

A host of banks cuts lending rates

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The reductions range from 5 to 65 basis points

Mumbai, April 1:

With the new marginal cost of funds based lending regime kicking in, a host of banks, including ICICI Bank, Bank of India, IDBI Bank and Axis Bank, announced new lending rates on Friday.

On Thursday, seven banks, including State Bank of India, HDFC Bank, Bank of Baroda, and Canara Bank, announced their lending rates. The one-year benchmark lending rates of these banks range from 9.20 per cent to 9.85 per cent, about 10 basis points lower than their current base rates (or the minimum lending rates). In the case of banks (barring Kotak Mahindra Bank and Axis Bank) that announced the one-year benchmark lending rates on Friday, the rates ranged from 9.20 per cent to 9.65 per cent, about 5 to 65 basis points lower than their base rate.

In the case of Kotak Mahindra Bank, the MCLR at 9.60 per cent is a tad higher than the base rate of 9.50 per cent. As for Axis Bank, the MCLR and base rate are the same at 9.50 per cent.

New loans, including home, auto and corporate loans, are expected to become cheaper by about 10 basis points following the introduction of the new lending rate regime, whereby all rupee loans sanctioned and credit limits renewed with effect from April 1 will be priced with reference to the marginal cost of funds based lending rate (MCLR).

Banks will review and publish their MCLR of different maturities — overnight, one month, three months, six months, one year — every month on a pre-announced date. In addition to these maturities, banks have the option of publishing MCLR of any other longer maturity.

Apart from helping improve the transmission of policy rates into the lending rates of banks, the MCLR is expected to improve transparency in the methodology followed by banks for determining interest rates on advances.

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