

## **Interest Rates on Advances**

**Reserve Bank of India  
Central Office  
Department Of Banking Operations And Development  
Centre - 1, World Trade Centre  
Cuffe Parade, Colaba, Mumbai - 400 005**

April 19, 2001  
Chaitra 29 ,1923(S)

DBOD No. Dir. BC. 106/13.03.00/2000-01

### **Interest Rates on Advances**

In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest to do so, hereby directs, in supersession of its directive DBOD No.Dir.BC.106/13.03.00/99 dated October 29, 1999 that with effect from April 19, 2001, no commercial bank shall charge interest on loans/advances/cash credit/overdrafts or any other financial accommodation granted or provided by it or renewed by it or discount usance bills except in accordance with the rates as specified in the Annexure hereto. The interest at the rates specified in the Annexure shall be charged with quarterly or longer rests.

2. For the purpose of this Directive, term loan means a loan, which is repayable within a period of not less than 3 years.

3. Nothing contained in this Directive shall apply to loans or advances or other financial accommodation made or provided or renewed by a commercial bank:

- i) against Domestic/NRE/FCNR(B) deposit/s with the bank, provided that the deposit/s stands/stand either in the name/s of the borrower himself/borrowers themselves, or in the names of the borrower jointly with another person;
- ii) to a co-operative bank or to any other banking institution; and
- iii) to its own employees.

4. All other terms and conditions relating to advances against commodities subject to Selective Credit Control, as contained in the directives, issued from time to time, shall remain unaffected.

**(K.L. Khetarpaul)**  
**Executive Director**

### **ANNEXURE**

**Interest Rate Structure excluding Interest Tax for rupee advances of commercial banks  
effective from April 19, 2001**

<u>Size of limit</u>	<u>Rate of Interest (Percent per annum)</u>	
	<u>Existing (All advances including term loans)</u>	<u>Revised (Effective April 19, 2001)</u>
1. (a) Upto and inclusive of Rs.2 lakh	Not exceeding Prime Lending Rate (PLR)	Not exceeding Prime Lending Rate (PLR)
(b) Over Rs.2 lakh	Free	Free#
2. (i) Loans for purchase of consumer durables	Free@	Free@
(ii) Loans to individuals against shares and debentures/bonds	Free@	Free@
(iii) Other non-priority sector personal loans	Free@	Free@
3. Lending rate for commodities coming within the purview of Selective Credit <u>Control (SCC)</u>		
Loans/Advances/Cash Credit/Overdrafts against commodities subject to SCC	Free	Free
<b>4. <u>Export Credit</u></b>	<b><u>Existing upto May 4,2001</u></b>	<b><u>Revised w.e.f. May 5,2001 (\$)</u></b>
<b>(1) <u>Pre-shipment Credit</u></b>		
(a) (i) Upto 180 days	10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points
(ii) Beyond 180 days and upto 270 days	13.0	Not exceeding PLR <u>plus</u> 1.5 percentage points
(b) Against incentives receivable from Government covered by ECGC Guarantee (upto 90 days)	10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points
	<b><u>Existing upto May 4, 2001</u></b>	<b><u>Revised w.e.f. May 5, 2001 (\$)</u></b>
<b>(2) <u>Post-shipment Credit</u></b>		
(a) On demand bills for transit period (as specified by FEDAI )	Not exceeding 10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points
(b) Usance Bills ( for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable )		
(i) Upto 90 days	Not exceeding 10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points
(ii) Beyond 90 days and upto 6 months from date of shipment	12.0	Not exceeding PLR <u>plus</u> 1.5 percentage points
(iii) Against incentives receivable from Government	Not exceeding 10.0	Not exceeding PLR <u>minus</u>

covered by ECGC Guarantee (upto 90 days)		1.5 percentage points
(iv) Against undrawn balances (upto 90 days )	Not exceeding 10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points
(v) Against retention money (for supplies portion only) payable within one year from the date of shipment (upto 90 days )	Not exceeding 10.0	Not exceeding PLR <u>minus</u> 1.5 percentage points

