



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](#)