

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1891
ANSWERED ON:02.12.2011
INCREASE IN INTEREST RATES
Singh Shri Ravneet

Will the Minister of FINANCE be pleased to state:

- (a) whether the repeated hike in interest rates resulted in decline in industrial production;
- (b) if so, the details thereof;
- (c) whether the Government proposes to revamp the conventional policy of interest rates; and
- (d) if so, the details thereof and if not, the reasons therefor?

Answer

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

a)&(b): As per the Index of Industrial Production (IIP) released by the CSO, the industrial growth has moderated to 5.0 percent in 2011-12 (April-September) as compared to 8.8 percent in corresponding period of the previous year. The moderation in the industrial production can be partly attributed to increase in the interest rate.

(c)&(d): The Reserve Bank of India (RBI) has been increasing policy rate as a part of monetary policy stance since March 2010 to contain inflation and inflationary expectations. In the forward guidance of the Second Quarter Review of Monetary Policy 2011-12, RBI has reported that notwithstanding current rates of inflation persisting till November, the likelihood of a rate action in the December mid-quarter review is relatively low. Beyond that, if the inflation trajectory conforms to projections, further rate hikes may not be warranted.