



# Interest Rates on Small Savings Schemes

## Why in News?

Recently, the Government of India has hiked interest rates on some of the **Small Savings Schemes (2-year and 3-year Time Deposits, Senior Citizens Savings Scheme and Kisan Vikas Patra)** for October-December 2022.

## What are Small Savings Schemes?

### ▪ About:

- Small Savings Schemes are a **set of savings instruments managed by the central government** with an aim to **encourage citizens to save regularly irrespective of their age**.
  - They are popular as they **not only provide returns that are generally higher than bank fixed deposits** but also come **with a sovereign guarantee and tax benefits**.
- All deposits received under various small savings schemes are pooled in the **National Small Savings Fund**. The money in the fund is **used by the central government** to finance its **fiscal deficit**.

### ▪ Classification:

- **Post office deposits:**
  - Savings deposit, Recurring deposit and Time deposits with 1, 2, 3 and 5 year maturities and the Monthly Income Account.
- **Savings Certificates:**
  - **National Savings Certificate:**
    - The interest that is **earned is reinvested into the scheme every year** automatically.
  - **Kisan Vikas Patra:**
    - Open to everyone, doubles the one-time investment at the end of 124 months signifying a **return of 6.9% compounded annually**.
- **Social Security Schemes:**
  - **Public Provident Fund:**
    - Public Provident Fund (PPF) is a retirement savings scheme offered by the Government of India with the aim of providing a secure post-retirement life to everyone.
  - **Sukanya Samriddhi Account:**
    - It was launched in 2015 under the **Beti Bachao Beti Padhao** campaign **exclusively for a girl child**.
    - The account **can be opened in the name of a girl child** below the age of 10 years.
    - The scheme **guarantees a return of 7.6% per annum** and is eligible for **tax benefit under Section 80C of the Income Tax Act**.
  - **Senior Citizens Savings Scheme:**
    - Can be opened by anyone who is over 60 years of age.

### ▪ 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](#)**

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