Soon, get interest on your savings deposit every month

he interest earned on your savings bank deposits is likely to be credited to your account every month, against the current practice of quarterly transfers. The Reserve Bank of India (RBI) is likely to ask banks, as early as Tuesday, the day of the third-quarter review of its monetary policy, to increase the frequency of interest payment on savings account deposits.

According to bankers, the regulator feels banks now have a robust technology platform that can enable an increase in frequency of interest credit. Bankers confirm they have the required technology for this.

Following the deregulation of interest rates on savings bank deposits in October 2011, banks have been free to decide their respective interest rates. In April 2010, RBI had also mandated them to compute savings deposit interest rates on a daily basis. They could now be asked to credit interest regularly, irrespective of whether or not an account is active.

STRATEGIC MOVES

RBI's likely steps in Tuesday's monetary policy review

Interest credit

- **Apr 2010:** RBI mandates banks to compute **interest rates** on savings bank deposits on a **daily basis**
- **Oct 2011: Interest rates deregulated,** banks allowed to decide their respective rates on savings bank deposits
- **Jan 2013:** RBI likely to ask banks to **credit interest** on savings bank deposits **every month,** irrespective of whether or not an account is active
- **Rationale:** RBI feels banks now have a robust technology platform to enable a more frequent interest credit

Rate cut

- **Apr 2012:** Repo rate reduced by **50 basis points**
- **Apr-Dec 2012:** Rates kept unchanged in the 5 policy reviews during the period
- **Jan 2013:** RBI expected to cut policy rate by at least **25 bps**
- **Rationale:** Though above the **4.5-5%** comfort range, Dec inflation rate was down to **7.18%**. RBI may try to boost demand by cutting rates

On the policy stance, RBI is expected to cut its prime lending rate for the first time in nine months, by at least 25 bps, bankers say. The central bank had last reduced the policy rate, or the repo rate, in April 2012, by 50 bps, after a gap of three years. It maintained a status quo in the five policy reviews that followed, as the inflation rate stayed above its comfort zone of 4.5-5 per cent.

The rate of inflation in December stood at its lowest in three years, down to 7.18 per cent from 7.24 per cent the previous month. The concerns around economic growth could prompt the central bank to stimulate demand by cutting rates, analysts say.

RBI could also draw comfort from the government's recent initiatives to address the twin deficits — fiscal and current account. Besides reforms like allowing foreign direct investment in multi-brand retail and aviation, the government has also increased import duty on gold by two percentage points to six per cent, to address high current account deficit.

(Business Standard)