

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4409
ANSWERED ON:08.08.2014
INTEREST RATE
Nayak Shri B.V.;Yadav Shri Om Prakash

Will the Minister of FINANCE be pleased to state:

- (a) the percentage of reduction made in interest rate by the Reserve Bank of India (RBI) during the last three years;
- (b) whether the banks have not reduced the interest rates in its conformity due to which the customers are being forced to pay higher interest rates;
- (c) if so, whether due to high interest rates the growth of the industries in the country have been slowing down and the production from industries has been reducing;
- (d) if so, the details of the reduction in the production of the industries during the last three years; and
- (e) the corrective measures taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (SMT. NIRMALA SITHARAMAN)

(a)and (b): Data on Repo rate, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) prescribed by Reserve Bank of India and Lending rates of Scheduled Commercial Banks during March 2012 to June 2014 is at Annex. At present, lending rates by banks are deregulated where in they have complete freedom in deciding their spread, risk premia, term premia and other customer specific charges on loans and advances based on their commercial judgement and approved by their respective Boards.

(c) to (e): Industrial growth as measured by the Index of Industrial Production has declined from 2.9% in 2011-12 to 1.1% in 2012-13 and (-) 0.1% in 2013-14. Various factors have lead to decline in industrial growth including compressed external demand, moderation in domestic demand, hardening of interest rates and rising input costs.

Several measures to revive industrial growth include announcement of National Manufacturing Policy (NMP) in 2011, simplification and rationalisation of the Foreign Direct Investment (FDI) policy and implementation of Delhi Mumbai Industrial Corridor(DMIC) project. Further, measures outlined in Union Budget 2014-15 include increasing composite caps of foreign investment in Defence and Insurance sector to 49%, easing norms of built up area and capital conditions for FDI for development of 'smart cities', capital investment of more than Rs. 2 lakh crore by Public Sector Undertakings and incentives for Real Estate Investment Trusts and Infrastructure Investment Trusts to attract long term finance from foreign and domestic sources.