

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:76

ANSWERED ON:25.11.2011

SMALL SAVINGS COLLECTIONS

Bajwa Shri Partap Singh;Singh Rajkumari Ratna

Will the Minister of FINANCE be pleased to state:

- (a) whether there is a drastic fall in small savings collections in various States of the country;
- (b) if so, the details thereof scheme-wise for each of the last three years and the current year alongwith the reasons therefor, State-wise;
- (c) the details of repercussions experienced as a result thereof in the economy of each State;
- (d) the efforts made by the Union Government to increase the interest rates in small savings schemes, scheme-wise during the above said period; and
- (e) the steps proposed to be taken to encourage savings under the schemes?

Answer

FINANCE MINISTER: SHRI PRANAB MUKHERJEE:

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 76 DATED 25th NOVEMBER, 2011 BY SHRI PARTAP SINGH BAJWA AND SHRIMATI RAJUMARI RATNA SINGH REGARDING SMALL SAVINGS COLLECTIONS

(a) The small savings gross collections during 2008-09, 2009-10 and 2010-11 were ₹ 1,58,509.99 crore, ₹ 2,50,931.31 crore and ₹ 2,74,719.90 crore respectively. During these years the withdrawals (including redemptions on maturity) were ₹ 1,67,961.21 crore, ₹ 1,86,622.15 crore and ₹ 2,16,066.68 crore respectively. The net collections (deposit minus withdrawals) were, therefore, negative only in 2008-09. In the current year, the gross collections till September are ₹ 1,82,556.34 crore and withdrawals are ₹ 1,95,653.96 crore, leading the negative net collection of ₹ 13,097.62 crore.

(b) The scheme-wise details of small saving collections during the last three years and current year, i.e. 2011-12 (upto September 2011) are given in the Annex.

(c) Loans from National Small Savings Fund (NSSF) are one of the sources to finance the Annual Plans of the States. The shortfall in net collections in small saving schemes will lead to lower loans to States from NSSF, which would have to be made good by States from other sources of financing.

(d)& (e) As a follow up of the recommendations made by the Thirteenth Finance Commission, the Government had set up a Committee headed by Deputy Governor, Reserve Bank of India for Comprehensive Review of National Small Savings Fund (NSSF). The Committee submitted its report to the Government on 7.6.2011. The recommendations of the Committee were considered in detail, taking into account the views/comments from States/Union Territories and representation received from various agents' associations, Members of Parliament and others. The Government has, inter alia, taken the following decisions with regard to interest rates on small saving schemes and other measures to encourage savings:-

1. The rate of interest on Post Office Savings Account (POSA) will be increased from 3.5% to 4%. Prior to this, the ceiling of maximum balance in POSA of ₹ 1 lakh in single account and 2 lakh in joint account had been removed.
2. The rate of interest on small savings schemes will be aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (New Instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps. The interest rates for every financial year will be notified before 1st April of that year.
3. The maturity period for Monthly Income Scheme (MIS) and National Savings Certificate (NSC) will be reduced from 6 years to 5 years.
4. A new NSC instrument, with maturity period of 10 years, would be introduced.
5. The annual ceiling on investment under Public Provident Fund (PPF) Scheme will be increased from ₹ 70,000 to ₹ 1 lakh.

6. Liquidity of Post Office Time Deposit (POTD) - 1, 2, 3 & 5 years - will be improved by allowing pre-mature withdrawal at a rate of interest 1% less than the time deposits of comparable maturity- For pre-mature withdrawals between 6-12 months of investment. Post Office Savings Account (POSA) rate of interest will be paid.

7. Interest rates on small savings instruments will be enhanced as under, assuming 1st December, 2011 as the date of implementation :-

Instrument	Current Rate (%)	Proposed Rate (%)
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Savings Bank	3.50	4.00
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1 Year Time Deposit	6.25	7.70
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2 Year Time Deposit	6.50	7.80
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3 Year Time Deposit	7.25	8.00
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5 Year Time Deposit	7.50	8.30
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5 Year Recurring Deposit	7.50	8.00
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5-Year Senior Citizens Savings Scheme (SCSS)	9.00	9.00
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5-Year Monthly Income Scheme (MIS)	9.00 (6yearMI5)	8.20
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5-Year National Saving Certificate (NSC)	8.00 (6 year NSC)	8.40
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10-Year (NSC)	New Instrument	8.70
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Public Provident Fund (PPF)	8.00	8.60
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