

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2175

ANSWERED ON:12.08.2011

`COMMITTEE ON SMALL SAVINGS`

Karunakaran Shri P.;Majhi Shri Pradeep Kumar;Patel Shri Kishanbhai Vestabhai

Will the Minister of FINANCE be pleased to state:

- (a) whether the Finance Ministry appointed a Committee to study and report on the Small Saving Schemes in the country;
- (b) if so, the details of the terms of reference of the Committee;
- (c) whether this Committee has submitted its report;
- (d) if so, the details thereof and reaction of the Government on the recommendation, point-wise; and
- (e) the steps taken by the Government for this implementation of this recommendation and strengthening the small saving schemes?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): Yes, Madam.

(b): The terms of reference of the Committee were as under:

(i) To review the existing parameters for the small saving schemes in operation and recommend mechanisms to make them more flexible and market linked.

(ii) To review the existing terms of the loans extended from the NSSF to the Centre and States and recommend on the changes required in the arrangement of lending the net collection of small savings to Centre and States.

(iii) To review and recommend on other possible investment opportunities for the net collections from small savings and the repayment proceeds of NSSF loans extended to States and Centre.

(iv) To review and recommend on the administrative arrangement including the cost of operation.

(v) To review and recommend on the incentives offered on the small savings investments by the States.

While making its recommendations, the Committee was also to consider the following:-

(ii) The importance of small savings within the overall savings in the economy especially its contribution in promoting savings amongst small investors.

(ii) The need of NSSF to be a viable fund, ensuring that the expenditure in the form of _ ` interest payment to investors and administrative costs are met from the return on investment made from the net collections of small savings.

(c) : Yes, Madam.

(d) & (e): The Committee has, inter-alia, made the following recommendations;

1. Rationalisation of schemes, including discontinuation of Kisan Vikas Patra (KVP)

2. Annual review and resetting of interest rates of Small Saving Schemes and NSSF investments to be benchmarked to Government securities of equivalent maturity.

3. Mandatory investment in Special State Government securities from net Small Saving collections to be lowered to 50% from existing 80% with an option to take upto 100%.

4. Investment of NSSF in Central and State Government securities to have shorter tenure of 10 years against 25 years at present. Investment could also be made in infrastructure companies, such as IIFCL, NHAI and IRFC that are wholly owned by the Government.

5. Commission payable to Small Savings Agents to be reduced gradually. Recommendations of the committee have been referred to State Governments and concerned Ministries/Departments of Central Government for their comments.