

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 SINH:†

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 Gov-
ernment have recently reduced the
rate of interest on savings banks ac-
counts with cheque book facility;

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

(c) what is the objective behind re-
ducing 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 in-
vest somewhere else; and

(e) if so, whether Government pro-
pose 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 Sinh.

619 R.S.—1.

which are maintained generally by
average income people?

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

Statement

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

Among other things, the Reserve
Bank have advised the scheduled com-
mercial 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 inter-
est 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 op-
erated 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 func-
tionally 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.