



Small Savings Instruments

Why in News?

Despite successive hikes in interest rates on several [small savings instruments \(SSIs\)](#) in the last three quarters, the returns on **some of such schemes are still significantly lower** than what they should have fetched (as per calculations released by the [Reserve Bank of India \(RBI\)](#)).

What are Small Savings Instruments?

▪ About:

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

▪ Classification:

- The small savings instrument basket **comprises 12 instruments** which can be classified into three categories:
 - **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, **it is based on yields of G-Secs of corresponding maturity** but political factors also influence the rate change.
- The **Shyamala Gopinath panel (2010)** constituted on the Small Saving (SS) Scheme had suggested a [market-linked interest rate system for SS Schemes](#).

▪ Formula for Small Savings Rates:

- It is **used to calculate the interest rates for various SSIs** in India and is based on the **average quarterly yields on G-Secs** in the first 3 of the preceding 4 months.
 - The formula is used to **decide how much interest to pay to savers who invest in SS schemes.**

What are the Few Important Small Savings Schemes?

▪ [Sukanya Samridhi Account Scheme:](#)

- Aims to **promote the welfare of girl children in India.**
- Parents or legal guardians can open deposits for **up to two daughters aged below 10**, and **in the case of twin girls or three girl children**, the scheme allows three accounts to be opened.
- **Minimum initial deposit - Rs 250; Maximum annual ceiling - Rs 150,000.**
- Deposits can be made for a maximum of 15 years; account matures on completion of **21 years from the date of opening or on the marriage of the account holder**, whichever is earlier.

- **Senior Citizens' Savings Scheme:**
 - To provide **senior citizens in the country a regular source of income after they turn 60 years old.**
 - Eligibility -
 - **Indian citizens above 60 years of age**
 - Retirees in the age of 55-60 years who have opted for a **Voluntary Retirement Scheme (VRS)** or Superannuation
 - **Retired defense personnel between 50-60 years of age.**
 - **Maturity period of five years**, which can be extended for **another three years.**
 - **Minimum deposit - Rs. 1,000;** Maximum deposit **limit increased to Rs. 30 lakhs in the [Union Budget 2023-24.](#)**
 - **Premature withdrawal is allowed after one year of opening the account.**
 - Deposits in SCSS also qualify for **deduction under Section 80-C of the [Income Tax Act.](#)**
- **Monthly Income Scheme:**
 - Allows monthly investments by **Indian residents above the age of 10 years.** 1-3 individuals can hold the account jointly.
 - **Has a 5-year lock-in period with premature withdrawal** allowed after one year with a penalty.
 - Maximum deposit limit enhanced in Union Budget 23-24 **to Rs 9 lakh (for single account) and Rs 15 lakh (for joint account).**
 - Any income from the scheme is not subject to TDS or tax deductions.
 - **NRIs not eligible to invest in this scheme.**
 - Account is **transferable from one post office to another.**
- **Public Provident Fund (PPF):**
 - Encourages **individuals to save for their retirement.**
 - **Has a tenure of 15 years**, extendable to **an additional 5 years after maturity.**
 - Minimum annual investment required to keep a PPF account active - **Rs. 500;** Maximum investment limit - **Rs. 1.5 lakh per FY.**
- **Kisan Vikas Patra (KVP):**
 - Governed by the **Government Savings Certificates Act 1959** (an SSI offered by **India Post**).
 - Originally launched in 1988 and relaunched in 2014.
 - Available to resident Indians and trusts.
 - Tenure - **124 months, but not fixed.**
 - **Minimum** investment amount - **Rs. 1,000; No upper limit.**
 - Interest rate reviewed by the government **every quarter.**
- **Mahila Samman Savings Certificate:**
 - A one-time new small savings scheme for women or girls
 - Available for a **two-year period up to March 2025**
 - **Deposit facility up to Rs 2 lakh** (fixed interest rate of 7.5%)
 - **Partial withdrawal option**

[Source: TH](#)

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