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Small Saving Schemes and Its Importance

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Abstract: ***Public Provident Fund, Senior Citizens Savings Scheme, Post Office Recurring Deposit, and Sukanya Samriddhi Scheme are some of the government's investment vehicles for persons who wish to deposit little amounts over time as they earn. Small savings schemes are what they're called. Small Savings Schemes are a series of savings tools administered by the federal government to encourage residents of all ages to save consistently. They are attractive because they offer not just larger yields than bank fixed deposits, and also national assurance and tax advantages. These strategies ensure a high rate of return while reducing uncertainty. They can be set up in various forms, with monthly, quarterly, half-yearly, and yearly plans being the most common. Some of these plans might also help you save money on taxes.***

Keywords: Saving Schemes, Tax, Government, Investment, Fixed Deposits

I. INTRODUCTION

Individuals' contributions to these schemes are sent directly to the administration and put in the National Small Savings Fund (NSSF). Investors are guaranteed a return on their money. The Finance Ministry calculates interest rates quarterly and reviews them regularly.

The post office nationalized banks and assured huge private owners offer small savings programs. A few of these securities are exclusively available through the post office, such as post office term deposits. By staying in a post office and satisfying out the necessary documents, you can participate in or withdraw from these programs. Many banks have made this a digital process, particularly for people wishing to give to modest bank deposits such as the PPF, which can be done through bank account. It's important to remember that such organisations were simply that: mediators. Your money is sent to the government (Bjornlund et al., 2017).

The interest rates for modest savings patterns have been revised quarterly by the Finance Ministry since 2016. The National Modest Savings Fund collects all deposits made under multiple small savings plans. The national government spends the money inside the fund to cover its budget deficit. Let's have a look at the many savings options.

Post office deposits, savings certificates, and social security plans are the 3 kinds of plans. Savings, recurring, and time deposits with terms of 1, 2, 3, and 5 years, as well as the monthly payment account, are all available through Post Office Deposits. The savings account now offers 4% interest per year and can be created either singly or collectively with a Rs 500 initial payment. The recurring deposit, which pays 5.8% annually compounded quarterly, expires 60 months after it is opened. With a monthly minimum investment of Rs 100, it enables shareholders to save every month (Chen et al., 2018).

Time deposits at the post office are similar to fixed deposits. To start a time deposit, you must put down a minimum of Rs 1,000. The interest rate on 1 year, 2 year, and 3 year time bonds is 5.5 percent, while the five-year deposit pays 6.7 percent per year. Investments in a 5-year time deposit up to Rs 1.5 lakh are appropriate for tax remunerations per section 80C of the Income Tax Act. The next choice is the Monthly Salary Account, which matures in 5 years from the date of inception. This scheme provides depositors with income in the form of monthly interest payments, with the current rate being 6.6% per year. A single account can hold up to Rs. 4.50 lakh, while a joint account can hold up to Rs. 9 lakh.

The National Savings Certificate and the Kisan Vikas Patra are two types of savings certificates. When the National Savings Certificate matures after 5 years, it pays interest at a rate of 6.8% per year. Every year, the interest gained is automatically reinvested into the scheme. The NSC is also eligible for a tax break under Section 80C of the Internal Revenue Code.

The Kisan Vikas Patra, which is open to everyone, doubles your one-time investment after 124 months, resulting in a compounded annual return of 6.9%. The minimum investment amount is Rs 1000, and there is no maximum investment amount.

Public Provident Fund, Sukanya Samriddhi Account, and Senior Citizens Savings Scheme are under the third category of social security schemes.

For long-term goals like retirement, the Public Provident Fund is a popular savings choice. It earns 7.1 percent per year and is eligible for a tax break under Section 80C of the Internal Revenue Code. The account can be made permanent in increments of five years after it matures after 15 years. At the moment of withdrawals, the cumulative amount and interest generated are tax-free (Cowling et al., 2020).

The Sukanya Samriddhi Account was created in 2015 as share of the Beti Bachao Beti Padhao program, and it is only available to girls. The account can be released in the appellation of a young girl under the age of ten. The scheme promises a 7.6% annual return and is qualified for a tax break under Section 80C of the Internal Revenue Code.

