

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3909
ANSWERED ON:27.04.2012
INTEREST RATE QUESTION
Punia Shri P.L. ;Sivasami Shri C.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has any proposal to decrease interest rates;
- (b) if so, the details thereof;
- (c) the number of times the interest rates of the banks have been amended by the RBI during the last two years; and
- (d) the extent to which constant increase in interest rate has affected the economic reforms in the country; and
- (e) the benefits accrued to each sector of the society from these economic reforms?

Answer

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

(a),(b) and (c): The Reserve Bank of India (RBI), as part of its anti-inflationary measures, raised the policy Repo Rate 13 times during March 2010 to October 2011. However based on an assessment of growth having slowed down and decline in inflation, RBI reduced the policy Repo Rate by 50 basis points to 8 per cent on 17 April 2012.

(d) and (e): interest rate on loans and deposits have been deregulated and are decided by banks, based on their commercial judgment. Monetary policy operates by influencing the cost and availability of money and credit. The RBI's monetary policy stance till October 2011 lead to increasing the cost of borrowing resulting in slowdown in growth, which is an expected outcome of policy action. The reduction in Repo Rate on 17 April 2012 is expected to lead to reduction in the cost of borrowing and revival and recovery in the growth of the economy.