

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:364
ANSWERED ON:11.07.2014
INTEREST RATE ON HOME LOANS
Sreeramulu Shri B.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noticed that higher interest rates are adversely affecting the growth of real estate sector and economy of the country;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether the Government proposes to lower the interest rate on home loans; and
- (d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Smt. Nirmala Sitharaman)

(a) to (d): Reserve Bank of India (RBI) has deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks.

As per the new guidelines on the Base Rate system issued on April 9, 2010, which have come into force with effect from July 1, 2010, banks determine their actual lending rate on loans and advances with reference to the Base Rate. All categories of loans, except specific exemptions, are priced only with reference to the Base Rate, which is announced by banks after seeking approval from their respective Boards. Since the Base Rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate.