



Economic Problems Of Senior Citizens Due To Diminution Of Fixed Deposit Interest

Soumya Sourav Basu

Flat No. 4D, Apartment- Indira Tower, IC-9, Post-Aswiniagar, Baguiati, Kolkata-700159

Abstract: Fixed deposits allow investors to deposit their money for a specific period for a rate of interest, which is typically higher than what is offered for a savings bank account. Fixed Deposits are popular because of its easy liquidity, reliability and high returns. Senior Citizens, who are old age, retired Government Servant, mostly withdraw monthly pension from the State Bank of India, deposit a lump sum amount of Rupees 5 to 15 lakh there in FD for a fixed period and earn a steady income by way of interest. Recently, due to enormous interest declination in fixed deposit of the bank, particularly in SBI, Senior Citizens are faced in tremendous economic problem. A sampling survey was conducted along with such 100 respondents during the year 2019-20. Opinions and views of them relating to Fixed Deposit interest earnings were recorded. Interest rates are falling. RBI rate cuts are high due to concerns over economic growth and the prevailing low inflation. To protect the real FD interest income of senior citizens they have claim to gain at least 1% more differential interest than the general people for financial security and their imperative needs in old age.

Keywords: Senior Citizens, FD interest, repo rate, bps

1. INTRODUCTION

The senior citizens are referred to as the people of 60 years of age and above. Their population faces a number of problems. These problems range from an absence of secure and sufficient income to support themselves and their ill- health, absence of social security, loss of social role and recognition and the non-availability of expectant interest in fixed deposit. The Indian senior citizen population is currently the second largest in the World after China. According to Census 2011, senior citizen population is 8.6 per cent of the total population. Between 2001 and 2026, because of decline of fertility, the proportion of population aged less than 15 year is projected to decline from 35.4 per cent, the proportion of middle (15-59 year) and older ages (60 year and above) are set to increases considerably. With the declining fertility, along with increase in the life expectancy, the number of senior citizen in population is expected to increase by more than double from 71 million in 2001 to 173 million in 2026 - an increase of their share to total population from 6.9 to 12.4 percent (Prasad 2017). Most of the Senior Citizens are going through a very tough time in their life. Now, they have no regular source of income except substantial old age pension from government. Their children are hardly support them financially. Retirement from service usually results in loss of income and the pensions that the elderly receive are usually inadequate to meet their cost of living. Therefore, along with monthly pension, interests on Fixed Deposit have also been a source of income. Opinions and views of the older people regarding their economic problem due to interest declination in fixed deposit of the bank, particularly in the State Bank of India, is a matter of fact today. Most of the retired old age persons withdraw their monthly pension from the SBI. They have fixed deposit investment in SBI. They have trust and dependence upon SBI. Recently, on 10.02.2020 and 10.03.2020, two times the State Bank of India (SBI) has cut interest rates on fixed deposits (FD) tenors again.

1.1 Review of Studies

Bali (1999) has given valuable thoughts on *Understanding Greying People of India*. Irudya, Mishra and Sharma (1999) have provided us an intangible inspiration through their book on *India's Elderly: Burden or Challenge?* Rath, the Chairman of Agewell Foundation (2011) has submitted their assessment on *Financial Status of Older People in India*. Likert (1932), in a renowned Journal *Archives of Psychology* has written 'A Technique for the Measurement of Attitudes'. Driga and Isac (2014) in *Journal of economics* have published their opinion on 'E-Banking services-Features, challenges and Benefits'. Prasad (2017), in *International Journal of Humanities and Social Science Research*, has published the article on 'Problems of senior citizens in India'. Jacob and Jacob (2020) have 'A study on the acceptance of Self Service Banking Technology among professional workers' and published their elemental work in *International Journal of Creative Research Thoughts*. Some significant Magazines like *The Hindu Business Line* (January 20, 2018), *The Economic Times Wealth* (October 21, 2015; July 29, 2019 and March 12, 2020), *Business Today* (February 10, 2020) have studied in details to know their latest comments on reduces Fixed Deposit rates and the fret over falling fixed deposit rates of Senior Citizens particularly in State Bank of India.

1.2 Scope of the Study

There is a wide scope to enlist opinions and views of the older people regarding their economic problem due to declination of interest from time to time in fixed deposit of the bank. They are badly needed for suitable planning from the bank for a minimum benefit. Therefore, this study is an attempt to understand financial dynamics, highlighting the patterns that emerge in relation to the contemporary financial issues and challenges faced by the older persons.

