



# Small Savings Schemes

## Why in News?

Recently, the government kept interest rates unchanged on Small Savings Schemes, including NSC (National Savings Certificate) and PPF (Public Provident Fund), for the second quarter of 2022-23 amid high [inflation](#) and rising interest rate.

- The interest rate on small savings schemes has not been revised since the **first quarter of 2020-21**.
- A hike in the rate was expected **in view of a surge in yields on [government bonds](#)**, to which their returns are linked as per a formula.

## What are the Small Saving Schemes/Instruments?

- **About:**
  - They are the major source of household savings in India and comprise 12 instruments.
  - The depositors get an assured interest on their money.
  - Collections from all small savings instruments are credited to the [National Small Savings Fund \(NSSF\)](#).
  - Small savings have emerged as a key source of financing the [government deficit](#), especially after the [Covid-19 pandemic](#) led to a ballooning of the government deficit, necessitating higher need for borrowings.
- **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).
- **Determination of Rates:**
  - Interest rates on small savings schemes are reset on a quarterly basis, in line with the movement in benchmark government bonds of similar maturity. The rates are reviewed periodically by the **Ministry of Finance**.
  - The **Shyamala Gopinath panel (2010) constituted on the Small Saving Scheme had suggested a market-linked interest rate** system for small savings schemes.

[Source: TH](#)