UPSC Preparation

Small Savings Instruments

Small savings instruments are managed by the central government to encourage citizens to save regularly irrespective of their age. They not only provide returns that are usually higher than bank fixed deposits. They also come with a sovereign guarantee and tax benefits.

Latest Context: The government has decided to maintain the interest rate of small savings schemes for Q1 of 2022-23. There will be no change in post office small savings interest rates between April 2022 and June 2022.

What are Small Savings Instruments?

- Small savings instruments help the citizens to achieve their financial goals over a particular time period.
- The small savings instruments include
  - Public Provident Fund Account (PPF)
  - Sukanya Samriddhi Accounts
  - Senior Citizen Savings Scheme
  - Post Office Savings Account
  - 5-Year Post Office Recurring Deposit Account (RD)
  - National Savings Certificates (NSC)
- They are the major source of household savings in India. The small savings schemes basket can be classified under three categories. They are
  - **Postal deposits:** Post Office Savings Account(SB), National Savings Recurring Deposit Account(RD), National Savings Time Deposit Account(TD) etc.
  - **Savings certificates:** National Savings Certificates (VIIIth Issue), Kisan Vikas Patra(KVP) etc.
  - **Social security schemes:** public provident fund (PPF), Senior Citizens 'Savings Scheme (SCSS) etc.
- Interest rates are reviewed every quarter by the Government for these schemes

Latest Interest Rates:

The government has decided to maintain the status quo on interest rates of small savings instruments for the April-June quarter. The latest interest rates applicable for April 1, 2022, to June 30, 2022, are given below.

Small savings instruments	Interest rates for Q1 of 2022-23
Public Provident Fund Account (PPF)	7.1 per cent
Senior Citizens Savings Scheme (SCSS)	7.40 per cent
Post Office Time Deposits	5.5-6.7 per cent
National Savings Certificate	6.8 per cent
Post Office Monthly Income Scheme(MIS)	6.6 per cent
Post Office 5-year time deposit	6.7 per cent
5-year recurring deposit	5.8 per cent
Sukanya Samriddhi Yojana	7.6 per cent
Savings Deposits	4 per cent per annum
Monthly Income Account	6.6 per cent

Some Important Small Savings Schemes

Post Office Savings Account	• It is like a savings account with a bank. • Only one account can be opened by an individual as a single account • Minimum deposit amount: - Rs. 500 • Minimum withdrawal amount: - Rs. 50 • Maximum deposit: - No maximum limit
Kisan Vikas Patra (KVP)	• It can be purchased from any post office. • The minimum deposit is Rs. 1000 and in multiple of Rs. 100, no maximum limit. • The deposit shall mature on the maturity period prescribed by the Ministry of Finance from time to time as applicable on the date of deposit. • Certificates are easily transferable
Senior Citizen’s Savings Scheme	• An individual above 60 years of age can open an account. • Retired Civilian Employees above 55 years of age and below 60 years of age, subject to the condition that investment is made within 1 month of receipt of retirement benefits.

	• The maximum limit of investment allowed per individual (combined balances in all accounts) is Rs. 15 lakhs. The minimum deposit shall be Rs. 1000.
Public Provident Fund (PPF)	• PPF is a long-term investment for a period of 15 years. • Minimum deposit Rs. 500 and the maximum deposit is Rs. 1.50 lakh in a financial year.
National Savings Certificate (NSC)	• The NSC has a maturity period of 5 years. • The minimum deposit is Rs. 1000 and in multiple of Rs. 100. There is no maximum limit.
Sukanya Samriddhi Scheme	• It is introduced for the benefit of the girl child. • The minimum deposit is Rs. 250 and the maximum deposit can be made up to Rs. 1.50 lakh in a financial year. • The investment will mature after the completion of 21 years from the date of opening the account or upon the marriage of the girl child after attaining the age of 18. • The account will also have to be closed if the girl child becomes an NRI or loses her Indian citizenship.

These are time-tested and safe modes of investment. They don’t offer quick returns, but are safer when compared to market linked schemes.