1.3 Significance of the Study

Retired people are facing problems of inadequate supply of credits. Banks of the country can take various steps, which among one is economic development of Senior Citizens that is significantly desirable. There would be any dedicated and sensitive Fixed Deposit scheme for senior citizens, which can ensure a comfortable as well as respectable old age.

1.4 Statement of the Problem

Older people have not earned good monthly income today in terms of Fixed Deposit interest on investment. Older person can also expect an elderly and friendly measure e.g. high yielding senior citizens' Fixed Deposit investment plans (Rath 2011). This statement absolutely highlights the problem of senior citizens living in India, who are suffered from economic problem due to declination of interest in fixed deposit by the State Bank of India and like others.

1.5 Objectives of the Study

Financial status of older persons is not improving. Life span has also increased significantly over the years. Specific objectives have to assess the changing financial status and to examine the financial issues and associated problems of older persons relating to Fixed Deposit interest profit and loss of them particularly in State Bank of India, upon which they are entirely trusted and reliant.

1.6 Hypothesis

In the year 2020, in between 29 days, on 10th February and on 10th March, the State Bank of India (SBI) has cut interest rates on fixed deposit (FD) tenors. Reduction in interest rates may go against the objective of income stabilisation for the retirees. Even as, the nominal cost of living of them depending on interest earnings for survival is squeezed. The ever-rising medical cost and high consumer prices are pinching them hard. They feel more insecure with the dwindling of income. Obvious fact that further rate of interest will be cut down as per dictum of the RBI and higher authorities due to concerns over economic growth and the prevailing low inflation. Therefore, if the senior citizens have to gain at least more than 1% interest in FD rather than the general people they feel moral support and security.

2. RESEARCH METHODOLOGY

Fast changing socio-economic condition in the country and crowd of other factors have changed financial status of senior citizens in general. The aim of this research effort was to persecute the shade of these changes through an in-depth qualitative study, which affects the lives of elderly persons. The studied problems were supported by generating data that are arranged stepwise in a statistical and psychological manner to get a significant conclusion.

2.1 Sampling design

Samples of 100 Senior Citizens were selected. They were retired government servant in various grade scale, obtain monthly pension from Government Treasury through the State Bank of India. They have minimum Fixed Deposit in the Bank, Rs. 5 to 15 lakh and even more. Nearly 60% of them were male, 40% female. A list of them, particularly fixed deposit concerns, who were willing to be part of the study, was first prepared. Random sampling and convenient sampling technique (Jacob and Jacob 2020) were used methodically.

2.2 Sources of Data

The survey was conducted during the year 2019-20. Data for the study were collected from primary as well as secondary sources. Primary data for the study were collected through survey method using structured questionnaire and through direct interviews with the respondent. This recorded outline has needed supplementary processing. The secondary data for the study were collected from various books, magazines and journals. Indispensable of them are quoted in references. So, they need no further processing.

2.3 Tools for Data Collection and Analysis

Statistical tools and techniques were used. It includes simple percentage, mean, ranking and five point Likert scale systems. A combination of computers, telecommunications, and internet technology has covered the system. The information of merits and demerits lined with Fixed Deposit were further analysed with the help of focused group discussions and in-depth interviews.

2.4 Limitations of the Study

The studies were confined to 100 numbers of respondents. They were retired, pensioners and have minimum 5 to maximum 25 lakh INR rupees fixed deposit in State Bank of India. They are confronted with the problems of financial insecurity. Therefore, the investigation can be concluded based on their opinion.

3. RESULTS AND DISCUSSION

**Table I. Fixed Deposit Interest Rate for Senior Citizens in State Bank of India
w.e.f. 01.10.2017 to 10.03.2020 (All figures in %-tage per annum)**

