



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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June 25, 1997

### RBI reduces Bank Rate by one percentage point

On a review of monetary and credit developments since the announcement of the Monetary and Credit Policy in April 1997, the Reserve Bank of India has today decided to reduce the Bank Rate. With effect from the close of business today (June 25, 1997), the Bank Rate will be reduced by one percentage point, i.e., from the present level of 11 per cent per annum to 10 per cent per annum. The interest rates on domestic term deposits for maturity of 30 days and up to one year and Non-Resident External Rupee Account Scheme have been reduced by one percentage point to eight per cent.

The interest rates on post shipment rupee export credit have also been reduced by one percentage point. Interest rates on post-shipment export credit up to 90 days will now be 'not exceeding 12 per cent per annum' and that beyond 90 days and up to six months, 14 per cent per annum.

Setting out the monetary and credit developments that have necessitated this change, Dr. C. Rangarajan, Governor, Reserve Bank of India said, in a letter addressed to all scheduled commercial banks, that there has been a very strong growth in aggregate deposits of scheduled commercial banks. The total flow of bank funds to commercial sector has increased by Rs.720 crore during the current financial year up to June 6, 1997 as against a decrease of Rs.5,555 crore during the corresponding period last year, thus, registering a turnaround of Rs.6,275 crore. Interest rates have shown a definite and perceptible decline since mid-April 1997 across all maturities and instruments, including Dated Government Securities, Treasury Bills, Certificates of Deposit and Commercial Paper. Most banks have also reduced their Prime Lending Rates by one to one and a half percentage points.

Dr. C. Rangarajan reiterated that it is the objective of policy to keep the money supply within the targetted range of 15.0 - 15.5 per cent during the current year so as to contain the inflation rate around 6.0 per cent, while ensuring that banks provide adequate resources at reasonable cost to meet the productive requirements of the economy.

Against this background and with a view to aligning the Bank Rate to the changing conditions it has been decided to reduce the Bank Rate. The new interest rates applicable on deposits and export credit with effect from June 26, 1997 will be:

<b>Deposits</b>	<b>Rate of interest</b>
(per cent per annum)	
(i) Domestic Term Deposit for maturity of 30 days and upto one year	not exceeding 8.0
(ii) Term deposits under Non-Resident (External) Rupee (NRE) Accounts Scheme with a maturity of 6 months and up to one year	not exceeding 8.0
Post-shipment rupee export credit	
a) on demand bills for transit period (as specified by FEDAI)	not exceeding 12
b) on usance bills(for total period comprising usance period of export bills, transit period as specified by FEDAI and grace period wherever applicable)	
- up to 90 days	not exceeding 12
- beyond 90 days and upto six months from the date of shipment	14

All interest rates on advances from the Reserve Bank such as export credit refinance and general refinance to banks which are specifically linked to the Bank Rate will also be revised downwards. It may be recalled that these rates were linked to the Bank Rate in the Monetary and Credit policy announced in April 1997.

(Alpana Killawala)  
**Deputy General Manager**

**Press Release : 1996-97/821**