

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5129
ANSWERED ON:24.04.2015
INTEREST RATE ON FIXED DEPOSIT
Hemamalini Smt.

Will the Minister of FINANCE be pleased to state:

- (a) whether the rate of interest on fixed deposits by senior citizens given by Nationalised Banks differ from bank to bank;
- (b) if so, the details thereof and the reasons therefore;
- (c) whether Public Sector Banks (PSBs) including SBI have reduced the rate of interest on fixed deposits drastically in the recent past; and
- (d) if so, the details thereof and the reasons therefor ;

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) and (b): Yes Sir, the Reserve Bank of India(RBI) has deregulated the interest rates on term deposits with effect from October 22, 1997. Accordingly, banks are now free to fix the interest rates on term deposits subject to the approval of their respective Boards. Further, banks have been permitted to formulate, with the approval of their Boards 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. This additional interest rate is not applicable to any type of non-resident deposits.

(c)and (d) Following the reduction in the policy rate by 50 bps in two equal steps on January 15 and March 4, 2015, out of a total of 27 public sector banks (PSBs), 14 Public Sector Banks (PSBs) have reduced their median term deposit rates across maturities in the range of 0.07% to 0.75 % so far (up to April 15, 2015).

The median term deposit rate for SBI was reduced from 7.50 per cent in August 2014 to 7.25 per cent in September 2014. It remained unchanged at 7.25 per cent thereafter.