Tenors	w.e.f. 01.10. 2017	w.e.f. 01.11. 2017	w.e.f. 28.02. 2018	w.e.f. 28.03. 2018	w.e.f. 30.07. 2018	w.e.f. 28.11. 2018	w.e.f. 07.01. 2019	w.e.f. 09.05. 2019	w.e.f. 01.08. 2019	w.e.f. 10.02. 2020	w.e.f. 10.03. 2020
7to45 days	6.00	5.75	6.25	6.25	6.25	6.25	5.75	6.25	5.5	5.00	4.50
46to179 days	7.00	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.25	5.5	5.50
180to210days	7.00	6.75	6.85	6.85	6.85	6.85	6.75	6.85	6.75	6.00	6.00
211 days to less than 1 yr.	7.00	6.75	6.90	6.90	6.90	6.90	6.75	6.9	6.75	6.00	6.00
1 year	7.00	6.75	—	—	—	—	6.75	—	—	—	—
1yr 1day to 1yr 364 days	—	—	—	—	—	—	6.75	7.5	7.3	—	—
1yr to less than 2 yrs	—	—	6.90	6.90	7.20	7.30	—	—	—	6.5	6.40
Above 1 yr. to 455 days	7.00	6.75	—	—	—	—	—	—	—	—	—
456 days to less than 2yrs	7.00	6.75	—	—	—	—	—	—	—	—	—
2 yrs to less than 3 yrs	6.75	6.50	7.00	7.10	7.25	7.30	—	7.25	7.2	6.5	6.40
2yrs to 10 yrs	—	—	—	—	—	—	6.50	—	—	—	—
3yrs to less	6.75	6.50	7.00	7.20	7.30	7.30	—	7.2	7.1	6.5	6.40

than 5 yrs											
5 yrs and up to 10yrs	6.75	6.50	7.00	7.25	7.35	7.35		7.1	7	6.5	6.40

Source <https://www.onlinesbi.com>

The factum reveals that the rate of interest would likely to go down further. Senior Citizens, who depend on interest income for survival, are naturally upset. It means that Senior Citizens would suffer more in the coming days (Nathan 2019). During SBI Senior Citizen Deposits scheme 2015, for the tenure of 2 to 5 years, they availed the highest rate of interest @ 7.25% per annum. During 2016-17 Financial Year the Senior Citizens availed @ 8.6% interest per annum in Fixed Deposit Scheme of SBI; i.e. Rs. 1 (one) lakh investment for one year they accrued Rs. 108600/-. Therefore, those Senior Citizens, who have deposited Rs. 1 (one) lakh for one year in Fixed Deposit Scheme of SBI on and from 10.03.2020 they will accrue Rs. 106,400/- only @ 6.40% interest. In comparison to 2016-17 F.Y. (Financial Year), they will have a loss of (108,600-106,400) Rs. 2,200/- per one lakh. During the timing period, 10.02.2020 to 10.03.2020, this is the second time bank has reduced rates in one month. In February, the PSU (Public Sector Undertaking) bank has reduced FD rates by 10-50 bps (1 basis points /bps = 0.01%). The back-to-back rate cuts have come despite RBI (Reserve Bank of India) maintaining status quo in its monetary policy announcement in the month of February. According to SBI press release (Ganguli 2020), bulk fixed deposit interest rates have reduced by 15 bps for deposits in "180 days & above" tenors. The cut in deposit rates comes on the back of a liquidity surge in the money markets. The PSU bank has also reduced the MCLR (Marginal Cost of funds based Lending Rate) rates by up to 15 bps.

Table II. Diminution (-)/Enhancement (+)/Equivalence (≡) of the %-tage of Rate of Interest in Fixed Deposit of Senior Citizens w.e.f. 01.11.2017 to 10.03.2020

Tenors	w.e.f. 01.11. 2017	w.e.f. 28.03. 2018	w.e.f. 30.07. 2018	w.e.f. 28.11. 2018	w.e.f. 09.05. 2019	w.e.f. 01.08. 2019	w.e.f. 10.03. 2020
7to45 days	-0.25	≡	≡	≡	+ 0.50	- 0.75	-0.50
46to179 days	-0.25	≡	≡	≡	≡	-0.50	≡
180to210days	-0.25	≡	≡	≡	+ 0.10	-0.10	≡
211 days to less than 1 yr.	-0.25	≡	≡	≡	+ 0.15	-0.15	≡
1 year	-0.25	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
1yr 1day to 1yr 364 days	N.A.	N.A.	N.A.	+ 0.30	N.A.	-0.2	N.A.
1yr to less than 2 yrs	N.A.	≡	+ 0.30	+ 0.10	N.A.	N.A.	-0.10
Above 1 yr. to 455 days	-0.25	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
456 days to less than 2yrs	-0.25	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2 yrs to less than 3 yrs	-0.25	+ 0.10	+ 0.15	+ 0.05	N.A.	-0.05	-0.10
2yrs to 10 yrs	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3yrs to less than 5 yrs	-0.25	+ 0.20	+ 0.10	≡	N.A.	-0.1	-0.10
5 yrs and up to 10yrs	-0.25	+ 0.25	+ 0.10	≡	N.A.	-0.1	-0.10

