

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7346

ANSWERED ON:12.05.2000

INTEREST RATE OF BANKS

BHAWANA GAWALI (PATIL);GANGASANDRA SIDDAPPA BASAVARAJ;RAVI PRAKASH VERMA;S.
JAGATHRAKSHAKAN;SHIVRAJ SINGH CHOUHAN

Will the Minister of FINANCE be pleased to state:

- (a) whether after the Reserve Bank of India slashes bank rate by 1 per cent, the industries' long pending demands of reducing the interest rate has been considered;
- (b) if so, whether correspondingly the banks have reduced their prime lending rates;
- (c) if so, the details thereof;
- (d) whether this reduction of bank rate by 1 per cent has helped the industries; and
- (e) if so, to what extent the industries have been benefited on this account?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATH) :

- (a) Reserve Bank of India (RBI) announced on April 1, 2000 a reduction in Bank Rate by 1 percentage point from 8 percent to 7 per cent. This reduction led to lowering of the Prime Lending Rates by banks.
- (b) and (c) Reacting to the monetary easing measures announced by RBI, many banks reduced their Prime Lending Rate (PLR) by 0.75 to 1.0 percentage point. The PLRs of scheduled commercial banks in April 2000 were in the range of 9.75 to 17.5 per cent as against 10.5 per cent to 18.5 per cent in April 1999.
- (d) and (e) The reduction in Bank Rate has led to lowering of Prime Lending Rate by banks. This will be beneficial to the industries as they will get a credit at cheaper rates.