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The deposit has a 21-year term from the date of establishment and can be invested for a extreme of Rs 1.5 lakh each year.

Lastly, anybody who is over the age of 60 can built-up a 5-year Senior Citizen Savings Account. It bears a 7.4% annual interest rate that is paid out quarterly and qualifies for the Section 80C tax credit. These tried-and-true investments don't provide quick profits, but they are safer than market-linked programs.

II. SMALL SAVING SCHEMES

The ongoing economic slump has been a time of financial upheaval for the working class. As the whole factors that marked the Global Economic Crisis of 2007-2008 start to emerge after about a decade, the section is seeking ways to increase their cash reserves in case mistakes are made. This fear, on the other hand, is a reasonable reaction to the downturn. With variable expenses and a limited monthly income, the middle class does not have much time to prepare their budget. In such a situation, investors have been rocked and have begun to question the financial planning path they have been pursuing for so many years. This begs the question: what is the greatest approach to shelter ourselves during these trying times? Surprisingly, simple adjustments in how we make investments appear to be crucial.

Savings plans are tools that help people meet their financial objectives over a set period. The government, as well as government and non - governmental financial and banking institutions, have introduced several initiatives. The interest rate for these programs is determined by the government or institutions and is adjusted regularly. You can even use the money you save through these plans for a variety of things, including crises, pension, higher education, children's future, weddings, loss of employment, debt reduction, and much more (Lee et al., 2019).

Because many employees do not realize how to manage money, maintaining funds becomes a nuisance. The majority of people would not have enough money to live comfortably. All of this has been taken into account by the Govt, which has developed several savings plans. People can use these plans to save aside a portion of their earnings for future usage. Some government-sponsored programs assist people in making things simpler.

From June to August 2020, the state will pay the worker's and employers' contributions to workers' EPF accounts for extra three months. The incentive is available to businesses with up to 100 employees and 90% of those workers earning less than Rs 15,000 per month. Non-government entities' EPF contributions have been lowered from 12 percent to 10% (Murmura et al., 2018).

When it comes to saving systems in nations, there are a variety of solutions accessible. Many are sponsored by the government, while others are regulated by the RBI and SEBI. In addition, a number of these courses are available income special tax breaks or credits. Here's a rundown of some of them:

Figure-1: Different Types of Small Saving Schemes

Source: Kumar et al., 2017

A. Equity-Linked Savings Scheme (ELSS)

ELSS, or tax-advantaged savings funds, are a type of mutual fund. Section 80C allows for tax presumptions of up to Rs.1.5 lakh on ELSS investments. The investment is subject to a three-year lock-in term. The capital gains on the redemption of the investments are taxed. The gains are exempt from tax up to Rs.1 lakh. They are chargeable at an amount of 10% above this amount (Sebastian et al., 2017).

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With underlying assets in a combination of debt and equity, ELSS savings have access to the equity market. The stock component delivers better returns, while the loan component protects against instability. Over five years, the program provides larger returns. A SIP (systematic investment plan) ensures investment stability and yields higher returns. The minimal amount to invest is Rs.500.

B. Fixed Deposits (FD)

Fixed deposit accounts are widely regarded as the most convenient and secure investing choice available. You deposit any amount that is convenient for you for a set period, and interest is earned at the rate in effect at the time of deposit. The program offers flexibility when it comes to duration and interest payment frequency. The interest rate on an FD account is significantly higher than that on a bank savings account. If you require funds before the maturity date, you can either break the FD or take out an overdraft loan against it. You can also reinvest interest to get a bigger lump payment at the end of your term. Interest is taxed, and payments over Rs.40,000 may be subject to TDS.

C. Public Provident Funds (FPF)

PPF is a long-term tax-free savings program backed by the government. You can claim a return on money you deposited into your PPF account under Section 80C of the Income Tax Act. You will not be taxed on the interest you earn on these funds. You can open a PPF account at any bank or post office in your neighbourhood. After 15 years, the funds will be locked in and can be expanded in five-year increments. Compound interest at a rate of 7.1 percent per year will be used to determine returns. It is important to make a Rs.500 annual investment. If you wish to, you can invest up to Rs.1.5 lakh per year (Farooq et al., 2018).

