



Small Savings Instruments

Why in News

Recently, the central government withdrew its orders of reducing the rates on all **small savings instruments/schemes**.

Key Points

▪ About:

- Small savings instruments **help individuals achieve their financial goals over a particular period**.
- They are the **major source of household savings** in India.
- The small savings instrument basket **comprises 12 instruments**.
- Collections from all small savings instruments are credited to the [National Small Savings Fund \(NSSF\)](#).

▪ Classification: 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:** National Small Savings Certificate (NSC) and Kisan Vikas Patra (KVP).
- **Social Security Schemes:** [Sukanya Samridhi Scheme](#), Public Provident Fund (PPF) and Senior Citizens' Savings Scheme (SCSS).

▪ Rates of Small Saving Instruments:

- The rates for small saving instruments are **announced quarterly**.
- Theoretically, the **rate changes is based on yields of government securities of corresponding maturity**. However, political factors also influence the rate change.
- The **Shyamala Gopinath panel (2010)** constituted on the Small Saving Scheme had suggested a **market-linked interest rate system** for small savings schemes.

National Small Savings Fund

▪ Establishment:

- National Small Savings Fund (NSSF) in the Public Account of India was **established in 1999**.

▪ Administration:

- 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.

▪ Objective:

- 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.

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