

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3222
ANSWERED ON:11.08.2000
INTEREST RATES
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Will the Minister of FINANCE be pleased to state:

- (a) whether a cross-section of bankers have expressed concern on the interest rates which are set to go up despite the RBI's plan to keep the rates under leash;
- (b) if so, the reasons for rising inflation rate and the Government borrowings;
- (c) whether it is a fact that US Fed rate, Libor and Repo rate have also been increasing during the last six months; and
- (d) if so: the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR):

- (a) The prime lending rate (PLR) of major bank groups during the current financial year were as shown below:

(per cent)

Range of PLR	June 2000	March 2000
Public Sector Banks	11.25-12.50	12.00-13.50
Private Sector Banks	10.25-15.50	10.25-16.00
Foreign Banks	9.75-17.50	10.50-17.50

(Figures upto June 2,2000)

However, certain banks have announced upward revision in their PLRs following increase in Bank Rate and Cash Reserve Ratio requirement by RBI in July.

- (b) During the current financial year, the inflation rate has not been showing a rising trend and there is no revision in the gross borrowing requirement of the Government of India.
- (c) Trends in the US Fed fund rate, libor and repo rate (of Reserve Bank) during the last six months are as y follows:

Date	Fed Fund Rate Average (Weekly)	Libor Average	Repo Rate`
January 2000	5.50	5.86	6.00
February 2000	5.75	5.83	6.00
March 2000	6.00	6.13	6.00
April 2000	6.00	6.12	5.00
May 2000	6.50	6.62	5.00
June 2000	6.50	6.64	5.00

Note: Repo rate as at the end of month pertains to fixed rate Repo auctions.

The Repo rate was fixed at 5 per cent up to June 4,2000. Since June 5,2000, the Liquidity Adjustment Facility was introduced on a variables rate auction basis.

- (d) Decisions regarding interest rate on bank credit are taken by banks themselves in keeping with their cost of funds, transaction

costs and interest rates ruling in the non-banking sector thereby bringing it entirely within their own purview, without any involvement of Government.