

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1725
ANSWERED ON:12.12.2003
INTEREST RATES OF BANKS
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has given a free hand to banks to sanction consumer loans even below the prime lending rate;
- (b) if so, the specific details of this policy;
- (c) whether RBI has put any limit on the size of the consumer loan;
- (d) if so, the reasons for limiting credit to consumers: and
- (e) the other steps RBI propose to assist middle class people to get credit at cheaper rates?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE {SHRI ANANDRAO VITHOBA ADSUL}:

- (a) Yes, Sir.
- (b) The Banks are now free to determine their own rates of interest on loans for various purposes, including, the consumer loans to individuals and other non-priority sector personal loans without reference to the Prime Lending Rate and regardless of the size of such loans, with the approval of their respective Boards of Directors.
- (c) No, Sir.
- (d) Does not arise.
- (e) The rationalization undertaken by the Reserve Bank of India has enabled middle class and other borrowers to access, especially, housing and other types of retail credit at lower rates than the PLR of the Banks.