

# EPFO may pay interest before Diwali to boost festive spirit

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- **It has sought the finance ministry's nod for going ahead with the 8.5% interest rate for FY21.**

NEW DELHI : The Employees' Provident Fund Organisation (EPFO) is likely to credit the interest rate for FY21 before Diwali to cheer millions of people ahead of the festive season.

This will coincide with government employees and pensioners getting their dearness allowance and dearness relief hike, at least two government officials said, asking not to be named.

The move could cheer the salaried class, which has faced months of job loss and income loss due to covid.

The EPFO's central board has approved the interest rate. The retirement fund manager has sought the finance ministry's nod and is expected to get a go-ahead soon, said one of the two officials mentioned above.

"Authorities have sought the finance ministry's approval on going ahead with the 8.5% interest rate for 2020-21. When the decisions were made about the interest, all factors have been taken into account and the fund manager is well placed to pay 8.5% rate," said this official.

"Though some argue that the finance ministry's approval is just a matter of protocol, the EPFO cannot credit the interest rate without its approval. EPFO is expecting a go-ahead based on its board's decision and comfortable financial position," according to the other official.

In March, the board recommended 8.5% payout for FY21. EPFO has pegged an income of around ₹70,300 crore in the previous fiscal, including around ₹4,000 crore from selling a portion of its equity investments.

"The equity market has grown very well since our last board meeting. This also gives us a cushion as our stock exposure has led to good earning even though it's notional till liquidation," said the second official.

The BSE Sensex was at a little less than 51,000 on 4 March when the board had met last and on 3 September it closed at 58,129.95.

The interest rate recommended is a result of combined income from interest received from debt investments and income realized from equity investments, the retirement fund body said after its central board meeting.

"This has enabled EPFO to provide higher returns to its subscribers and still allowed it to keep a healthy surplus as a cushion for providing higher returns in the future," it had said.

The 8.5% interest rate compares favourably with other provident funds such as general provident fund (GPF) and savings schemes such as the public provident fund (7.1%) and the national savings certificate (6.8%).

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Millions of people drew funds from their EPFO savings during the pandemic, but the final calculation showed that the withdrawals did not hurt the earnings of the retirement fund manager, a government official said.

The labour ministry official in charge of media affairs did not respond to queries and a ministry spokesperson also did not get back on a timeline for crediting the interest.

"The last one-and-a-half years have been tough for the working class, including the salaried class. We do understand that the EPF interest rate is a return on their statutory deduction made every month but the payout expected by Diwali will cheer up their mood," the second official said.

The pension fund's equity investment from 2015-16 through exchange-traded funds based on the NSE 50 and the BSE 30 indices is allowing EPFO to generate higher returns, though it comes with the associated risks of investing in such assets.

EPFO has an active subscriber base of more than 60 million and every year it invests 15% of its annual accruals in equity and rest in debt instruments.