



**POLICY OF INTEREST RATE ON DEPOSITS
(RBI/DCBR/2015-16/23 dt 12.05.2016 UPDATED UPTO 16.09.2022)**

**CHAPTER – I
PRELIMINARY**

Definitions

- (a) In this policy, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
- i) "Bulk Deposit" means single Rupee term deposits of Rupees fifteen lakh and above.
 - ii) "Co-operative bank" means a State co-operative bank, a Central co-operative bank and a Primary co-operative bank.
 - iii) "Current Account" means a form of non-interest bearing demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or up to a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit.
 - iv) "Daily product" means the interest applied on the end of day balance.
 - v) "Demand deposit" means a deposit received by the bank, which is withdrawable on demand;
 - vi) "Domestic Rupee Deposits" mean rupee deposits maintained in India in the form of current account, savings deposits or term deposit.
 - vii) "Family" includes members as mentioned in the banks Service/Staff Regulations.
 - viii) "Individual" means a natural person.
 - ix) "Member of the banks staff" means a person employed on a regular basis, whether full-time or part-time, and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.
 - x) "Notice deposit" means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
 - xi) "Retired member of the banks staff" means an employee retiring whether on superannuation or otherwise as provided in the banks Service/Staff Regulations.
 - xii) "Savings deposit" means a form of interest bearing demand deposit which is a deposit account whether designated as "Savings Account", "Savings Bank Account", "SavingsDeposit Account".
 - xiii) "Scheduled co-operative bank" means a State co-operative bank and a Primary co-operative bank included in second schedule of Reserve Bank of India Act, 1934.
 - xiv) "Term deposit" means interest bearing deposit received by the bank for a fixed period and shall also include deposits such as Recurring / Cumulative / Reinvestment deposits and Cash Certificates;

CHAPTER - II GENERAL GUIDELINES

2. Interest Rate framework

Our bank shall pay interest on deposits of money (other than current account deposits) accepted or renewed in their Domestic currency, on the terms and conditions specified in this policy:

- (a) There shall be a comprehensive policy on interest rates on deposits duly approved by the Board of Directors or any committee of the Board to which powers have been delegated.
- (b) The rates shall be uniform across all branches and for all customers and there shall be no discrimination in the matter of interest paid on the deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.
- (c) Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance
- (d) The rates shall not be subject to negotiation between the depositors and the co- operative bank.
- (e) The interest rates offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required.
- (f) All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits.
- (g) Deposits maturing on a Sunday / holiday / non-business working day
 - i) If a term deposit is maturing for payment on a Sunday / holiday / non-business working day, co-operative banks shall pay interest at the originally contracted rate on the original principal deposit amount for the Sunday / holiday / non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.
 - ii) In case of reinvestment deposits and recurring deposits, co-operative banks shall pay interest for the intervening non-business working day on the maturity value.

CHAPTER - III DOMESTIC RUPEE DEPOSITS

3. Interest rate on domestic Current Account

No interest shall be paid on deposits held in current accounts,

Provided that balances lying in current account standing in the name of a deceased individual depositor or sole proprietorship concern shall attract interest from the date of death of the depositor till the date of repayment to the claimant/s at the rate of interest applicable to savings deposit as on the date of payment.

4. Interest Rate on domestic Saving Deposits

In addition to the conditions laid down in Chapter II, interest on domestic rupee savings deposits shall be subject to the following:

Interest on domestic rupee savings deposits shall be calculated on a daily product basis as under:

- (a) A uniform interest rate shall be set on balance up to Rupees one lakh, irrespective of the amount in the account within this limit.
- (b) Differential rates of interest may be provided for any end-of-day savings bank balance exceeding Rupees one lakh.

5. Interest Rates on domestic Term Deposits

- (a) In addition to the conditions laid down chapter II, interest rates on term deposits shall vary only on account of one or more of the following reasons:

- i) *Tenor of Deposits*

- Co-operative banks shall have the freedom to determine the maturity / tenor of the deposit subject to the condition that minimum tenor of the deposit offered shall be seven days.

