

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA**

**UN-STARRED QUESTION NO. 6635
TO BE ANSWERED ON 06th APRIL, 2018 / CHAITRA 16, 1940 (SAKA)**

'HIKED LENDING RATES'

QUESTION

6635. SHRI SISIR KUMAR ADHIKARI:

Will the Minister of FINANCE be pleased to state:

- (a)** whether the Government has raised lending rates on home and auto loans and if so, the details thereof;
- (b)** whether the loans were issued on lower rates with commitment to no-variable rate of interest therein, if so, the details thereof;
- (c)** whether a raise of 10-20 basis points reflects 35-40 basis points over the Marginal Cost of funds based Lending Rates (MCLR); and
- (d)** if so, the details thereof and the reasons for upward revision in MCLR thereof?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)**

(a) & (b): Reserve Bank of India (RBI) has deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks (SCBs). As per extant framework, since April 1, 2016, banks have to compute actual interest rates on advances by adding the component of spread to the Marginal Cost of Funds based Lending Rates (MCLR) which will be the internal benchmark for such purpose. Accordingly, the rate of interest charged by banks to the borrower varies from bank to bank and depends on various factors such as cost of funds, operating costs, tenor premium, business strategy premium, credit risk premium etc. Banks have the freedom to offer all categories of advances on fixed and floating interest rates. The MCLR of different maturities is reviewed by banks on monthly basis.

(c) & (d): The MCLR comprises of marginal cost of funds, negative carry on account of Cash Reserve Ratio (CRR), operating cost and tenor premium. Change in any of these factors would result in upward or downward revision in MCLR. Rate of interest on loans includes spread over MCLR. Generally, rise in interest rates is in tandem with rise in MCLR considering spread is kept unchanged.
