

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**COMMITTEE FOR COMPREHENSIVE REVIEW OF NSSF SUBMITS ITS
REPORT TO UNION FINANCE MINISTER; RECOMMENDS
DISCONTINUATION OF KISAN VIKAS PATRA AND CONTINUATION OF
OTHER SCHEMES WITH SUITABLE MODIFICATION(S); RECOMMENDS
REDUCTION IN THE MATURITY PERIOD OF MONTHLY INCOME SCHEMES
AND NSC; RECOMMENDS UPWARD REVISION OF THE CEILING ON
ANNUAL SUBSCRIPTION IN PPF FROM RS.70,000 TO RS. 1 LAKH AND
REVISION IN RATE OF INTEREST IN POST OFFICE SAVINGS ACCOUNT
FROM 3.5% TO 4%**

New Delhi: Jyeshtha 17, 1933
June 07, 2011

The Committee set up for comprehensive review of National Small Savings Fund (NSSF) headed by Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India submitted its report to Union Finance Minister Shri Pranab Mukherjee in his office, here today. Other members of the Committee are Shri R. Sridharan, MD, State Bank of India, Shri Shaktikanta Das, Additional Secretary (Budget), Ministry of Finance, Dr Rajiv Kumar, formerly Director & Chief Executive, Indian Council for Research on International Economic Relations and currently Secretary General, FICCI and Shri Anil Bisen, Economic Advisor, Ministry of Finance. Earlier, the aforesaid Committee was set up by the Government after accepting the recommendations of the 13th Finance Commission in principle regarding examination of all aspects of the design and administration of NSSF with the aim of bringing transparency, market linked rates and other, much needed reforms to the schemes.

The terms of reference of the Committee, inter alia, included review of the existing parameters for the small savings schemes in operation recommending mechanisms to make them more flexible and market linked; review of the existing terms of loans extended from the NSSF to the Centre and States; recommending the changes required in the arrangement of lending the net collection of small savings to Centre and States; review of the other possible investment opportunities for the net collections from the small savings and the repayment proceeds of NSSF loans extended to State and Centre; review of the administrative arrangement including the cost of operation; and review of the incentives offered on the small savings investments by the States.

The Committee has examined all the small savings schemes, interest rates payable on them, their maturity period and other aspects. The Committee

has recommended discontinuation of Kisan Vikas Patra (KVP) and continuation of all other schemes with suitable modification(s) in some of them. The Committee has recommended for reducing the maturity period of monthly income scheme and National Saving Certificate (NSC) from six to five years. Recognizing the need for a long term investment opportunity after discontinuation of KVP, the Committee has also recommended introduction of 10 years NSC scheme. The Committee has also recommended an upward revision of the ceiling on annual subscriptions in PPF from Rs. 70,000 to Rs. 1 lakh.

The Committee has recommended revision of the rate of interest in Post Office Saving Account from 3.5% to 4% and benchmarking of interest rates on other small savings schemes to rates of G-Sec of similar maturity with positive spread of 25 basis points with two exceptions. First exception is 100 basis points spread for Senior Citizens' Schemes keeping in view its social objective and second exception is 50 basis points spread for newly recommended 10 years NSC keeping in view of its higher illiquidity. The Committee has recommended that these rates may be notified by the Government afresh at the beginning of every financial year based on the average yields on Government Securities in the previous calendar year.

The Committee has recommended that the mandatory component of investment of net small savings collections in State Government Securities be reduced from 80 per cent to 50 per cent. The balance amount could either be invested in Central Government Securities or could be on-lent to other States on basis of requirement or could be lent for financing infrastructure projects requiring long term finance. The Committee recommended that the tenure of these loans may be reduced from the current 25 years including moratorium of 5 years to 10 years. The Committee has recommended that these loans may be extended at 70 basis points higher than the average interest payment on small savings to the subscribers on the total outstanding stock in previous financial years.

The Committee has recommended for abolition of payment of commission to agents on PPF and Senior Citizens' Savings Scheme and reduction of commission paid on Standardized Agency System to 0.5% from current level of 1%. The Committee has also recommend reduction in Commission payable under Mahila Pradhan Kshetriya Bachat Yojana on Recurring Deposits from current level of 4% to 1% in a phased manner over a period of three years. The Committee has recommended that the total cost of operation of NSSF should be contained within 0.7 % of the outstanding small savings.

The full text of the Report is available on the website of Ministry of Finance i.e. finmin.nic.in.

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