

1. Small Saving Scheme - Economy

Attractiveness of Small Savings interest rates. Small Savings Schemes, also known as Post Office Savings Schemes, remain a key avenue for channelling household savings in India. The Government of India reviews and sets interest rates quarterly, and for the current quarter (Oct–Dec 2025), the rates have been kept unchanged, maintaining their attractiveness among small investors.

1. Small Savings Schemes

Small Savings Schemes are government-backed investment programs aimed at promoting household savings across India. They are popularly known as Post Office Savings Schemes, as most of them are offered through the vast network of post offices. These schemes serve as an important source of financial inclusion, retirement security, and government borrowing.

2. Key Features

- Safety** – Capital and interest are fully guaranteed by the Government of India, making these schemes virtually risk-free.
- Regular Interest** – The interest rates are reviewed and revised every quarter by the government, depending on market conditions and fiscal policy.
- Variety of Options** – A diverse range of schemes is available, catering to different investment horizons, financial goals, and risk preferences.
- Tax Benefits** – Several schemes such as the Public Provident Fund (PPF) and Sukanya Samriddhi Account (SSA) offer tax deductions under Section 80C of the Income Tax Act.

3. Popular Small Savings Schemes and Key Details

Scheme	Target Group	Interest Rate (Oct–Dec 2025)	Key Features
Public Provident Fund (PPF)	Individuals	7.1% p.a.	Long-term investment (15 years); tax benefit under Section 80C
National Savings Certificate (NSC)	Individuals	7.7% p.a.	Medium-term fixed deposit-like scheme; eligible for tax benefits
Senior Citizens Savings Scheme (SCSS)	Senior citizens	8.2% p.a.	High returns; quarterly interest payout; ensures post-retirement security
Sukanya Samriddhi Yojana (SSY)	Girl child (<10 years)	8.2% p.a.	Encourages savings for girl child's education and marriage; tax benefits under Section 80C
Kisan Vikas Patra (KVP)	Individuals	7.5% p.a. (matures in 115 months)	Doubles investment within a fixed time; low-risk scheme
Monthly Income Scheme (MIS)	Individuals	7.4% p.a.	Provides fixed monthly income; ideal for pensioners and retirees
Post Office Time Deposits (TDs)	Individuals	Varies by tenure	Offers fixed interest rates for 1, 2, 3, or 5 years

4. Current Status (as of FY2024–25)

Outstanding Balance – Total outstanding balance in small savings schemes stood at approximately ₹18.1 lakh crore (Feb 2024), marking a 13.8% year-on-year growth. Another estimate places it at ₹18.7 lakh crore by March 2024, with a compound annual growth rate (CAGR) of about 16% since March 2019.

Net Collections – FY23 – ₹3.04 trillion (₹3.04 lakh crore), marking a decline of about 8.5% from FY22 (₹3.33 trillion). (Source – Business Standard). This represents the first dip in net collections in 11 years.

5. Impact of Small Savings Schemes

(a) Household Savings and Financial Inclusion – The share of small savings in total household savings has risen significantly from 0.7% in 2013–14 to around 9% in recent years. Total outstanding balance reached ₹18.7 lakh crore by March 2024, highlighting strong public confidence. Acts as a secure savings

instrument for rural, middle-class, and retired citizens.

(b) Government Borrowing and Fiscal Impact – The funds collected through these schemes are routed via the National Small Savings Fund (NSSF). The government borrows from this pool to finance fiscal deficits and developmental programs. In FY23, net collections dropped to ₹3.04 lakh crore, indicating a slowdown in inflows and possible fiscal pressure.

(c) Behavioural Economics and Investment Shifts – Higher interest rates (ranging between 7.1% and 8.2%) made these schemes more attractive than bank fixed deposits (6.5%–7%). The CAGR of outstanding balances stood at nearly 16% since FY2019, indicating sustained investor confidence.

(d) Social Impact (Targeted Benefits)

Sukanya Samriddhi Yojana (SSY) – Recorded 41% year-on-year growth (Feb 2023–24) – encouraging long-term savings for girl children.

Senior Citizens' Savings Scheme (SCSS) – Achieved 28% growth, enhancing financial stability for retirees.

6. Key Challenges

1. **Declining Net Collections** – FY23 saw a fall to ₹3.04 lakh crore, an 8.5% year-on-year dip, marking the first decline in 11 years.
2. **Impact of the New Tax Regime** – The new tax regime (which removes deductions under Section 80C) has reduced the appeal of tax-saving schemes such as PPF and SSY. Fresh subscriptions have witnessed a sharp drop in FY2023–24.
3. **Liquidity and Lock-in Constraints** – Most small savings schemes have long lock-in periods (e.g., PPF – 15 years), which limit liquidity and flexibility for investors.
4. **Fiscal Pressure from NSSF** – The National Small Savings Fund (NSSF) faces an asset–liability mismatch, as its long-term payout commitments contrast with shorter-term inflows.
5. **Awareness and Overlap Issues** – Multiple schemes with similar benefits and overlapping features (like RD, TD, and NSC) create confusion among rural and first-time investors.

7. Way Forward

1. **Maintain Attractive Returns** – Continue offering competitive interest rates to retain investor trust and prevent migration to other financial products. Example – PPF – 7.1%, NSC – 7.7%, SCSS – 8.2%.
2. **Digitalization and Ease of Access** – Expand Aadhaar-based e-KYC for schemes like RD, PPF, and SSA. Promote paperless account opening, withdrawals, and account management to improve accessibility and transparency.
3. **Active Account Management** – Introduce a policy to freeze inactive accounts after 3 years to prevent fund misuse and enhance monitoring. Encourages investors to actively manage and update accounts.
4. **Policy Flexibility** – Conduct periodic reviews of interest rates to align with RBI repo rate trends and fiscal constraints. Introduce micro-investment (“sachet-sized”) options to attract first-time and low-income investors.

Source – <https://www.thehindu.com/business/attractiveness-of-small-savings-interest-rates/article70182666.ece>