Small Savings Schemes

Why in News?

Recently, the **government has kept interest rates unchanged** on Small savings Schemes, including NSC (National Savings Certificate) and PPF (Public Provident Fund) for the first quarter of 2022-23 (April-June) **due to an elevated level of** inflation**.**

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 Samriddhi 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: IE