

Pay interest on savings account quarterly RBI tells banks

The Reserve Bank of India (RBI) has asked banks to pay interest on savings bank accounts on a quarterly basis or shorter duration, a move which will benefit crores of savings account holders.

At present, the interest is credited in savings bank accounts on a half- yearly basis. The interest rate on a savings bank account is calculated on a daily basis since April 1, 2010.

“Interest on savings deposits shall be credited at quarterly or shorter intervals (on domestic savings deposits),” RBI said in a circular issued on March 3.

While public sector banks offer four per cent interest on savings deposits, private players offer as much as six per cent. In 2011, the central bank had decided to give freedom to commercial banks to fix savings bank deposit rates, the last bastion of the regulated interest rate regime. While giving banks this freedom, RBI had said a uniform rate would have to be offered on deposits of up to Rs.1 lakh.

On higher amounts, banks are allowed to offer differential rates to depositors. According to analysts, the lower the periodicity, the higher will be the benefit to savers.

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- At present, interest is credited in savings a/ c on a half- yearly basis
- While PSU banks offer 4% interest on savings deposits, private players offer as much as 6%
- In 2011, RBI bank had decided to give freedom to commercial banks to fix savings bank deposit rates
- Lower periodicity of interest payments might put a burden of Rs.500 crore on banks.

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