

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1967
ANSWERED ON:17.07.2009
DOMESTIC TERM DEPOSITS
Reddy Shri Magunta Srinivasulu

Will the Minister of FINANCE be pleased to state:

(a) whether the Commercial Banks are authorised by the Reserve Bank of India to fix their own interest rates on domestic term deposits; and

(b) if so, the details thereof and the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): Yes, Sir. With effect from October 22, 1997, the Reserve Bank of India (RBI) has given the freedom to Commercial Banks to fix their own interest rates on domestic term deposits of various maturities with prior approval of their respective Board of Directors/Asset Liability Management Committee (ALCO). Deregulation of interest rates has been one of the key features of financial sector reforms with the underlying objective to impart greater efficiency in the financial system and also to improve competitiveness.