- ii) *Size of Deposits*

- Differential interest rate shall be offered only on bulk deposits,

- iii) *Non- availability of premature withdrawal option*

- Co-operative banks shall have the freedom to offer term deposits without premature withdrawal option,

- Provided that all term deposits accepted from individuals (held singly or jointly) and Hindu Undivided Families for amount of Rupees fifteen lakh and below shall have premature-withdrawal-facility.

- (b). Payment of Interest on pre-mature withdrawal:

- The interest rates applicable on term deposits withdrawn before the maturity date shall be as under:

- iv) Interest shall be paid at the rate applicable to the amount and period for which the deposit remained with the co-operative bank and not at the contracted rate.
 - v) No interest shall be paid, where premature withdrawal of deposits takes place before

completion of the minimum period specified.

6. Payment of Additional Interest on domestic deposits

- (a) Co-operative banks shall, at their discretion, allow additional interest of one per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or term deposits of banks staff and their exclusive Associations as well as on deposits of Managing Director who acts as the Chief Executive of the co-operative bank drawing regular salary from the co-operative bank, subject to the following conditions:
- i) The additional interest is payable till the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of a term deposit account.
 - ii) In case of employees taken over pursuant to the scheme of amalgamation, the additional interest is allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate, which could have been allowed if such employees were originally employed by the co-operative bank.
 - iii) In the case of employees taken on deputation from another bank, the co-operative bank from which they are deputed may allow additional interest in respect of the savings or term deposit account opened with it during the period of deputation.
 - iv) In the case of persons taken on deputation for a fixed tenure or on a contract of a fixed tenure, the benefit will cease to accrue on the expiry of the term of deputation or contract, as the case may be.
 - v) Bank Employees Federations, in which co-operative bank employees are not direct members, shall not be eligible for additional interest.
 - vi) The additional interest may be paid on the following deposits after obtaining a declaration from the depositor concerned, that the monies deposited or which may be deposited from time to time into such account belong to the depositor:
 - a. member or a retired member of the co-operative banks staff, either singly or jointly with any member or members of his/her family; or
 - b. the spouse of a deceased member or a deceased retired member of the co-operative banks staff; and
 - c. an Association or a Fund, members of which are members of the co-operative banks staff;
- (b) Co-operative banks shall, at their discretion, formulate term deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size,
Provided that this facility is not offered on the term deposit standing in the name of an HUF or the Karta of the Hindu Undivided Family (HUF), even if the Karta is a resident Indian senior citizen.
- (c) Co-operative banks shall, at their discretion, give their resident Indian retired staff, who are senior citizens, the benefit of additional interest rates as admissible to senior citizens over and above the additional interest payable to them by virtue of their being retired members of the co-operative banks staff.

7. Interest on overdue domestic deposits

- (a) The rate of interest to be paid on renewal of overdue term deposits shall be subject to

the stipulation contained in Chapter II.

- (b) If a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the co-operative bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower.

8. Floating rate domestic term deposits

Floating rate domestic term deposits shall be linked to a directly observable and transparent market determined external benchmark.

9. Periodicity of payment of interest on domestic savings deposits

- (a) Interest on savings deposit shall be credited at quarterly or longer intervals.
- (b) Interest on savings bank accounts, including those frozen by the enforcement authorities, shall be credited on regular basis irrespective of the operational status of the account.

10. Interest payable on the domestic deposit account of deceased depositor

The rate of interest on matured deposits standing in the name of a deceased individual depositor, or two or more joint depositors, where one of the depositors has died, shall be subject to the conditions laid down in Chapter II.

11. Penalty on premature withdrawal of domestic term deposit

- (a) There shall be a penalty of 1% p.a for premature withdrawal of term deposits.
- (b) The component of penalty shall be clearly brought to the notice of the depositors at the time of acceptance of deposits.
- (c) In case of splitting of the amount of term deposit at the request from the claimant/s of deceased depositors or Joint account holders, no penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.

