

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4296

ANSWERED ON:22.03.2013

MAINTENANCE OF LIQUIDITY IN THE FINANCIAL MARKETS

Hegde Shri Anant Kumar;Yadav Shri Dinesh Chandra

Will the Minister of FINANCE be pleased to state:

(a) whether the Government / Reserve Bank of India (RBI) has asked / issued any directions to the Public Sector Banks (PSBs) to bring down the rates of interests applicable in the existing loan of major companies registered in the share market;

(b) if so, the details thereof and the reasons therefor; and

(c) the likely impact of the said move on the liquidity of the PSBs in the country?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a)to (c): Public Sector Banks (PSBs) are governed by their Board driven policies within the regulatory framework prescribed by the Reserve Bank of India (RBI) in the operational matters including determination of their lending rates. The Government has not asked / issued any directions to the PSBs to bring down the rate of interest applicable in the existing loan of major companies registered in the share market. The banks determine their lending rates with reference to their Base Rate. Since the Base Rate will be the minimum rate for all loans, banks are not permitted by the RBI to resort to any lending below the Base Rate.