

Small Savings Instruments

Why in News

Recently, the central government withdrew its orders of reducing the rates on all **small savings instruments/schemes.**

Key Points

About:

- Small savings instruments help individuals achieve their financial goals over a particular period.
- They are the **major source of household savings** in India.
- The small savings instrument basket comprises 12 instruments.
- Collections from all small savings instruments are credited to the <u>National Small Savings</u> <u>Fund (NSSF)</u>.
- 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: <u>Sukanya Samriddhi Scheme</u>, 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, the rate changes is based on yields of government securities of corresponding maturity. However, political factors also influence the rate change.
- The **Shyamala Gopinath panel (2010)** constituted on the Small Saving Scheme had suggested a **market-linked interest rate system** for small savings schemes.

National Small Savings Fund

Establishment:

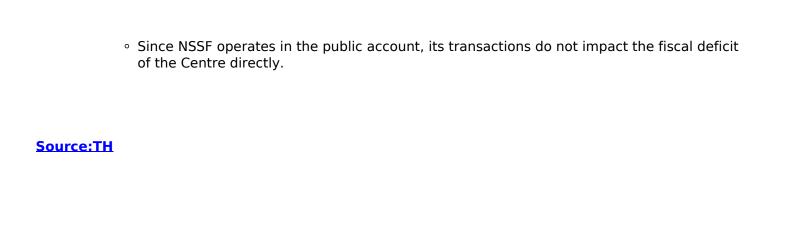
 National Small Savings Fund (NSSF) in the Public Account of India was established in 1999.

Administration:

 The Fund is administered by the Government of India, Ministry of Finance (Department of Economic Affairs) under National Small Savings Fund (Custody and Investment) Rules, 2001, framed by the President under Article 283 (1) of the Constitution.

Objective:

• To **de-link small savings transactions from the** <u>Consolidated Fund of India</u> and ensure their operation in a transparent and self-sustaining manner.



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