

Annex 5

Change in Accounting Procedure with Respect to Small Savings Schemes

Prior to 1.4.1999, the deposits under various small savings schemes were accounted for in the Public Account of India. The withdrawals by the subscribers were also from the Public Account of India. On the other hand, the interest payment to the subscribers was from the Consolidated Fund of India. The disbursement of loans to States and UTs was also made from the Consolidated fund of India. All the payments against the cost of operations were debited to the Consolidated Fund of India. Loan repayments by State/UT Governments were received in the Consolidated Fund of India. Similarly, interest payments by the State/UT Governments were credited to revenue receipts in the Consolidated Fund of India.

There was a separate treatment for interest in the case of Savings Account, PPF, and Deposit Schemes for Retired/Retiring Employees where interest accrued to the account periodically by debit to the Consolidated Fund of India and was paid to the subscriber at the time of withdrawal. The interest does not have a distinct identity in these schemes as interest accrued to the account gets merged with the principal. On the other hand, in schemes such as Kisan Vikas Patras, Monthly Income Account, Post Office Time Deposits and Post Office Recurring Deposits, the interest was paid to the subscriber at the time of maturity by debit to the Consolidated Fund of India.

All the funds received or paid on account of the small savings schemes had to be separately classified as revenue or capital. On this basis, classification of monies received and paid out from the Public Account of India and the Consolidated Fund of India were as under

PUBLIC ACCOUNT OF INDIA	CONSOLIDATED FUND OF INDIA
CAPITAL RECEIPTS OF GOI DEPOSITS BY SUBSCRIBERS (‘)	REVENUE RECEIPTS OF GOI INTEREST PAYMENTS BY STATES
CAPITAL EXPENDITURE BY GOI WITHDRAWAL BY SUBSCRIBERS (‘)	CAPITAL RECEIPT OF GOI LOAN REPAYMENT BY STATES (‘)
	REVENUE EXPENDITURE BY GOI INTEREST TO SUBSCRIBERS OPERATIONAL COST
	CAPITAL EXPENDITURE BY GOI LOANS TO STATES (‘)

It may be seen that the principal amount paid into the Public Account by the subscriber had to be repaid in its entirety to subscriber. A part of this principal was lent to States and the repayment of the principal by States with

a lag matches part of the principal repayment to the subscriber. These items denoting expenditure or receipts capital in nature are marked with an asterisk in the two boxes above.

The revenue receipts on account of interest payment on loans to States did not fully meet the expenditure of interest payment to subscribers mainly because the amount on which the interest was payable to subscribers was more than the amount of loan to States. The cost of operation incurred by Government of India further widened the revenue deficit on account of small savings.

REVENUE RECEIPTS	REVENUE EXPENDITURE
Interest receipts from States/UTs	(1) Interest payment to Subscribers
	(2) Cost of operation

New System of Accounting:

Creation of National Small Savings Fund (NSSF)

A “National Small Savings Fund” (NSSF) in the Public Account of India has been established with effect from 1.4.1999. A new sub sector has been introduced called “National Small Savings Fund” in the list of Major and Minor Heads of Government Accounts. All small savings collections (including Public Provident Fund) are credited to this Fund. Similarly, all withdrawals under small savings schemes by the depositors are made out of the accumulations in this Fund. The balance in the Fund is invested in Central and State Government Securities. The investment pattern is as per norms decided from time to time by the Government of India. From 2002-03, 100% of the net collections (gross collections minus withdrawals by depositors) are being invested by NSSF in special securities issued by the respective State / UT (with legislature) Governments. Prior to that collections were being shared between the state/UT Governments and Central Government in the ratio of 80:20. The debt servicing of the special Government securities is an income of the Fund while the cost of the interest paid to the depositors and cost of management of small savings schemes is an expenditure of the Fund.

- (i) The special securities issued by the Central Government to NSSF constitute a part of the internal debt of the Government of India.
- (ii) Interest at the rate of 9.5 per cent per annum is payable on the special securities issued by the State/UT Governments w. e. f. 1.4.2003.

Treatment of Past Loans To State Governments and Outstanding Balances in Various Small Savings Schemes

On implementation of the new system of accounting under the National Small Savings Fund since: 1.4.1999, the past loans to State Governments and outstanding balances standing at the credit of the account holders and holders of certificates under various small savings

schemes at the close of the 31st March, 1999 were treated as under:

- (i) The outstanding balances (of Rs. 1,76,220.92 Crore) at credit of the account holders and holders of certificates under small savings schemes at the close of the year 1998-99, have been treated as investment in the special securities of the Central Government, issued against outstanding balances.
- (ii) The repayment of loans granted to States & Union Territory (With Legislature) Governments (up to 31.3.1999) i.e. before establishment of the NSSF, and payment of the interest thereon continues to be made to the Central Government as the whole liability of the outstanding balances as on 31.3.1999 have been borne by the GOI.

Transparency in Accounting System

In order to ensure transparency and clarity in the new accounting system, two statements, namely: (1) Statement showing the Sources and Application of Funds of NSSF and (2) Annexure-8 showing the details of receipts, disbursements, investments, Income & Expenditure, Interest to subscribers, management cost of small savings etc. of NSSF have been incorporated in the Receipt Budget Document along-with necessary write-up and a Statement No. 16- showing the Position of National Small Savings Fund has been incorporated in the Finance Accounts of the Union Government. A Statement showing the position of special State Government Securities has been appended (Appendix No. 2) to the Statement No. 16 ibid in the Finance Accounts of the Union Government.