National Small Savings Fund

The Union Government may **borrow more funds** from the **National Small Savings Fund (NSSF)** than budgeted for financial year 2019-20 to cover its fiscal deficit requirements.

- It can be noted that the government in past few years has **increased its reliance** on the borrowings from the NSSF.
  - Although the **target of 21% for FY-20 is marginally down from 22.4% in FY19, it is significantly higher than 3% in FY15.**
- The move will **ease pressure on the benchmark 10-year Government securities yield** and keep the cost of government borrowings through extra budgetary resources (EBR) via public sector undertakings (PSUs) low.
  - However, it is to be noted that the **cost of borrowings from NSSF is higher than that for market borrowings.**
- The states, who were the prime borrowers from this fund earlier, are now relying more on market borrowings (state development loans) to meet their funding needs as per the **recommendations of the 14th Finance commission.**
  - The exclusion of States and Union Territories except Arunachal Pradesh, Kerala, Delhi (UT) and Madhya Pradesh from National Small Savings from April 2016 has **created more room for borrowings by the centre and PSUs.**

National Small Savings Fund

- National Small Savings Fund (NSSF) in the **Public Account of India was established in 1999.**
- The Fund is administered by the **Government of India, Ministry of Finance (Department of Economic Affairs) under National Small Savings Fund (Custody and Investment) Rules, 2001,** framed by the President under **Article 283(1) of the Constitution.**
- The objective of NSSF is to de-link small savings transactions from the Consolidated Fund of India and ensure their operation in a transparent and self-sustaining manner.
- Since NSSF operates in the public account, its transactions do not impact the fiscal deficit of the Centre directly.
- Small savings instruments can be classified under **three heads:**
  - **Postal deposits** (comprising savings account, recurring deposits, time deposits of varying maturities and monthly income scheme),
  - **Savings certificates like:** National Small Savings Certificate(NSC) and Kisan Vikas Patra (KVP)
  - **Social security schemes like:** Public Provident Fund (PPF) and Senior Citizens‘ Savings Scheme(SCSS)