D. National Saving Certificates

Another government-backed savings system, the National Savings Certificate, offers guaranteed returns as well as a tax-saving option. You can purchase an NSC at your local post office. The scheme has a five-year lock-in term. Every quarter, the government assesses the scheme's interest rate and makes a decision. However, after you buy a certificate, the interest rate will not alter during the term. Section 80C allows for tax deductions on investments up to Rs.1.5 lakh. Currently, a 6.8% annual interest rate is in effect. The interest will be compounded annually and only payable at maturity. Interest earned is taxable and must be included to total annual income when it matures. Section 80C allows for a tax break on interest that has been reinvested and compounded.

E. Post Office Monthly Income Scheme

The Post Office Monthly Income Scheme works similarly to a traditional savings account. Single account holders can invest in the scheme for a least of Rs.1,500 and a extreme of Rs.4.5 lakh. The account owner will get a monthly fixed income in the form of interest credited to his or her savings account at the very same post office. The present rate of interest is 6.6 percent per annum. The scheme is exclusively open to Indian people who live in India. In the event of joint account holders, two or three people can capitalize up to Rs.9 lakh in the scheme jointly. There are no tax deductions or exemptions available for the investments and interest earned.

F. Senior Citizen Saving Scheme

SCSS is created for retirees who want to put their money in a safe place. People between the ages of 55 and 60 who have taken early retirement can join the scheme within one month of receiving their retirement payments. SCSS only accepts one deposit. The minimum and maximum investments are Rs.1,000 and Rs.15 lakh, respectively (Dar et al., 2019).

The scheme has a five-year term that can be extended for an additional three years. It has an annual interest rate of 7.4 percent. Quarterly interest is paid to a savings account with the same post office. Investments in SCSS are eligible for a Section 80C credit up to a maximum of Rs.1.5 lakh. The interest you earn each year is taxable. Senior citizens, on the other hand, can deduct up to Rs.50,000 under Section 80TTB.

G. Kisan Vikas Patra (KVP)

By visiting your local post office, you can participate in Kisan Vikas Patra, a fixed-rate small savings scheme. The investment has a 124-month term and a 6.9% annual interest rate. At the end of 10 years and 4 months, your cash has increased. The plan encourages long-term investing and is ideal for risk-averse clients with extra cash. The lowest investment is Rs.1,000, and there is no limit to how much you can invest. KVP provides fixed returns as well as the ability to cash out early after two and a half years. Interest rate fluctuations may result in adjustments in the maturity time. The maturity value, on the other hand, will be stated in your document. Investments and interest earnings are not tax-deductible. You can use your certificate as security when applying for a loan from a bank.

H. Sukanya Samruddhi Yojana (SSY)

Prime Minister Narendra Modi created the SSY scheme to safeguard a girl child's future. Families of girls children under the age of ten can enroll in this government-sponsored program. Parents must donate for 15 years. Section 80C allows individuals to entitle a tax exclusion of up to Rs.1.5 lakh each year. Per family, a limit of 2 similar payments can be made, one for each female kid (Steinert et al., 2018).

When there are more than 2 girl kids in a family, the other of the female children are not eligible for the user's advantage. People can participate as little as Rs.250 and as much as Rs.1.5 lakh every year. The present rate of interest is 7.6% per annum. The account is valid for 21 years from the date of establishment or until the daughter child turns 18 years old and marries. After reaching the age of 18, the scheme provides for a partial transfer of up to 50% of the balance for further education expenses.

I. Atal Pension Yojana (APY)

Mr. Atal Bihari Vajpayee, India's former Prime Minister, is honored with the APY scheme. It focuses on the wellbeing of the poorer members of society, particularly those from the informal economy, and has a very low premium. Individuals between the ages of 18 and 40 are qualified to gain a competitive edge.

For a minimum of 20 years, the premium must be collected. Unlike other plans, you must choose a monthly pension that you want to receive to calculate the monthly payment you need to make. The amount you contribute is also determined by your age when you begin contributing. When you reach the age of 60, you can get a minimum payment pension of Rs.1,000 and a extreme pension of Rs.5,000.

