

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3120

ANSWERED ON:19.08.2011

REPO AND REVERSE REPO RATES

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has increased the Repo and Reverse Repo Rates to keep a check on inflation;
- (b) if so, the details thereof for the last one year and the current financial year and reasons therefor;
- (c) the effects of such hike on various old and new bank loans, agricultural and industrial growth; and
- (d) the remedial measures taken/being taken by the Government in this regard?

Answer

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

(a): Yes, Sir.

(b): The Reserve Bank of India (RBI) has increased the repo and reverse repo rates from time to time to contain inflation and anchor inflationary expectations. The following table captures the movement in repo and reverse repo rate since April 2010:

Effective from Repo Rate Reverse Repo Rate

April 20, 2010 5.25 3.75

July 2, 2010 5.50 4.00

July 27, 2010 5.75 4.50

Sept 16, 2010 6.00 5.00

Nov 2, 2010 6.25 5.25

Jan 25, 2011 6.50 5.50

March 17, 2011 6.75 5.75

May 03, 2011 7.25 6.25

June 16, 2011 7.50 6.50

July 26, 2011 8.00 7.00

(c): As a result of the hike in policy rates, banks have increased their base rate and Benchmark Prime Lending Rates (which are signal lending rates of banks). Hence, both old and new bank loans would go up. As far as agricultural and industrial growths are concerned, they depend on a number of factors besides the cost of credit such as monsoon and the determinants of the level of aggregate as well as product specific demand and supply. Year-on-year, Industrial growth was at 8.8 per cent in June 2011 as per the Index of Industrial Production. The near normal southwest monsoon in 2011 augurs well for the overall agricultural growth this year.

(d): On an ongoing basis Government has been providing interest subvention to certain sectors of the economy and sections of the society on merits.