



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2008-09/452
DBOD. No. Dir. BC.128/13.03.00/2008-09

April 24, 2009

All Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir

Payment of Interest on Savings Bank Account on a Daily Product Basis

Please refer to paragraph 88 of the Annual Policy Statement announced by Governor on April 21, 2009 (extract enclosed), in terms of which it has been proposed that payment of interest on savings bank accounts by scheduled commercial banks would be calculated on a daily product basis with effect from April 1, 2010. In terms of extant guidelines, as per paragraph 2.2B of the [Master Circular dated July 1, 2008 on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident \(NRO\) and Non-Resident \(External\) \(NRE\) Accounts](#), banks have been advised that in the case of savings deposits, interest should be calculated on the minimum balance to the credit of the deposit account during the period from the 10th to the last day of each calendar month and credited to the account only when it is Re.1/- or more. Several banks had suggested that interest on savings bank accounts may be calculated either on the minimum balances in the deposit accounts during the period from the first to the last day of each calendar month or on a daily product basis. The matter was referred to the Indian Banks' Association, which was of the view that payment of interest on a daily product basis would be feasible only when computerisation in banks is completed.

2. We advise that on a review, and in view of the present satisfactory level of computerisation in commercial bank branches, it is proposed that payment of interest on savings bank accounts by scheduled commercial banks would be calculated on a daily product basis with effect from **April 1, 2010**. In order to ensure a smooth transition, banks may work out the modalities in this regard.

Yours faithfully

(P. Vijaya Bhaskar)
Chief General Manager

Encl: as above

**Reserve Bank of India
Annual Policy Statement 2009-10**

Part B. Developmental and Regulatory Policies 2009-10

II. Interest Rate Policy

(b) Payment of Interest on Savings Bank Account on a Daily Product Basis

88. At present, interest on savings bank accounts is calculated on the minimum balances held in the accounts during the period from the 10th day to the last day of each calendar month. Several banks have suggested that interest on savings bank accounts may be calculated either on the minimum balances in the deposit accounts during the period from the first to the last day of each calendar month or on a daily product basis. The matter was referred to the IBA, which was of the view that payment of interest on a daily product basis would be feasible only when computerisation in banks is completed. In view of the present satisfactory level of computerisation in commercial bank branches, it is proposed that:

- payment of interest on savings bank accounts by scheduled commercial banks (SCBs) would be calculated on a daily product basis with effect from April 1, 2010.

Modalities in this regard will be worked out in consultation with banks.