

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4055  
ANSWERED ON:18.08.2000  
BANK RATES  
NAGMANI;SUSHIL KUMAR SAMBHAJIRAO SHINDE

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government have raised the bank rates from July 21, 2000 by one percent i.e., 8 percent and the Cash Reserve Ratio by half a percent i.e., 8.5 percent in the context of fall in the rupee value to all time low of Rs. 45.09 per Dollar;
- (b) if so, the extent to which it is likely to effect the economy of the country;
- (c) whether interest rates of fixed deposits for the common man and that on provident funds for the workers have also been increased; and
- (d) if not, the reasons therefor ?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

(a) and (b) After a review of recent developments in the international and domestic financial markets, Reserve Bank of India, on July 21, 2000, increased the Bank Rate by 1 percentage point from 7 per cent per annum to 8 per cent per annum and Cash Reserve Ratio (CRR) by 0.5 percentage point from 8 per cent to 8.5 per cent in two stages by 0.25 percentage point each effective from fortnights beginning July 29, 2000 and August, 12, 2000. The increase in CRR would absorb resources of scheduled commercial banks to the extent of about Rs. 1900 crore at each stage.

(c) and (d) Interest rates on fixed deposits are deregulated and determined by Banks themselves. Reserve Bank of India have reported that some banks including public sector banks have raised their fixed deposit rates by 0.50 to 0.75 basis points. Provident fund rate which is determined by the Government is not directly related to bank rate. For the year 2000-01 it has been fixed at 11% per annum.