

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:202
ANSWERED ON:03.07.2009
LOANS TO INDUSTRIAL UNITS
Chauhan Shri Sanjay Singh

Will the Minister of FINANCE be pleased to state:

- (a) the percentage reduction in rates of interest of banks during each of the last three years;
- (b) whether the Government have issued instructions to the banks to provide loans to the industrial units at lower rates of interest;and
- (c) if so, the reaction of the banks thereon, bank-wise?

Answer

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

(a): With effect from October 18, 1994, RBI has deregulated the interest rates on advances above Rs.2 lakh and rates of interest on such advances are determined by the banks themselves. The Benchmark Prime Lending Rates (BPLRs) of banks during the last three years are as given below:

Year BPLR of PSBs (%)

March, 2007 12.25-12.75
March, 2008 12.25-13.50
March, 2009 11.50-14.00

In response to reduction in key policy rates of the RBI and the emerging economic situation, the banks have reduced interest rates still further after March, 2009.

(b) & (c): A special package was announced by the Indian Banks Association (IBA) on 16th December,2008 which included reduction of interest rate for the MSME sector by Public Sector Banks.Furthermore, in the stimulus package announced by the Government on 8th December, 2008 and 2nd January, 2009, the SIDBI was provided Special Refinance Facility to ensure adequate flow of credit to the MSME sector at reduced rates of interest.