The administration will provide 50 percent of your annual contribution, or Rs.1,000 per year, whichever is less. If you signed up for the program between June 1, 2015, and December 31, 2015, you will be eligible for a five-year co-contribution. If you do not have any other mandatory savings schemes and are not an earnings taxpayer, you will be eligible for a government contribution (Kang et al., 2017).

J. National Pension System

The National Pension System is a government effort that provides a sustainable income after retirement. Workers in the organized and unorganized sectors, as well as state and federal government employees, are eligible for the program. The scheme is open to Indian nationals between the ages of 18 and 60. The donation is deducted from the worker's monthly wage, with the bosses contributing an equivalent number (including government employees).

Government employees pay a 14 percent contribution, whereas all other employees pay a ten percent contribution. Other qualified employed people can use NPS in the same way they would any other long-term pension plan. The contribution of both the employers and workers is tax-deductible up to a top limit of Rs.1.5 lakh under Section 80C. Individuals can make a self-contribution and obtain an Rs.50,000 tax reduction. Account-holders can withdraw up to 60% of the corpus tax-free when they retire. The remaining 40% is utilized to purchase an annuity plan, which will provide a monthly stipend after retirement.

K. Employee Provident Fund (EPF)

The Employee Provident Fund (EPF) is a savings plan governed by the EPFO. Employers and employees who are covered by EPF are required to contribute to a Provident Fund (PF) account in the employee's name. For the middle class, the EPF provides long-term retirement investments. The account can be moved from one employer to the next (Shoaib et al., 2020).

The account can be kept open until you retire. The management and the staff each contribute 12% of their monthly salary to the provident fund. On the accumulated amounts, the account is entitled to interest. For the fiscal year 2020-21, the interest rate will be 8.5 percent per annum. In the event of an emergency, the account provides financial security to the account holders. The contribution of the employees is deductible under Section 80C.

L. Voluntary Provident Fund

Over and above the 12 percent commitment to the Employee Provident Fund, salaried people can elect for an additional contribution of up to 100 percent of their base salary and special allowances (EPF). On the collected funds, an interest rate of 8.5 percent can be earned. You should be aware that if you choose VPF, your company will not contribute anything.

M. Pradhan Mantri Jan Dhan Yojana

Pradhan Mantri Pradhan Mantri Pradhan Mantri Prad Jan Dhan Yojana is a savings scheme designed specifically for persons living in poverty. The scheme is available to account owners for reinvestment. This group of people will benefit from the scheme since they will not be required to maintain a minimum amount in their accounts.

They will also receive an additional Rs.1 lakh in incidental coverage and Rs.30,000 in insurance coverage, which would be paid out in the event of the beneficiary's demise. With the addition of mobile banking, the government has made this program more user-friendly. Account-holders can earn interest on their deposits in addition to other incentives. Account-holders would also be eligible for an Rs.5,000 overdraft, which will be available to one account per family (Alnoman, 2020).

N. Deposit Scheme for Retiring Government Employees

This savings plan is only available to retirees from the public sector. Within three months after receiving your retirement payments, you must set up an account with any bank or post office. Payment will be charged out every six months, on the 30th of June and the 31st of December.

After one year, you can make payments from the account. A maximum of one withdrawal per calendar year is allowed, and it must be in multiples of Rs.1,000. From the date of deposit, an interest rate of 7% p.a. will be applied. Section 10 of the Internal Revenue Code exempts interest from taxation.

III. IMPORTANCE OF SMALL SAVING SCHEMES

So the government has implemented a set of savings initiatives known as small savings schemes. Among these are the Public Provident Fund (PPF), the National Savings Certificate (NSC), the Senior Citizens Savings Scheme (SCSS), and the Sukanya Samriddhi Scheme. The money saved by participants in these programmes is being directed to Institute but also invested in the National Small Savings Fund (NSSF). Because the government collects the funds for these savings plans, they are backed by the government. Many of these tools have tax advantages as well. PPF interest, for instance, is tax-free.

