

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:709

ANSWERED ON:27.02.2015

CUT IN REPO RATE

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India (RBI) has cut the Repo Rate recently, if so, the details thereof ;
- (b) whether the banks have not reduced the rate of interest on loan despite the cut in Repo Rate;
- (c) if so, the details thereof and the reasons therefor: and
- (d) the corrective measures taken by the banks in this regard?

**Answer**

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a)to (d): Yes Sir, Reserve Bank of India (RBI) has reduced the Repo Rate under the liquidity adjustment facility (LAF) by 25 basis points (bps) from 8.0 per cent to 7.75 per cent on January 15, 2015.

With the introduction of Base Rate system since July 1, 2010, all rupee lending rates (including advances up to Rs. 2 lakh) have been deregulated. Accordingly, the interest rates on rupee advances are determined by banks with the approval of their respective Boards. In a deregulated environment, banks have complete freedom in deciding their spread, risk premia, term premia and other customer specific charges as considered appropriate on the loans and advances based on their commercial judgement.

Following the reduction in the policy rate by 25 bps to 7.75 per cent on January 15, 2015, the median base (lending) rate of banks declined by 5 bps to 10.20 per cent so far (up to February 23, 2015). Eight banks (2 Public Sector Banks (PSBs), 1 private sector bank and 5 foreign banks) have reduced their base rates in the range of 25-50 bps so far.