The Government announced a significant reduction in interest rates on the so-called 'small savings' instruments — including Senior Citizen Savings Scheme (SCSS) — to bring them in line with comparable bank fixed deposit interest rates. The Government has stuck to its fiscal consolidation targets, which the RBI considers a precondition along with falling CPI (Consumer Price Index) inflation, for further cuts in the 'repo rate' - the rate at which RBI lends short-term funds to banks (Ray 2018). The resultant fact has calibrated a slip down of the interest rate during the F.Y. 2019-20. State Bank of India (SBI) has slashed the interest rates on fixed deposits across tenors. For the retail segment or deposits less than Rs. 2 crore, the interest rates have been slashed by 10 to 50 basis points whereas for the bulk segment, the rates have been reduced by 25 to 50 basis points. Now, SBI is offering only an additional 50 basis point interest rate for senior citizens across all tenors (Dubey 2020). For deposits due to mature in 7 to 45 days, the bank offers a 5 per cent interest rate. For fixed deposits due to mature in 46 to 179 days, the bank will offer an interest rate of 5.5 per cent. The state lender will offer an interest rate of 6 per cent for FDs due to mature in a period of 180 to 211 days. FDs due to mature in 1 to 10 years will fetch an interest rate of 6.5 per cent. Interest rate on short-term FDs with tenure of up to 45 days has been reduced sharply by 50 basis points or 0.50 per cent. (100 basis point = 1 per cent). Nevertheless, it's an ill fate of the senior citizens that the new rates of interest in Fixed Deposit are already effected and also been affected from March 10, 2020.

**Table III. Measurement of attitudes of the senior citizens due to diminution of F.D. interest.
Data in % -tage relation to the problem raised [Likert scale System1932**

	1	2	3	4	5
Financial Performance					
Overall Attitude	Very poor 50	Poor 30	Average 20	Good ×	Excellent ×
Satisfaction	Satisfied ×	Very Satisfied ×	Neutral 20	Dissatisfied 60	Very Dissatisfied 20
Purchase	Very Unsatisfied 40	Unsatisfied 40	Neutral 20	Satisfied ×	Very Satisfied ×
Opinion	Strongly Disagree 30	Disagree 50	Slightly Disagree 20	Slightly Agree ×	Agree ×
Importance	Very Important 50	Important 30	Moderately Important 20	Slightly Important ×	Not Important ×

The logic of the specificity-generality problems of senior citizens, have fixed deposit, were first to consider briefly. The verbal declarations of opinion and attitudes were undertaken. Finally, evaluate the data as an indirect method of measuring disposition. Special emphasis has given to the more dogmatic types of opinion. Surveys of opinions reveal that these verbal responses would be valid indices of other behaviour. Customer centricity has proven to be an elusive goal. It has shown that overall attitude of 50% customers were very poor (unfortunate). 60% of them were dissatisfied. Those, who were obliged to purchase the fixed deposit record, 40% of them were very unsatisfied, 40% unsatisfied, and only 20% have in a neutral position. 50 % of the customers were disagreed, 30% strongly disagreed, and 20% slightly disagreed with the opinion (decision) of banking service. The higher authority for understanding and overcoming the key managerial challenges to achieving customer centricity could do an unpretentious attempt. 50% of the customers have taken the FD interest matter as very important, 30% as important, and 20% as moderately important. Hope that Bank have managed to successfully traverse the path to customers' centricity.

Senior citizens are worried over falling fixed deposit rates. They are mostly retired government employees who put their money in fixed deposits for a basic interest. The sharp reduction in FD interest rates is making them poorer. They have to loss at least Rs. 1000/- per year in investing Rs.100, 000/- under the new rate structure (Ray 2015). This comes as a challenge to their subsistence. Falling interest rates in FD in Nationalised Bank like SBI, from 2010 onwards are affecting their only source of income.

4. CONCLUSION

Due to liquidity of the economy, State Bank of India (SBI) has reduced its Fixed Deposits (FD) interest rates. Interest rates of all tenures have been reduced alter the lending rates were reduced by the Reserve Bank of India (RBI). Banks usually cut interest rates when their fund costs are crashed down. Majority of older retired persons have a melancholy look. They face financial hardship more and more. Most of them are not in a position to earn their livelihood. Many a times their family members and relatives exploit them due to their vulnerability. Their pension and savings are not enough to meet their day-to-day expenses. Therefore, comply with the rules of RBI and the SBI, Senior Citizens could appeal before that finance authority to pay them a differential of at least 1% more FD interest than the general, so that, financial rights and interests of them are protected.

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