

Major banks cut lending rates by 60-115 bps since June

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Much of the reduction in rates followed the deluge of deposits into banks in the wake of demonetisation and a resultant drop in their cost of funds. (Reuters)

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Leading banks have lowered their incremental lending rates by between 60 and 115 basis points (bps) since June, even as the Reserve Bank of India (RBI) lowered the repo rate by only 25 bps during the period, reports FE Bureau in Mumbai.

Much of the reduction in rates followed the deluge of deposits into banks in the wake of demonetisation and a resultant drop in their cost of funds. Under the marginal cost of funds-based lending rate (MCLR) regime, banks have to review their lending rates every month on the basis of their incremental cost of funds, among other factors.

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While the repo rate has moved to 6.25% from 6.5% at the beginning of June, the country's largest lender, State Bank of India, has reduced its one-year MCLR to 8% from 9.15% over the same period. The rate on SBI term deposits with maturity of one year has dropped to 6.9% from 7.25% at the beginning of June. The corporate bond market too has seen a fair bit of transmission.

The FIMMDA yield on one-year AAA-rated paper has fallen 97 bps since the beginning of June to 6.9155% on February 3.

ICICI Bank, HDFC Bank and Axis Bank have cut their one-year MCLR by 95 bps, 100 bps and 110 bps respectively since June.