

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5033

ANSWERED ON:26.04.2002

RATE OF INTEREST OF THE URBAN COOPERATIVE BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has issued a directive to the Urban Cooperative Banks to slash the interest rates of deposits to the level offered by the commercial banks ;
- (b) if so, the details thereof ;
- (c) the rate of interest paid by the Urban Cooperative Banks before the directive of the RBI; and
- (d) the rate of interest of commercial banks at present ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) and (b) Urban Co-operative Banks are free to determine their rate of interest on term deposits with the approval of their Board of Directors. However, offering higher rate of interest which is not in alignment with market rates, affects the profitability of banks and adds to their liability. Therefore, Urban Coop. Banks were advised by Reserve Bank of India (RBI) in January 2002 to review their interest rate structure on term deposits of different maturities and take appropriate action to make them comparable with the rates offered by commercial banks.

(c) and (d) With effect from October 22, 1997, RBI has given freedom to all banks to fix their own interest rates on domestic term deposits of various maturities. At present the term deposit rates of different Urban Cooperative and Commercial Banks are generally between 8% to 16% and 8% to 9% per annum respectively, However, interest rate on savings deposits is still regulated by RBI and this rate has been fixed at 4.0 percent per annum since April 1, 2000.