

## RAJYA SABHA

Tuesday, *the 19th July, 1977*/the 28th.  
*Asadha, 1899 (Saka)*

The House met at eleven of the clock,  
Mr. Deputy Chairman in the  
Chair.

## MEMBERS SWORN

1. Shri N. G. Ranga (Andhra Pradesh).
2. Shri Ananda Pathak (West Bengal).
3. Dr. M. M. S. Siddhu (Uttar Pradesh).

## ORAL ANSWERS TO QUESTIONS

## Reduction in the rate of Interest

\*31. SHRI HIMMAT SINGH: DR. V.  
B. SINGH: SHRI HARSH  
DEO MALAVIYA:

Will the Minister of FINANCE AND  
REVENUE AND BANKING be pleased to  
state:

(a) whether it is a fact that Government have recently reduced the rate of interest on savings banks accounts with cheque book facility;

(b) if so, what is the extent of reduction made and from what date it is effective;

(c) what is the objective behind reducing the rate of interest;

(d) whether Government are aware that this step will encourage people to withdraw amount from Indian banks and deposit with foreign banks or invest somewhere else; and

(e) if so, whether Government propose to restore the cut in the rate of interest on savings banks accounts

(The question was actually asked on the floor of the House by Shri Himmat Singh.

which are maintained generally by  
average income people?

THE MINISTER OF FINANCE AND  
REVENUE AND BANKING (SHRI H. M.  
PATEL): (a) to (e) A Statement is laid on  
the Table of the  
House.

## Statement

On May 27, 1977, the Reserve Bank of India announced further rationalisation in the structure of interests rates payable by the scheduled commercial banks on their deposits. The revised interest rate schedule is at Annexure.

Among other things, the Reserve Bank have advised the scheduled commercial banks to make a distinction between the Savings Bank Accounts which are operated through cheques and those which are not and to pay a rate of interest at 3 per cent per annum on the cheque operated Savings Bank Accounts compared to the interest rate of 5 per cent per annum which would continue to be admissible on balances in the Savings Bank Accounts which are not operated upon through cheques. This change has come into effect on July 1, 1977.

The distinction between cheque operated Savings Bank Accounts and other Savings Bank Accounts and the stipulation of a lower rate of interest of 3 per cent per annum on cheque operated Savings Bank Accounts is based on the nature of these two types of accounts, the former being functionally transaction oriented and the latter more truly partaking of Savings Small depositors, particularly in the rural and semi-urban areas and those belonging to the weaker sections of the community, whose Savings Bank Accounts are not usually transactions oriented and who do not avail of cheque facilities would continue to be entitled to interest on their savings deposits at the old rate.

The directive issued by the Reserve Bank is applicable to all the scheduled commercial banks, including branches of foreign banks in India.