

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:693
ANSWERED ON:22.11.2002
INTEREST RATES OF COOPERATIVE BANKS
BRAHMANAND MANDAL

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether Reserve Bank of India has instructed cooperative banks to restrict their interest rates for saving deposits;
- (b) whether cooperative banks offer higher rates of interest than commercial banks;
- (c) if so, the RBI's directive in this regard to cooperative banks; and
- (d) the impact of such directives on deposits of cooperative banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) to (c) State/Central Co-operative Banks have been given full discretion by Reserve Bank of India (RBI) to fix interest rates on deposits including saving deposits with effect from October, 1994. Many cooperative banks have been offering higher rates of interest in the light of RBI's instructions. However, in terms of the mid-term review of monetary and credit policy for the year 2002-2003, RBI has advised the cooperative banks not to pay any additional interest on the savings bank accounts over and above that payable by commercial banks. Further, cooperative banks have also been encouraged not to pay interest on current accounts.

(d) The measures taken by RBI are expected to reduce the cost of funds of the co-operative banks thereby increasing their profitability.