



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

DBDO.DIR.No. 6476/13.01.01/2005-06

January 23, 2006

Shri H.R. Billava  
Director  
All India Insurance Policy Holder's Association  
Flat No.301, C-2, Sirdi Nagar  
Bhayander (East)  
Pin 401 105

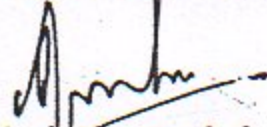
Dear Sir

**Rounding off transaction to the nearest rupee**

Please refer to your letter dated 2.1.2006 addressed to LIC, a copy of which has been endorsed to us.

2. We advise that RBI has already issued a circular DBOD.DIR.BC.No.36/C.347/90 dated October 22, 1990 to all commercial banks advising them to round off transactions to the nearest rupee. A copy of the circular is enclosed for your information.

Yours faithfully,

  
(Ashok Joshi)  
Dy. General Manager  
Encl : 2



Also Refer

DBOD.No.Dir.BC.06/13.07.01/2001-02 dt 09-08-01DBOD.No.Dir.BC.46/13.03.00/2000-01 dt 04-11-00DBOD.No.Ret.BC.100/C.96(Ret)-91 dt 25-03-91

DBOD.No.Dir.BC.36/C.347-90

October 22, 1990

All Commercial Banks

Dear Sirs,

**Rounding off Transactions to the Nearest Rupee**

Please refer to our circular DBOD.No.Dir.BC.91/C.347-95 dated 2nd August, 1985 in terms of which banks were advised that all transactions, including payment of interest on deposits/charging of interest on advances should be rounded off to the nearest multiple of 5-paise. The question of rounding off of transactions has been re-examined by the Government of India and necessary instructions have already been issued to various State Governments, Ministries, etc. vide Government's Office Memorandum No.E23(8)-E.11(A)/86 dated 26th June, 1986 (copy enclosed) advising that all Central Government transactions involving fractions of a rupee shall be brought into accounts by rounding off to the nearest rupee (fraction of 50 paise and above to be rounded off to the next higher rupee and the fractions of less than 50 paise to be ignored). In this connection, we advise that all transactions, including payment of interest on deposits/charging of interest on advances, should be rounded off to the nearest rupee and such adjustments will not be construed as violations of our directives on Interest Rates on Deposits/Advances issued by us from time to time. Issue prices of cash certificates should also be rounded off in the same manner. In this connection, you may ensure that cheques issued by clients containing fraction of a rupee are not rejected or dishonoured.

2. These instructions are issued under Sections 21 and 35A of the Banking Regulation Act, 1949.

Yours faithfully,

Sd/-

(B.S.M. ACHARYA)  
Joint Chief Officer

No. E23(8)-E. 11(A)/86  
Government of India  
Ministry of Finance  
(Department of Expenditure)

New Delhi,  
the 26th June 1986

**OFFICE MEMORANDUM**

Subject: Recommendations of Geethakrishnan Committee on  
General Financial Rules/Treasury Rules and Account  
Code Volume I - Implementation of Rounding off of  
Transactions in Government Accounts

The undersigned is directed to say that the question of simplification of accounting procedure and management of payments and receipts arising out of Government transactions has been considered by a Committee set up by the Government. The Recommendations of the Committee have been considered and it has been decided with the approval of Finance Minister that all



Government transactions involving fractions of a rupee shall be brought into accounts by rounding off to the nearest rupee of 50 paise and above to be rounded off to the next higher rupee and the fractions of less than 50 paise to be ignored).

Having regard to scope, magnitude and variety of Government transactions, it has been decided as under:

(i) Except for petty cash (i.e. 'across the counter' type) transactions which are reflected in departmental cash books, all government transactions, whether involving actual receipts/payments or book adjustments should be in whole rupees.

(ii) The only type of transactions which have to involve paise would be cash transactions for petty purchases or sales which are reflected in a primary record like the cash book. For such transactions a viable and simple accounting procedure, will be evolved by the Controller General of Accounts (Ministry of Finance) and circulated separately.

3. Consequent to the above decisions, Ministries/Departments are required to review all regulations administered by them which involve fractional payments/receipts with a view to ensuring that payments/receipts are in whole rupees.

4. Interest on loans/advances to employees which is computed as a percentage of base amount and its recovery is effected in instalments, will now be made recoverable in whole rupees. In Departments such as Posts and Telegraphs where across the counter sale of articles takes place there should be no difficulty in accounting because the cash book will be rounded off. All 'Inner Column' deductions from salary bills on account of PLI/Licence fee/Taxes etc. will be rounded off to the nearest rupee. Similarly all entitlements due to an employee by way of HRA/DA/JTA etc. will be in whole rupees. All book transactions including entries appearing in 'Inner columns' of bills will have to be in whole rupees. All transactions of PAO/Banks through cheques/challans will only be in whole rupees. All claims on Government utility institutions like the Electricity Boards/Corporations etc. will have to be made in whole rupees. Since the Central Government will discharge its liability on their claims in whole rupees such service institutions are advised to change over to bills in whole rupees for all customers with a view to reduce work load in their own office. All local bodies within the control of Central Government should restructure their tax claims octroi etc. so that amounts are realised in whole rupees. Organisations like the Union Public Service Commissions/Staff Selection Commission etc. which receive revenues in terms of examinations fee etc. should rationalise the fee structures so that fractions are eliminated. Certain taxes such as Sales Tax being dependent upon the value of purchase will inevitably generate fractions. Sales Tax Authorities will advise their assesses who are responsible for remitting sales tax collected from customers to make the deposits to Government Accounts in whole rupees.

5. All State Government/U.T. Governments are advised to eliminate paise from transactions which are settled through cheques/challans or through Book adjustment. They may also like to consider instituting similar reforms on their side.

6. Suitable instructions may therefore be issued and necessary amendments carried out in the rules and regulations necessitated for the implementation of the above decision with effect from 1st April, 1990.

Sd/-

(B.P. VARMA)

Joint Secretary to the Govt. of India