

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 1294

TO BE ANSWERED ON THE 19TH SEPTEMBER 2020/BHADRAPADA 28, 1942 (SAKA)

Bank Deposits

1294. SHRI RAVNEET SINGH BITTU:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the real returns on deposit accounts of the bank account holders have turned negative with the rise in inflation numbers and if so, the details thereof;
- (b) whether the Government has made any likely projections or assessment on the likely rise or further fall in the returns on deposit accounts for the future and if so, the details thereof and if not, the reasons therefor; and
- (c) whether any steps are being taken in the Government to ensure good deposit rates to the depositors and encourage financial savings which is vital for the financial health of the Banks and revival of the economy and if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (c): With regard to returns on deposit accounts of bank account holders vis-a-vis rise in inflation, it is stated that as per data from the Reserve Bank of India (RBI), for the terminal month of the financial year 2019-20 (March 2020), the weighted average domestic term deposit rate (WADTDR) offered by Scheduled Commercial Banks (SCBs) was 6.38%, while the Consumer Price Index inflation rate was 5.84% at the end of March 2020. RBI has further apprised that interest rates on advances and deposits are subject to directions issued by RBI under the provisions of the Banking Regulation Act, 1949, as per which the interest rates in respect of SCBs are as per Board-approved policy, subject to RBI guidelines in this regard. It is further stated that different banks offer different rates, depending upon, *inter alia*, their fund requirements, tenor premium and profile of the depositor, such as whether or not they are senior citizens.

With regard to good deposit rates to depositors and encouragement to financial savings, it is stated that Government has introduced small savings schemes like the Senior Citizens Savings Scheme, Sukanya Samridhi Yojana, Public Provident Fund and Post Office Saving schemes, which offer higher rate of interest as compared to the average rate of interest on other financial instruments.

With regard to assessment of returns on deposit accounts, it is stated that RBI's Monetary Policy Committee in its Monetary Policy report of April 2020 had assessed monetary policy transmission to banks' term deposits and stated that policy rate cut to WADTDR on outstanding Rupee deposits has improved to 39 basis points (bps) during the period from October 2019 to February, from 7 bps during the previous eight months (February to September 2019).
