

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1635
ANSWERED ON:22.08.2012
INTEREST RATES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the interest rates are expected to soften;
- (b) if so, the details thereof vis-à-vis interest rates during the last four years; and
- (c) the impact of such situation on the market and the consumers?

Answer

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

(a) After raising the policy repo rate 13 times by 375 basis points from 4.75 per cent to 8.50 per cent during March 2010 to October 2011, the Reserve Bank of India (RBI) reduced Cash Reserve Ratio (CRR) by 125 basis points in two tranches in January and March, 2012 and Repo Rate and Reverse Repo Rate by 50 basis points on 17.04.2012. Taking cues from the Reserve Bank's changes in the Policy rates, 29 banks reduced their base rates i.e. rate at which banks provide bank loans.

(b) The details of Model Benchmark Prime Lending Rate (BPLR)/Base Rate of Scheduled Commercial Banks during 2009-10 to 2011-12 as at end March each year and in July, 2012 are given below.

(Per cent)

Bank Groups	2009-10	2010-11	2011-12	2012-13 (July)
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Public Sector Banks	12.00	9.50	10.75	10.50
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Private Sector Banks	15.00	9.00	10.50	10.50
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Foreign Banks	14.00	8.50	10.00	10.00
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Scheduled Commercial Banks	12.00	9.50	10.75	10.50
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Note: Base rate system was introduced from July 1, 2010

(c) The lowering of interest rates by the banks is expected to improve investment activity in the economy and spur demand for consumer durables etc.