

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1941  
ANSWERED ON:02.12.2011  
CREDIT TO MANUFACTURING SECTOR  
Mani Shri Jose K.

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the scheduled commercial banks and other financial institutions have extended differential credit to the manufacturing sector in order to save it from high credit costs in the recent past;
- (b) if so, the details thereof; and
- (c) the steps taken/being taken by the Government in this direction?

**Answer**

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

(a)to(c): Reserve Bank of India (RBI) has reported that with effect from October 18, 1994 it had deregulated the interest rates on advances above Rs.2 lakh and these interest rates were determined by Scheduled Commercial Banks (SCBs) themselves with the approval of their Boards, subject to Benchmark Prime Lending Rate (BPLR) and Spread guidelines. Individual banks therefore determined interest rates to be charged to a particular borrower subject to BPLR and Spread guidelines. Interest rate on Loans up to Rs.2 lakh carried the prescription of not exceeding the BPLR. However, banks had the freedom to determine the rate of interest, without reference to BPLR and regardless of size in respect of loans for purchase of consumer durables and other non-priority sector personal loans including credit cards dues.

The above guidelines based on the BPLR system have been replaced by new guidelines on the Base Rate system which have come into force with effect from July 01, 2010. In terms of the new guidelines, banks will determine their actual lending rate on loans and advances with reference to the Base Rate.