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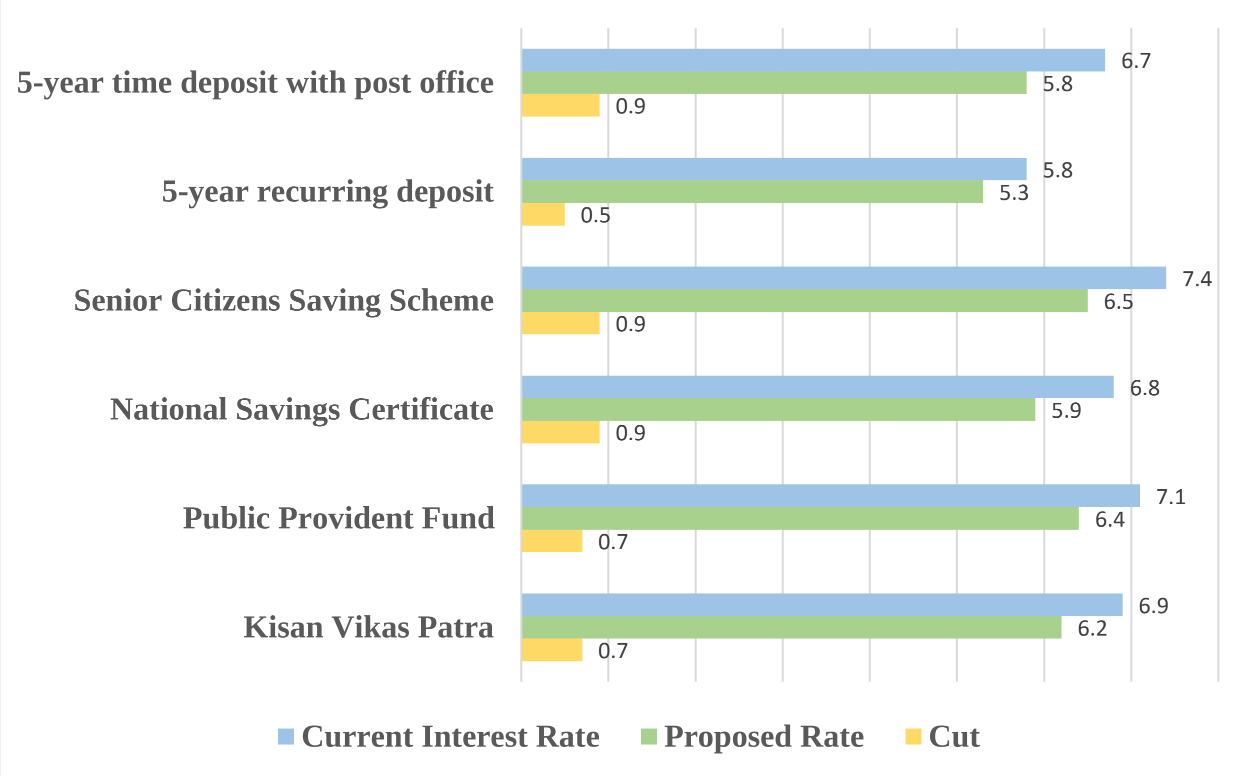

Figure-2: a Government Circular Issued on 31 March Made Steep Cuts to Small Savings Schemes. The Cuts Were Withdrawn on 1 April (Close Shave).

Source: Fagereng et al., 2019

A. Tax-Saving Benefits

NSC is a fixed-income asset plan that allows small and medium-income depositors to protect tax while generating profits underneath Section 80C of the Income Tax Act of 1961. An NSC can be purchased at your local post office for a minimum deposit of $100. It comes with a 5-year lock-in period. An Indian government-backed retirement pension program, commonly called Post Office savings programs, enables seniors to deposit a cash payment in one transaction and get a financial return as well as tax advantages. The account has a limit of Rs.15 lakh that can be deposited.

The term of office is set at 5 years. You can set up an account by promising to recompense a set monthly payment of at least $100 and get 5.8% annual interest. Interest is compounded every quarter. After completing 12 installments without defaulting, this scheme allows for a loan of up to 50% against the deposit (Haider et al., 2017).