**(3) Deferred Credit**

Deferred credit for the period beyond 180 Days	Free	Free
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**(4) Export Credit not otherwise specified**

(a) Pre-shipment credit	Free	Free
(b) Post-shipment credit	Free	Free

<b><u>Existing</u></b>	<b><u>Revised</u></b>
<b><u>(All advances including Term loans)</u></b>	<b><u>(Effective April 19, 2001)</u></b>
<b>4.0</b>	<b>4.0</b>

**5. DRI Advances**

6 (a) Advances/overdrafts against domestic/NRE/FCNR(B) deposits with the bank, Provided that the deposit/s stands/ stand either in the name(s) of the borrower himself/borrowers themselves, or in the names of the borrower jointly with another person	Free to charge interest rates without reference to PLR	Free to charge interest rates with- out reference to PLR
(b) Finance granted to intermediary agencies(excluding those of housing) for onlending to ultimate beneficiaries and agencies providing input support	Free to charge interest rates without reference to PLR	Free to charge interest rates with- out reference to PLR
(c) Finance granted to housing finance intermediary agencies for onlending to ultimate beneficiaries	Free to charge interest rates with-out reference to PLR	Free to charge interest rates with- out reference to PLR
7. Loans covered by participation in refinancing schemes of term lending_institutions	Free to charge interest rates as per stipulations of the refinancing agencies without reference to PLR	Free to charge interest rates as per stipulations of the refinancing agencies without reference to PLR
8. Discounting of Bills	Free to charge interest rates with- out reference to PLR	Free to charge interest rates with- out reference to PLR

Note:

1. Free@ : The banks are free to determine the rates of interest without reference to PLR. However, it is not the intention to allow any concessionality in case of such loans and therefore banks should not charge rates below PLR, regardless of the size of the loan amount.
2. Free : The banks are free to determine rates of interest subject to PLR and spread guidelines.
3. Free#: The banks may offer loans above Rs. 2 lakh at below PLR rates to exporters or other creditworthy borrowers including public enterprises based on a transparent and objective policy approved by their Boards.
4. Intermediary agencies are indicated in Appendix.
5. (\$) : Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.

## **Appendix**

### **An Illustrative list of Intermediary Agencies**

1. State sponsored organisations for on-lending to weaker sections. Weaker sections include -
  - (i) Small and marginal farmers with landholdings of 5 acres and less, landless labourers, tenant farmers and share-croppers.
  - (ii) Artisans, village and cottage industries where individual credit requirements do not exceed Rs. 25,000/-.
  - (iii) Small and marginal farmers, sharecroppers, agricultural and non-agricultural labourers, rural artisans and families living below the poverty lines are the beneficiaries. The family income should not exceed Rs. 11,000/- per annum.
  - (iv) Scheduled Castes and Scheduled Tribes.
  - (v) Beneficiaries are persons whose family income from all sources does not exceed Rs. 7,200/- per annum in urban or semi-urban areas or Rs. 6,400/- per annum in rural areas. They should not own any land or the size of their holdings does not exceed one acre in the case of irrigated land and 2.5 acres in the case of unirrigated land (land holdings criteria do not apply to SC/ST).
  - (vi) Beneficiaries under scheme of Liberation and Rehabilitation of Scavengers (SLRs).
  - (vii) Advances granted to Self-Help Groups (SHGs) for reaching the rural poor.
2. Distributors of agricultural inputs/implements.
3. State Financial Corporations (SFCs)/State Industrial Development Corporations (SIDCs) to the extent they provide credit to weaker sections.
4. National Small Industries Corporation (NSIC).
5. Khadi and Village Industries Commission (KVIC).
6. Agencies involved in assisting the decentralised sector.
7. State sponsored organisations for on-lending to the weaker sections.
8. Housing and Urban Development Corporation Ltd. (HUDCO).
9. Housing Finance Companies approved by National Housing Bank (NHB) for refinance.

10. State sponsored organisations for SCs/STs (for purchase and supply of inputs to and/or marketing of output of the beneficiaries of these organisations).
11. Micro Finance Institutions/Non-Government Organisations (NGOs) on-lending to SHGs.