

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. †1799

To be answered on the February 13, 2023/Magha 24, 1944 (Saka)

Difference in Bank Interest Rates

†1799. SHRI KAUSHALENDRA KUMAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether the speed of providing loans by the banks has increased while on the other hand the speed of depositing money for long term in banks has reduced in the country, if so, the details thereof;
- (b) whether the difference in respect of loans and deposited money has doubled;
- (c) if so, whether offering lesser interest rates on deposited money by the banks is the main reason for the said difference;
- (d) if so, the details thereof; and
- (e) the measures being taken by the Government to maintain balance between them?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (e): As per Reserve Bank of India (RBI) bulletin, Year-on-Year (Y-o-Y) growth in bank credit of Scheduled Commercial Banks (SCBs) was 5.15%, 6.67% and 19.03% as on last Friday of September of FY2020, FY2021 and FY2022 respectively whereas aggregate deposits registered a growth of 10.51%, 9.37% and 12.47% as on last Friday of September of FY2020, FY2021 and FY2022 respectively.

SCBs' credit growth picked up in 2022 post pandemic. In absolute terms, the difference in aggregate deposits and bank credit of SCBs was Rs 39,90,822 crore, Rs 46,42,131 crore and Rs 45,02,022 crore as on last Friday of September of FY2020, FY2021 and FY2022 respectively.

The RBI has informed that it has deregulated the interest rate on deposits and advances. These rates are determined by banks with the approval of their respective Boards, subject to broad regulatory framework issued by RBI.

As per RBI guidelines, banks are required to have Board approved Asset Liability Management (ALM) policy and system to manage mismatch of assets which includes advances and investments, and liabilities which includes deposits and borrowings. Further, banks are mandated to have an Asset Liability Management Committee (ALCO) which meets regularly and decides on pricing of deposit and loan products keeping in view bank's desired growth of deposits and advances.
