

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 965

TO BE ANSWERED ON THE 26TH JULY 2021/ SRAVANA 4, 1943 (SAKA)

Bank Interest Rate

965. SHRI SUNIL KUMAR MONDAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has decided to increase or decrease interest rate of the bank, by keeping in view of various loans related schemes and issues after two years of corona pandemic and if so, the details thereof;
- (b) whether the Government has also decided to reduce the EMI interest rate so the people do not have to face more loan burden; and
- (c) if so, the details thereof, State and UT-wise and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) and (b): Reserve Bank of India (RBI) has informed that interest rate on advances sanctioned by Banks has been deregulated by RBI and it is determined by banks, with the approval of their respective Board of Directors, subject to the regulatory guidelines issued in this regard by RBI. Banks have freedom to set interest rates on advances within the overall guidelines issued by RBI. In case of floating rate of interest, banks have to reset the interest rates at a given periodicity in accordance with the terms and conditions of the respective loan agreements, subject to compliance with the RBI guidelines.

Government and RBI have taken various relief measures on account of COVID-19 pandemic under which lending institutions can *inter alia* grant interest rate reliefs to eligible borrowers:

- (i) RBI, *vide* circular dated 6.8.2020, on “Resolution framework for COVID-19-related stress”, enabled the lenders to implement resolution plans in respect of eligible corporate exposures and personal loans, permitting thereunder, rescheduling of payments, conversion of interest accrued to be accrued into another facility and granting of moratorium up to two years;
- (ii) RBI, *vide* circular dated 6.8.2020, on “Micro, Small and Medium sector – Restructuring of Advances”, enabled the lenders to restructure eligible MSME advances;
- (iii) Government, on 23.10.2020, approved the Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months, to borrowers in specified loan accounts;
- (iv) RBI, *vide* circular dated 5.5.2021, on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses”, announced a further set of measures in line with the contours of the Resolution Framework announced on 6.8.2020, with suitable modifications; and
- (v) RBI, *vide* circular dated 5.5.2021, on “Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)”, extended the measures of restructuring of advances to the MSME sector announced on 6.8.2020.

(c): RBI has informed that it does not have the required information.
