

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2145
ANSWERED ON:05.12.2014
INTEREST RATE ON BANK DEPOSITS
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Will the Minister of FINANCE be pleased to state:

- (a) whether there is a fall in the deposits in banks during the last three years and in current year;
- (b) if so, the details thereof along with the factors responsible for lower deposits;
- (c) whether the Government has any proposal to hike rate of interest on bank deposits;
- (d) if so, the details thereof; and
- (e) the remedial measures taken/being taken by the Government to increase bank deposits?

Answer

The Minister of Finance (SHRI ARUN JAITLEY)

(a) and (b): No Sir, there has been no fall in the deposits of scheduled commercial banks during the last 3 years and in the current year. However, there has been a deceleration in year-on-year growth rate of aggregate deposits in 2014-15 to 12.2% from 14.9% a year ago reflecting the high base of last year as also sluggish demand for credit this year. The aggregate deposits of scheduled commercial banks in the last three years and the current year and also the growth rate is given below;

Year	Aggregate Deposit (Rs. in crore)	Year-on-Year growth rate (Percent)
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2011-12	5909082	13.5
2012-13	6750454	14.2
2013-14	7705560	14.1
2013-14	(as of mid- November) 7358527	14.9
2014-15	(as of mid-November) 8253639	12.2

Source: RBI

(c) to (e): Interest rates on term deposits and savings bank deposit have now been deregulated by Reserve Bank of India. The Reserve Bank has deregulated the interest rates on term deposits since October, 1997. Accordingly, banks are now free to fix the interest rates on term deposits subject to the approval of their respective Boards. Banks have been permitted to formulate, with the approval of their Board of Directors, fixed deposit schemes specifically for resident Indian senior citizens offering higher and fixed rates of interest as compared to normal deposits of any size. The banks are also permitted to offer varying rates of interest on single term deposits of Rupees one crore and above on the basis of the size of deposits.

The Reserve Bank has deregulated the savings bank deposit interest rate with effect from October 25, 2011. Accordingly, banks are now free to determine their savings bank deposit interest rate, subject to the following two conditions:

- (i) Each bank is required to offer a uniform interest rate on savings bank deposits up to Rs.1 lakh;
- (ii) For savings bank deposits over Rs.1 lakh, a bank may provide differential rates of interest, if it so chooses. However, there should not be any discrimination from customer to customer on the interest rates for similar amount of deposit.