

## FM- EPFO rate cut to 8.1% better than other schemes, reflects today's realities

Updated: 21 Mar 2022, 10:53 PM IST

Finance Minister Nirmala Sitharaman has defended the proposal to trim the interest rate paid on employees' provident fund deposits which was recently reduced to over four decades low of 8.1%. In a debate in the Rajya Sabha, the FM stated that the rate is dictated by today's realities where the interest rate on other small saving instruments was even lower. Apart from this, on Monday, the FM also shed some light on some small saving schemes, LIC IPO, Appropriation Bills, and food subsidies among others.

The FM stated that EPFO has a central board who takes the call on what rate has to be given...and they have not changed it for quite some time. They have changed it now...to 8.1%.

Earlier this month, the Central Board of Trustees recommended an 8.10% annual rate of interest to be credited on EPF accumulations in members' accounts for the financial year 2021-22. This would be the lowest since 1977-78. The interest rate would be officially notified in the government gazette following which EPFO would credit the rate of interest into its subscribers' accounts. The rate of interest on EPF earlier was 8.5%.

Notably, its Sitharaman-led ministry is the nodal authority for approving the recommendation of the Central Board of EPFO.

She further stated that this is a decision taken by the EPFO Central Board which has a wide spectrum of representatives in it. Also, she explained the comparative prevailing interest rates of other schemes saying Sukanya Samridhi Yojana offers 7.6%, Senior Citizen saving scheme (7.4%), and PPF (7.1%), while SBI's 5-10 year fixed deposits gives 5.50% interest rates.

Thereby, she said with all this, the EPFO has taken a call to give it at 8.1% (interest rate). She also took note of the fact that for forty years interest rates on EPF have not been brought down.

She said, "Yes, 40 years. There are today's realities that do keep us in the context of decisions taken by the Central Board of the EPFO. It is yet to come to Finance Ministry for approval, but the fact remains that these are the rates that are prevailing today and it (EPFO) is still higher than the rest of them," reported PTI.

On food subsidy, Sitharaman highlighted that in 2021-22, food subsidy provision was ₹2.43 lakh crore in BE. In the RE it was ₹2.87 lakh crore. Adding she said, "when the food subsidy is required more than what was provided in BE, we have readily provided without hesitation." Further, on the issue of fertilizer subsidy, Sitharaman said, "The entire hike in the imported fertilizers' cost has been borne by the government. The farmers have not been made to pay even one extra paisa for the fertilizers."

Talking about LIC IPO, the FM told Rajya Sabha that the embedded value of the insurance behemoth was calculated in an "extremely scientific way" and then disclosed in draft IPO papers filed with SEBI. She pointed out that the eligible policyholders of LIC will receive about 10% reservation, and may get a discount on an offer price.