The account is unlocked and administered by paternities for daughter offspring under the age of ten years and is committed to the economic welfare of the daughter child. The minimum deposit is 250 dollars, with a maximum of 1.5 lakh dollars per monetary year. The rate of interest on this scheme is 7.6% per year, compounding annually. The deposit has a maximum term of 15 years.

Salaried people love this plan since it allows them to deduct up to 1.5 lakh in income tax each year. The minimum deposit amount is 500, while the maximum deposit amount is 1.5 lakh. The account has a 15-year term, but it can be maintained alive for another year by paying merely $500. The annual interest rate is compounded annually, and the interest is tax-free.

Table-1: Compare the Post Office Savings Schemes Which are Providing Better Returns than Bank Fds Along with Tax Benefits

Scheme	Rate of Interest	Minimum and Maximum Deposit	Tax Benefits
Post Office TimeDeposit Account (TD)	1-3 Years (5.5%), 5 Years (6.7%)	Rs. 1000 and in multiple of Rs. 100, no upper limit	5 years TD qualifies for the benefit of section 80C of Income Tax Act, 1961.
Senior Citizen Saving Scheme (SCSS)	7.40%	RS. 1000 up to Rs. 15 lac	Qualify for deduction under section 80C of the Income Tax Act.
Public Provident Fund Account (PPF)	7.10%	Rs. 500 to Rs. 1.5 lac	Tax deduction under section 80C of Income Tax Act up to Rs. 1.5 lac.

National Savings Certificates (NSC)	6.80%	Rs. 1000 and in multiples of Rs 100, no upper bounds	Qualify for deduction under section 80C of the Income Tax Act.
Sukanya Samriddhi Accounts	7.60%	Rs.250 to Rs. 1.5 lac	Deposit up to Rs. 1.5 lac exempt under Section 80C, interest and amount expected on maturity is tax-free.

Source: Howarth et al., 2018

B. Withdrawal Facility

The postal service, banking institutions, and a few big private financiers manage small savings systems. By visiting a postal service or a local bank and filling out the necessary papers, you can participate in or transfer from these schemes. Banks such as SBI have created a virtual approach for consumers who want to contribute to small savings accounts like the PPF, making it simple to start an account and withdraw funds from your PPF account. Except for SBI, clients can create a PPF online account with HDFC, Axis, and ICICI Bank. To understand how to open a bank account with any of these institutions (Kane, 2020). Premature FD withdrawal is frequently subject to more stringent standards. Post Office FDs cannot be closed prematurely within the first six months. If you take money out between the first six and twelve months, you'll only get the same rate of interest as a Post Office savings account, which is presently limited at 4%.

C. Better Returns than Bank FD's

Post office savings schemes, without a doubt, outperform bank FDs in terms of returns. When we evaluate the interest rates on FDs offered by India's top five banks, such as SBI, ICICI, Axis, HDFC, and Kotak Mahindra Bank, we find that they only offer rates ranging from 2.55 to 5.75 percent. Small savings rates, on the other hand, are significantly higher than these banks' fixed-rate deposits and are changed quarterly. In other cases, though, locking in an interest rate will stand to profit you if interest rates drop afterward. Banks FD rates are much lower than modest investment returns and therefore do not offer return tax benefits, except for senior citizens capable of saving up to Rs 50,000 per year under Section 80 TTB of the Income Tax Act, 1961 (Mdemu et al., 2017).

The disparity between bank FDs and Post Office FDs, which are members of modest savings programs, is greater in the five-year pool. ICICI Bank FD gives 5.35 percent, SBI FD offers 5.4 %, HDFC Bank FD provides 5.5 % (for 5 years and one day), and SBI FD offers 5.4 %. A five-year Post Office deposit, on the other hand, pays 6.7 %, while a five-year National Savings Certificate pays 6.8%. The Public Provident Fund (PPF), which has a 15-year term and is not quite equivalent to FDs, is paying 7.1 %. Banks provide senior citizens with 0.5 % higher rates, but they can also take advantage of the 7.4 % 5-Year Senior Citizens Savings Scheme (SCSS). The SCSS is limited to a five-year period, which can be prolonged for another 3 years. Post Office FDs are guaranteed by the government. The tax treatment is comparable to bank FDs. However, you may not be successful in obtaining the same level of net banking and bill-paying services if you have a Post Office account.

