

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION NO. 4720
ANSWERED ON MONDAY, JULY 22, 2019/ASHADHA 31, 1941 (SAKA)

INTEREST RATES ON SAVING ACCOUNTS

4720. SHRI M.K. RAGHAVAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the State Bank of India has linked the Savings Bank (SB) interest to repo rate;
- (b) if so, the details thereof and the reasons for lowering the interest rate of SB interest and the manner in which it is affecting the SB account holders;
- (c) whether the Government considers reverting back to the higher rate of interest for the benefit of the account holders; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) and (b): State Bank of India (SBI) has reported that the interest rate on Savings Bank (SB) accounts with balances above Rs.1.00 lakh has been linked by SBI to the repo rate with effect from 1st May, 2019 and the effective interest rate will be the repo rate minus 275 bps. This step has been taken by SBI to ensure better transmission of the policy rate of Reserve Bank of India (RBI). Any change in repo rate by RBI affects the interest rate on SB accounts with balance above Rs.1.00 lakh. However, interest rate on SB accounts of small borrowers with balance upto Rs.1.00 lakh has not been changed.

(c) & (d): Reserve Bank of India (RBI) has reported that it has deregulated the interest rates on Savings Bank accounts with effect from October 25, 2011 and banks have been given the freedom to fix their interest rates on Savings Bank accounts with the approval of their respective Boards. The Government has no role in fixing these rates.
