

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2099
ANSWERED ON:06.08.2010
LENDING RATE TO HOUSING AND INDUSTRY
Shantha J.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has directed the Public Sector Banks to pare their lending rates to provide reasonable credit to housing and industry;and

(b) if so, the details thereof, Bank-wise?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The Base Rate system has replaced the Benchmark Prime Lending Rate (BPLR) system with effect from July 1, 2010. Since the Base Rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs. 2 lakh stands withdrawn. It is expected that the above deregulation of lending rate will increase the credit flow to small borrowers at reasonable rates and bank finance will provide effective competition to other sources of high cost credit.