

# Good news for borrowers. RBI says there is scope for banks to lower rates

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The Reserve Bank of India has rekindled borrower's hope of getting a lower rates on loans. After banks announced sharp reduction in lending rates in January, most banks have keep lending rates unchanged in the last months.

"Banks have reduced lending rates, although further scope for a more complete transmission of policy impulses remains, including for small savings and administered rates," said [Urjit Patel](#), RBI governor in the policy statement. For several decades, barring a few banks like Kotak Mahindra Bank and Yes Bank most banks are offering 4% of savings account deposits.

Post-demonetisation (up to March 2017), 27 public sector banks have reduced their one-year lending rate or marginal cost of lending rates in the range of 50 to 105 basis points, and 19 private sector banks have done so in the range of 25 to 148 bps.

This is second consecutive time that in a policy statement, Patel has said that there is a need to lower lending rates even as RBI refrained from lowering policy rates.

The RBI report has pointed out that in comparison with deposit rates and the MCLR, transmission to actual lending rates has been less complete during the post-demonetisation period.

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During November 2016 – February 2017, the average lending rate (WALR) of banks for fresh rupee loans was down by 69 bps, whereas the average lending rate on outstanding rupee loans declined by 13 bps only over the same period.