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Interest rates of banks are usually decided by stakeholders and financial personnel present in the industry. Many years ago, banks were owned privately by companies which also determined the interest rate for both lending and saving schemes. There were also instances where banks were family owned enterprises with the aim of making huge profits. In fact, few of the large cities were established just on the basis of a single bank. Thus, banks were considered as the foundation of financial development of a region. However, interest rates were not uniform in all the banks and varied from state to state, with few states having high rates while the others low. The interest rates for various banking aspects were based on many factors like size of the bank, investment of the bank and extent of business involved.

Today bank interest rates are concerned with government which decides how much low or high should the interest be. The involvement of government for controlling bank interest rates is necessary for maintaining economic stability in various states. Otherwise, banks and other financial enterprises can gain control over the entire economy and use it for their own benefit. This is because bank interests can lead to inflation, so they should be controlled to prevent irreparable damage. Hence, government with the help of independent organizations controls the bank interest rates, thereby maintaining stability in the market.

The above explanation can be easily understood with an example. Consider loan interest rates that are mainly under the control of financial planners, so they do not cross the limits. Suppose if this task is left to banks and private companies, then loan interest rates could reach very high that a common man would not even think of borrowing money. Recently, there was a situation where bank interest rates were going on increasing. When the condition seemed worsening, government had to take early action against the rising interest rates. During these times, when average people are in a need of borrowing money, banks can increase their interest rates to large extent. But, because of the presence of government for dealing with the issue, bank interest rates are kept affordable so that taking loans never becomes a problem for the population.

A few years back, there were not many private companies as owners of banks, which restricted banks from spreading. But today, the number of organizations that own the banks is large in number and thus expansion is no more a limitation for banks. As a result, banking has become globalized and banks present in the nation are capable of providing even international transactions. Moreover, interest rates are not a very big concern to the people as well as the banks. This is due to the fact that a single bank has large number of clients, which makes it possible to have low interest rates. In addition to this, all the banks provide same kind of services and products to their customers. This is also the reason behind banks having low interest rates.

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