

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4794
ANSWERED ON:18.12.2009
HIKE IN INTEREST RATES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has taken decision not to hike the interest rates as economic recovery is still in a nascent stage;
- (b) if so, the details thereof;
- (c) whether the RBI has asked the banks to keep more cash with the Central Bank to check inflationary pressures in the cash reserve ratio by 25-50 basic points;and
- (d) if so, the details thereof?

Answer

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

(a) to (d): Interest rates have been deregulated and the Reserve Bank of India (RBI) does not issue any directions to banks to change interest rates. However, depending upon the evolving economic situation, the RBI alters its key policy rates from time to time. Beginning October, 2008, RBI had effected substantial reduction in Repo Rate, Reverse Repo Rate and Cash Reserve Ratio (CRR) in several stages but took a decision not to change these rates in its Second Quarter Review of the Monetary Policy in October, 2009. Currently, the Repo Rate is 4.75%, the Reverse Repo Rate is 3.25% and the CRR is 5% of Net Demand and Time Liabilities (NDTL) of banks.