

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1021  
ANSWERED ON:28.11.2014  
INTEREST RATE  
Kodikunnil Shri Suresh

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

- (a) whether the Reserve Bank of India has increased the interest rates to keep a check on inflation in the recent past;
- (b) if so, the details thereof for the last one year;
- (c) whether the high interest rates have burdened households with higher interest outgo on loans;
- (d) if so, the details thereof;
- (e) whether the Government has any proposal to cut the interest rate to ease the burden on households; and
- (f) if so, the details thereof along with the steps taken by the Government in this regard?

**Answer**

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

(a) and (b) : With consumer price index (CPI) inflation and inflation expectations persisting at elevated levels, Reserve Bank of India (RBI) increased the key policy rate by 25 bps each in the monetary policy reviews of September 23, 2013, October 29, 2013 and January 28, 2014 to 8 per cent. RBI's monetary policy stance has been firmly focussed on keeping the economy on a disinflationary glide path. Since January 2014, the Reserve Bank maintained its key policy rate while allowing disinflationary effects of past rate increases to play out and contain inflation expectations. The details of revision in key policy rates are given at annexure-I.

(c) to (f) With the exception of Differential rate of interest scheme, effective October 18, 1994, the Reserve Bank of India deregulated the interest rates on rupee advances above Rs.2 lakh, and these interest rates are determined by banks themselves since then with the approval of their respective Boards. Further, 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. 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 judgment. The data on the lending rates of scheduled commercial banks (group-wise) in India is given at annexure-II.