

Small Enterprise India Information Desk



Ushering an era of new interest rate regime, several PSU banks on Tuesday announced new benchmark base rates of up to 8 per cent, with SBI being lowest at 7.5 per cent, for giving loans including housing and commercial at or above it, a move that could make credit cheaper.

Other lenders Punjab National Bank, Union Bank of India and Central Bank of India fixed the benchmark rate (minimum lending rate) at 8 per cent as part of the shift to new regime from July 1, replacing their prime lending rates that ranged between 11 and 14 per cent per cent.

Bank of Rajasthan, a small private bank being acquired by ICICI Bank, also came out with 8 per cent base rate.

Other banks, including ICICI Bank and HDFC Bank, are expected to follow suit soon.

"...in the consumer loan segment, the impact will be only 25 basis points plus or minus," said State Bank of India (SBI) Chairman O P Bhatt after announcing new rate regime.

Under the present system, the banks would peg a prudent PLR but would lend below it if the credit rating of the borrower is very good. The new system would not allow banks to lend below the base rate.

As per the RBI, the new regime is aimed at improving transparency and prevent creation of non-productive assets. Under the base rate lending mechanism, borrowers will be charged interest rates over the base rate depending on their credit profile.

The system, however, will not apply to concessional loans for agriculture, export and other specified sectors.

Courtesy: DD News