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 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: TH