

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:756  
ANSWERED ON:12.11.2010  
REPO AND REVERSE REPO RATE  
Singh Chaudhary Lal

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

- (a) whether the Reserve Bank of India (RBI) has increased the Repo rate by 25 basis points to 6 per cent;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the RBI has hiked the reverse repo rate by 50 basis points to 5% in the recent past to check the inflation;
- (d) if so, the details thereof alongwith the effects of such hike in reverse repo rate on the various bank loans like home loan, car loan, etc.; and
- (e) the steps taken/being taken by the Government to keep the lending rates under control?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

(a) to (d): On the basis of the assessment of macroeconomic situation, the Reserve Bank in its Second Quarter Review of Monetary Policy for 2010-11 released on November 2, 2010 had increased the repo and reverse repo rates by 25 basis points each. Accordingly, the repo rate stands raised to 6.25 per cent and the reverse repo rate to 5.25 per cent. The Reserve Bank had taken into account both global and domestic macroeconomic situation in calibrating this policy move and, in particular, it was guided by the domestic growth drivers, inflation/inflationary expectations and the liquidity position. These actions are expected to sustain the anti-inflationary thrust in the face of persistent inflation risks aggravated by the structural nature of food price increases while at the same time being moderate enough not to disrupt growth.

(e): Changes in the policy rates (Repo and reverse repo rates) are transmitted to banks' lending rates with a lag, depending on several factors. There is no evidence as of now of any notable increase in lending rates. However, to ensure that lending rates to some specific sectors are kept low, the Government has subvention schemes/interest caps on certain loans given for agriculture, exports, housing, etc.