incomes. This rollback is not the first instance of post-haste policy ad hocism, but it may make the government's ₹12.05-lakh crore borrowing plan for the year harder as the central bank has been complaining of high small savings rates as a deterrent to lower interest rates. Another instance is the mysterious practice of oil companies freezing pump prices during electoral campaigns, even though oil prices are deregulated. The PM, as part of his 'One Nation, One Election' pitch, has often said that the virtually perennial poll season hits development. On the same note, if governments need permission to announce initiatives while the model code of conduct is in force, any deviation or reversal from routine administrative decisions should also attract the Election Commission's scrutiny.