

## **Directorate of Small Savings**

Small savings are one of the biggest resources in India that are mobilised and converted into profitable investments that benefit both investors and the government. The whole process is a combination of national and state-level organisations around the country. Small savings are collected through the Post Office Savings Bank - this is an agency function performed by the Directorate of Posts on behalf of the Ministry of Finance, Government of India.

Promotion of business is mainly the concern of the National Savings Organisation, which is under the Union Government. To achieve its objective, the organisation works in close coordination with state governments, the Directorate of Posts and other organisations. The broad procedures include establishing institutional arrangements for canvassing and mopping up savings. The measures consist of developing agency systems, strengthening a cadre of agents, using existing union and state government organisations, and enlisting cooperation of non-official and voluntary organisations.

National savings collections become available for development to the union and state governments. Net collections in a year become available as loans to the respective state governments. Many state governments have set up their own small savings organisations with directorates and offices at lower formations. There are also state-level advisory boards and city, district and block savings committees.

### **Objectives and Organisational Structure**

The Directorate of Small Savings was established in Delhi in November 1994 with the motive of enhancing national savings and persuading people to invest in national policies. The main objective of the Directorate is to encourage small savings so that people invest more of their savings for their own benefit, collecting maximum returns. Also, the same amount is available to the government, which can loan out money to the respective states and utilise it for development works.

The Principal Secretary (Finance) is the head of the Directorate. The Secretary is assisted by 1 Joint Director and 2 Accounts Officers. The rest of the staff includes lower division clerks and Group D employees. The total number of employees in the Directorate is around 13-14 and there are no sanctioned posts in the Directorate. All employees have been diverted from different departments of the Delhi Government.

### Procedures and Finances

All investments take place through post office savings schemes. Loan facilities are also available through post offices. The Directorate only appoints agents and regulates them. It started appointing agents in 2002, before which the Union Government used to control the Directorate through the Finance Department. The Directorate is responsible for renewal of agents and agency as well. The Regional Director, National Savings Institute, provides training to the agents. Thus the main function of the Directorate is to appoint agents, train and regulate them. The minimum qualification of an agent is matriculation.

Funds are collected by local post offices and are passed to the Union Government, which forwards them to state-owned small savings directorates. The main function of the agents is to increase the number of savings accounts by encouraging people to invest in saving schemes. These agents get one percent of the amount collected as commission. The minimum amount for opening an account is Rs 10.

The approved outlay of the Directorate in the Ninth Five Year Plan was Rs 2,400 lac; however Rs 3,452 lac was spent. The approved outlay for the Tenth Five Year Plan is Rs 4,000 lac. Budget estimates and expenditure over the years are shown in Table 1.

**Table 1: Budget Estimates and Expenditure of the Directorate (Rs in lac)**

Year	Budget Estimate	Revised Budget Estimate	Actual Expenditure
2001-02	720	1,050	1,196
2002-03	800	1,200	1,081
2003-04	990	990	945
2004-05	990	1,000	
2005-06	1,000		

*Source: Government of NCT Delhi. Data Abstracted from the Detailed Demand for Grants for the years of 2001-02, 2002-03, 2003-04, 2004-05, 2005-06*

The only head under which money is sanctioned to the Directorate is "Promotion of Small Savings." Directorate officials, however, feel that because small savings schemes are so widely known, they do not need to spend on publicity and awareness. Their responsibilities are only decreasing every day, as suggested by officials of the Directorate. Schemes have been discontinued, and little incentives that were given to the agents (e.g. 0.15% above 5 lac) will also be soon removed. Net small savings collections up to June 2004 in Delhi amounted to Rs 1,076 crore, whereas it was only Rs 826 crore for the year 2004-05.<sup>1</sup>

### **Problems and Suggestions**

The Directorate is responsible for regulating and monitoring small savings schemes as formulated by the Union Government. Some of the main schemes monitored are Kisan Vikas Patra, monthly income scheme, public provident fund, recurring deposit scheme and senior citizen schemes. Deposit schemes for retiring employees of public sector companies (1991) and deposit scheme for retiring government employees (1989) have been discontinued.

According to the officials, the Directorate is not serving much purpose. The only function that it is responsible for is training and regulating agents -- however, even that is not being done efficiently. Training is provided by the National Savings Institute and not by the Directorate. Agents have few incentives to perform their functions and work towards increasing the number of accounts. The decision of implementing or withdrawing any scheme is also very random and depends on the resources needed by the state government.

Financial institutions have changed dramatically over the years. Now, savings are not done only with the help of separate sectors but through diversified instruments across various sectors. Agents of other organisations like Life Insurance Corporation can also spread awareness about these savings schemes, which most of them do. Also, the Directorate is not just an organisation formed by the Delhi Government, but works under the umbrella of a central organisation. Hence, the Union Government should also think about the viability of such departments across all Indian states.

*– Amit Bhardwaj and Sweety Tehlani*

## Notes

<sup>1</sup> Government of India. 2005. *Sanchaya: August 2005*. Nagpur: National Savings Institute.

## References

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