

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:214
ANSWERED ON:03.07.2009
LOWERING THE INTEREST RATE
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has directed Public Sector Banks (PSBs) to lower the interest rate to boost economy; and
- (b) if so, the details thereof and response of PSBs thereto in this regard?

Answer

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

(a) & (b) Taking guidance from the reduction in the Reserve Bank of India(RBI)'s policy rates and easy liquidity conditions, all public sector banks, most private sector banks and some foreign banks have reduced their deposit and lending rates. The reduction in the term deposit rates between October 2008 - April 18, 2009 has been in the range of 125-250 basis points by public sector banks, 75-200 basis points by private sector banks and 100-200 basis points by five major foreign banks. The reduction in the Benchmark Prime Lending Rates (BPLRs) was in the range 125-225 basis points by public sector banks, followed by 100-125 basis points by private sector banks and 100 basis points by five major foreign banks

In his meeting with the Chief Executives of public sector banks on 10.06.2009, Finance Minister underlined the adverse impact of higher lending rates on the growth of the economy, and requested the PSBs to provide credit to the needy sectors at reasonable rates of interest in the best interest of the economy. Many PSBs have responded to the call of the Finance Minister positively and have effected a further cut in their BPLR.