D. Benefits for Senior Citizens

SBI and HDFC, two of India's biggest banks, successfully renewed their special FD programs for older residents till June 2021. HDFC Bank's Older Citizen Care FD plan is a special fixed deposit (FD) program for senior citizens. The bank recommends greater interest rates on these special FDs for senior folks. HDFC Bank offers a 75 basis point (bps) higher interest rate on these deposits. The interest rate on a fixed deposit deposited by a senior citizen will be 6.25 % under the HDFC Bank Senior Citizen Care FD.

These rates are effective as of November 20. A special SBI Wecare Deposit for Senior Citizens has been added to the Retail TD category, in which Senior Citizens would receive an additional premium of 30 basis points (over and above the regular 50 basis points) on their retail TD for tenors of '5 Years and Over' only. The SBI Wecare deposit plan has been extended till June 30, 2021. SBI's special FD scheme for older persons would have an interest rate that is 80 basis points (bps) higher than the general public rate (Nain et al., 2019).

SBI is currently offering the general public a 5.4 % interest rate on 5-year fixed deposits. The interest rate for a senior citizen who deposits in a fixed account under the special FD program is 6.20 percent. Even though the deadline for these two banks' special FD programs has been prolonged until June, several post office schemes, including the Senior Citizens Savings Scheme and the Post Office Monthly Income Scheme, are now offering higher rates of 7.4% and 6.6 percent, respectively.

E. Our Take

Savings Schemes are risk-averse Indian shareholders' savings methods given by the government and other public sector financial entities. Government-backed savings schemes allow investors to grow their money at higher interest rates and get benefits such as tax exemptions. Savings plans appeal to a wide spectrum of investors, allowing them to plan for a variety of life events such as retirement, higher education for their children, marriage, and so on (Qiu et al., 2018).

Because they have a fixed lock-in period and high yields, they are ideal for building long-term capital. To make things easier, there are a variety of savings plans available to suit a variety of risk categories and participants. They all promise capital growth and stability at reasonable rates because they are all protected by the government. Consider the interest rates, tax benefits, and lock-in time of various plans while making your decision. For maximum wealth accumulation, you can also engage in a blend of the greatest investing ideas.

F. Ideal for Low-Income Investors

Finding the correct investing option for low-income persons might be difficult at times. When money is scarce, setting aside a portion of one's income to develop one's savings is challenging. This is when tiny savings tools become important.

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This type of investment allows you to meet your daily necessities while also securing your future. Small-savings instruments backed by the government encourage low-income investors to invest to receive high returns while also saving money on taxes. The National Savings Certificate (NSC) is a fixed-income saving mechanism worth noting in this context because it provides investors with a guaranteed return and is excellent for persons with a low-risk appetite.

Investing devices that enable Indian middle-class investors to create greater wealth in the quickest time have amazed them over the years. This explains why mutual funds are becoming more popular than small savings plans, which were once preferred among Indians with a low-risk appetite. In addition, after being linked to government bonds with huge equity funds, the income obtained on small savings schemes has decreased, giving investors significantly larger annualized returns.

The economic collapse, on the other hand, appears to have flipped the tables. Small saving mechanisms have evolved as a credible financial planning tool in a down market, offering minimal volatility and assured returns at the interest rates promised. This does not, though, imply that little savings should be your sole source of funds. The tenet is to vary your investment strategy based on your life goals, opting for both small savings programs and other high-yielding investment options.

G. Revised Rates Every Financial Quater

Increasing your cash reserves through tiny savings tools implies that your investment will be heavily reliant on the revised rates released every quarter of the fiscal year. This, on the other hand, could be both beneficial and harmful. These quarterly refreshes may prompt shareholders to reconsider their decisions, but they also offer them a good sense of whether they should invest for the short, medium, or long term. Looking at the most recent quarterly adjustment (July-September 2019), we can see that the rates have only been cut by 10 points (0.1% point). The rates were even remained unchanged in some of the prior quarters. While the rate-revision process is unpredictable, it is generally noticed that the administration does not dramatically cut rates to avoid upsetting investors. At the end of each day, the rates offered by these tiny savings vehicles are significantly superior to those offered by many other alternative investments (Yun et al., 2018).

