

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO.177
TO BE ANSWERED ON JULY 19, 2021

CONSUMER INFLATION

177. SHRI MANISH TEWARI:

Will the Minister of FINANCE be pleased to state:

(a) whether for nearly a year, consumer inflation, has been higher than the rate of one year deposits by banks, effectively making the return on hard-earned tax-paid money negative and if so, the details thereof;

(b) whether this lowering of interest rates has shown any increase in credit growth or provided a spur in investment and if so, the details thereof;

(c) whether it is a fact that in 2021 2021, collections of indirect tax - the taxes everyone from rich-to-the-poor pays on consumption - is higher than taxes on income and if so, the details thereof;

(d) whether this increase in indirect taxes is a cause of the fueling inflation and if so, the details thereof; and

(e) whether the Government is working out on a plan to mitigate the twin burden of falling returns on savings and the rising inflation and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) The information on deposit rates of scheduled commercial banks and consumer price index (combined) (CPI-C) inflation rates since June 2020 are given in table 1.

Table 1: Deposit Rates and CPI Inflation

Month	WADTDR (Outstanding Deposits) (%)	CPI-C Inflation (%)
June-2020	6.00	6.23
July-2020	5.96	6.73
Aug-2020	5.86	6.69
Sep-2020	5.67	7.27
Oct-2020	5.66	7.61
Nov-2020	5.63	6.93
Dec-2020	5.57	4.59
Jan-2021	5.46	4.06
Feb-2021	5.39	5.03
Mar-2021	5.38	5.52
Apr-2021	5.36	4.23
May-2021	5.32	6.30

Source: Reserve Bank of India. Note: WADTDR stands for Weighted Average Domestic Term Deposit Rate.

(b) The Reserve Bank of India has reduced its policy repo rate by 115 basis points from 5.15 per cent in February 2020 to 4.0 per cent by May 2020. Data on credit growth of scheduled commercial banks (SCBs) is provided in Table 2.

Table 2: Policy Rate Reduction and SCB's Credit growth (in percent)

	Policy repo rate	Banks Credit growth (y-o-y)
27-Mar-2020	5.15	6.1
26-Mar-2021	4.00	5.6
02-July-2021	4.00	6.1

Source: Reserve Bank of India

(c) As per Department of Revenue, total collection from tax on income and through indirect taxes during 2020-21 (Prov.) is Rs. 4,86,153 crore and Rs. 10,77,256, respectively.

(d) The recent increase in retail inflation is mainly on account of increase in inflation in food commodities.

(e) Government has taken many steps to arrest the rise in retail inflation in food items. Government has eased the import restrictions to enhance domestic availability of pulse Tur, Urad and Moong and also entered into MoUs with Myanmar, Malawi, Mozambique for pulses import. The dynamic buffer stock of pulses have been used to tackle price volatility of these commodities. Stock limits were imposed for all pulses except Moong from 2.7.2021 to 31.10.2021. Duty of crude palm oil and refined palm oil have been reduced.
