

(a) whether there is a proposal under the consideration of Government to nationalise some more banks which are presently running under private sector ; and

(b) if so, the details thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a) No, Sir.

(b) Does not arise.

**Interest rates for short term deposits**

\*76. SHRI KAMLA PRASAD SINGH :

SHRI B. B. RAMAIAH :

Will the Minister of FINANCE be pleased to state ;

(a) whether it is a fact that the Reserve Bank of India has issued a directive to the banks to raise interest rates for short-term deposits ignoring the objections of the banks ;

(b) the likely additional cost burden on the banks owing to this increase ;

(c) whether his Ministry has gone into the pros and cons of increasing interest rates ;

(d) whether the scheme was meant to give a boost to foreign banking operations in the country ; and

(e) the reasons for withdrawing the scheme suddenly within almost a month of its introduction ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHANA POOJARY) : (a), (b), (c) and (e) As per the provisions contained in the Banking Regulations Act, 1949, the power to determine interest rates on bank deposits vests with Reserve Bank of India. As and when necessary the Governor, RBI, convenes meetings of Chief Executives of banks to discuss various proposals relating to credit and interest rate policies. The RBI announced

the credit policy measures for the first half of 1985-86 after the meeting of Chief Executives of major scheduled commercial banks held on 6.4.85. As a result of these measures, with effect from April 8, 1985, individual banks were given freedom to fix interest rates within the prescribed ceiling of 8% for deposits of maturities of more than 15 days but of less than one year.

The total cost of funds mainly depends upon maturity structure of new deposits, shift from long term to short term deposits and vice-versa, interest rate on various maturities, etc. It is therefore not feasible to estimate the additional cost, if any, resulting from the measures announced on 6.4.85.

After the introduction of these measures it was noticed by RBI that the above scheme, which was designed to bring in untapped resources into the banking system and also to impart a certain degree of flexibility to banks for better management of deposit portfolio, was not proceeding on the lines envisaged. Some banks started offering a rate of 8% even for maturities of 15 days and the other banks simply followed suit. After a review the Reserve Bank, therefore, decided to withdraw the discretion bestowed on banks and fixed specific interest rates for five maturity intervals below one year within the ceiling of eight per cent fixed earlier.

On monetary and credit policy matters, including matters pertaining to interest rate structure, consultations are held between the Government and Reserve Bank of India as and when required.

(d) No, Sir.

**Agreement with Japan for transfer of high technology**

\*77. SHRI BRAJAMOHAN MOHANTY : Will the Minister of COMMERCE be pleased to state :

(a) whether any agreement is under negotiation with Japan for transfer of high technology and whether it includes