Table-2: Interest Rate on Small Savings Schemes from October and December Quater

Instrument (Schemes)	Interest Rate	Compounding Frequency
Savings Account	4%	Yearly
1 Year Time Deposit	6.8%	Yearly
2 Year Time Deposit	6.8%	Yearly
3 Year Time Deposit	6.8%	Yearly
5 Year Time Deposit	7.7%	Yearly
5 Year Recurring Deposit	7.3%	Yearly
5 Year Senior Citizen Savings (SCS) Scheme	8.7%	Yearly and Paid
5 Year Monthly Income Account	7.7%	Monthly and Paid
5 Year National Savings Certificate (NSC)	7.8%	Yearly
Public Provident Fund (PPF)	7.9%	Yearly
Kisan Vikas Patra (KVP)	7.7%	Yearly
Sukanya Samriddhi Yojana (SSY) Scheme	8.3%	Yearly

Source: Panigrahi et al., 2020

H. More Lucrative than Tax-Savings Fixed Deposits

Small savings products like Post Office Time Deposits offer better interest rates than FDs given by many big banks in today's financial ecosystem. Small savings securities also come with such a sovereign guarantee, which is an additional benefit for India's middle class. Investors benefit from the highest level of security on their principal investment, with interest paid weekly by current income tax rates. As a result, modest saving instruments have a very low-risk profile (Sachs et al., 2019).

I. Fixed-Rate Small Saving Schemes are Rewarding

If you've done any research on modest savings instruments, you've probably discovered that there are two types: fixed-rate products and variable-rate products. Fixed-rate modest savings yields are excellent for investors in fixed-income bands, given current market trends. The government publishes new interest rates every quarter of the fiscal year. The interest on the final corpus fluctuates according to the new rate in a variable-rate investment scheme. In the case of a fixed-income instrument, nevertheless, that's not the situation. The interest rate you paid at the commencement of your investment will remain the same until the bond matures. This is a safe investment option because there are no dangers involved, and you can choose a program while interest rates are high (Thompson et al., 2020).

IV. CONCLUSION

Opening up a new savings account at the post office appeared to be a non-starter. The move to launch a savings account should be left to the people rather than being forced upon them, as it is with banks. Maintaining a savings account for investments where the collected sum is only collected by the investor at maturity (such as NSC and Kisan Vikas Patra) could be difficult for many. And, with know-your-customer regulations in place, putting a check in a bank account should not trigger any concerns about money laundering.

Investors rush to fixed income options whenever the markets collapse. Even though small savings rates have been raised, don't overdo it when it comes to investing in these vehicles.

Because bond prices (which are tied to small savings rates) have steadily climbed in recent quarters, several analysts say the move was long overdue. Others, however, believe that interest rates will fall in the long run, lowering the PPF rate (Acharya, 2017).

A parent can register accounts for up to two daughters, but the total annual investment in both accounts cannot exceed Rs 1.5 lakh. The SSY has the same tax advantages as the PPF, including a tax break under Section 80C, tax-free interest, and no maturation tax. Furthermore, at 8.5 percent, the interest rate is greater. Though this may appear appealing, experts advise against investing all of one's savings in fixed income choices.

Premature withdrawals after one year result in a 2% penalty on the deposit, and after three years, a minimum 1% penalty. However, investors should be aware that the strategy is extremely tax-inefficient, as the interest earned is fully taxable and does not qualify for a Section 80C deduction. Even for retirees, it is not recommended as a smart savings option because it assures monthly income (Rowley et al., 2018).

Senior adults who have not yet reached the scheme's investment maximum of Rs 15 lakh should invest right now to lock in the high rate. Accounts can be opened at any post office or certain PSU bank locations.

While reporting the quarterly fixing of interest rates, the government stated that the prices of modest saving plans will be pegged to government bond yields. Banks are likely to be forced to lower bank rate to match the government's modest savings rate as a result of the change.

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