CHAPTER - VI
PROHIBITIONS AND EXEMPTIONS

12. Prohibitions

Co-operative banks shall not:

- (a) Pay any remuneration or fees or commission or brokerage or incentives on deposits in any form or manner to any individual, firm, company, association, institution or any other person except:
 - i) commission paid to agents employed to collect door-to-door deposits under a special scheme.
 - ii) remuneration paid to Business facilitators or Business Correspondents.
 - iii) incentives granted to staff members as approved by the Reserve Bank of India from time to time.
- (b) Offer prize / lottery / free trips (in India and / or abroad), etc., or any other initiative having element of chance for mobilizing deposits.
- (c) Resort to unethical practices of raising of resources through agents / third parties to meet the credit needs of the existing / prospective borrowers or to grant loans to the intermediaries based on the consideration of deposit mobilisation.
- (d) Issue any advertisement / literature soliciting deposits from public highlighting only the compounded yield on term deposits without indicating the actual rate of simple interest offered by the co-operative bank for the particular period. Simple rate of interest per annum for the period of deposit should be indicated invariably.
- (e) Accept interest-free deposit other than in current account or pay compensation indirectly.
- (f) Accept deposits from / at the instance of private financiers or unincorporated bodies under any arrangement which provides for either issue of deposit receipt/s favouring client/s of private financiers or giving of an authority by power of attorney, nomination or other-wise, for such clients receiving such deposits on maturity.
- (g) Grant advances against term deposits maintained with other banks.
- (h) Open a savings deposit account in the name of Government departments / bodies depending upon budgetary allocations for performance of their functions / Municipal Corporations or Municipal Committees / Panchayat Samitis / State Housing Boards / Water and Sewerage / Drainage Boards / State Text Book Publishing Corporations / Societies / Metropolitan Development Authority / State / District Level Housing Co-operative Societies, etc. or any political party or any trading/business or professional concern, whether such concern is a proprietary or a partnership firm or a company or an association and entities other than individuals, Karta of HUF and organisations /agencies listed in Schedule - I.

Explanation

For the purposes of this clause, 'political party' means an association or body of individual citizens of India, which is, or is deemed to be registered with the Election Commission of India as a political party under the Election Symbols (Reservation and Allotment) Order, 1968 as in force for the time being.

- (i) Create any fund to be utilized for charitable purposes in consultation with the depositors.

13. Exemptions

The provisions in the above paragraphs shall not be applicable to:

- (a) A deposit received by the co-operative bank:
 - i) from the institutions permitted to participate in the Call / Notice / Term Money Market both as lenders and borrowers.
 - ii) for which it has issued a participation certificate;
- (b) Payment of interest on delayed collection of outstation instruments like cheques, drafts, bills, telegraphic/mail transfers, etc.

SCHEDULE- I

(1)	Primary Agricultural Credit Society which is being financed by the co-operative bank
(2)	Khadi and Village Industries Boards
(3)	Agriculture Produce Market Committees
(4)	Societies registered under the Societies Registration Act, 1860 or any other corresponding law in force in a State or a Union Territory
(5)	Companies licensed by the Central Government under Section 8 of Companies Act, 2013 or Section 25 of Companies Act, 1956 or under the corresponding provision in the Indian Companies Act, 1913 and permitted, not to add to their names the words 'Limited or the words 'Private Limited
(6)	Institutions other than those mentioned in Section 27(h) and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961
(7)	Government departments / bodies / agencies in respect of grants/ subsidies released for implementation of various programmes / Schemes sponsored by Central Government / State Governments subject to production of an authorization from the respective Central / State Government departments to open savings bank account
(8)	Development of Women and Children in Rural Areas (DWCRA)
(9)	Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members
(10)	Farmers Clubs - Vikas Volunteer Vahini – VVV