

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3930
ANSWERED ON:31.07.2009
BASIS FOR CHARGING INTEREST
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

- (a) whether the banks, while lending loans, charge interest on daily basis and give interest on monthly basis on saving deposits in the bank;
- (b) if so, the reasons therefor and the details of the interest money of the customer lost due to this imbalance; and
- (c) the corrective measures taken by the Government in this regard?

Answer

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

(a) & (b): According to the Reserve Bank of India (RBI) guidelines, banks are required to charge interest rate on loans at monthly rest with effect from April 1, 2002. Charging of interest on loans at monthly rests is, however, not applicable to agricultural advances where, for the convenience of borrower, interest rests are linked to crop seasons or harvesting/marketing season. In the case of savings & term deposits, Banks are required to pay interest at quarterly or longer rests. In the case of savings deposits, at present, interest is calculated on minimum balance to the credit of the deposit account during the period from the 10th to the last day of each calendar month and credited to the account only when it is Rs.1/-or more.

(c): On a review and in view of computerization in commercial bank branches, it is proposed that payment of interest on savings bank accounts by Scheduled Commercial Banks (SCBs) would be calculated on a daily product basis with effect from April 1, 2010.