



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2012-13/70

DBOD.No.Dir.BC. 5 /13.03.00/2012-13

July 2, 2012  
Ashadha 11, 1934 (Saka)

All Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir / Madam

**Master Circular - Interest Rates on Advances**

Please refer to the [Master Circular DBOD.No.Dir.BC.5/13.03.00/2011-12 dated July 1, 2011](#) consolidating instructions / guidelines issued to banks till June 30, 2011 on matters relating to Interest Rates on Advances. The Master Circular has been suitably updated by incorporating instructions issued up to June 30, 2012 and has also been placed on the RBI website (<http://www.rbi.org.in>). A copy of the Master Circular is enclosed.

Yours faithfully

**(Sudha Damodar)**  
**Chief General Manager**

Encl: as above

बैंकिंग परिचालन और विकास विभाग, केंद्रीय कार्यालय, 13 माला, शहीद भगतसिंह मार्ग, मुम्बई 400001

Department of Banking Operations and Development, Central Office, 13<sup>th</sup> floor, NCOB, Shahid Bhagat Singh Marg, Mumbai - 400001  
टेलिफोन /Tel No: 91-22-22601000 फैक्स/Fax No: 91-22-22701241 Email ID:cgmicdbodco@rbi.org.in

हिंदी आसान है, इसका प्रयोग बढ़ाइए

## CONTENTS

Para No.	Particulars	Page No.
A	Purpose	1
B	Classification	1
C	Previous instructions	1
D	Application	1
1	Introduction	2
2	Guidelines	3
2.1	General	3
2.2	Base Rate	3
2.3	Applicability of Base Rate	5
2.4	Floating Rate of Interest on Loans	7
2.5	Levying of penal rates of interest	7
2.6	Enabling clause in loan agreement	7
2.7	Withdrawals against uncleared effects	8
2.8	Loans under consortium arrangement	8
2.9	Charging of interest at monthly rests	8
2.10	Zero percent Interest Finance Schemes for Consumer Durables	9
2.11	Excessive interest charged by banks	9
Annex 1	<b>Illustrative Methodology for the Computation of the Base Rate</b>	11
Annex 2	<b>Guidelines on Benchmark Prime Lending Rate (BPLR) applicable to loans sanctioned up to June 30, 2010</b>	13
Annex 3	<b>Interest Rate Structure for all Rupee Advances including Term Loans of Commercial Banks sanctioned up to June 30, 2010</b>	17
Appendix	<b>List of circulars consolidated</b>	19

## **MASTER CIRCULAR ON INTEREST RATES ON ADVANCES**

### **A. Purpose**

To consolidate the directives on interest rates on advances issued by Reserve Bank of India from time to time.

### **B. Classification**

A statutory directive issued by the Reserve Bank in exercise of the powers conferred by the Banking Regulation Act, 1949.

### **C. Previous instructions**

This Master Circular consolidates and updates the instructions on the above subject contained in the circulars listed in **Appendix**.

### **D. Application**

To all scheduled commercial banks, excluding Regional Rural Banks.

## **Structure**

### **1. Introduction**

### **2. Guidelines**

2.1 General

2.2 Base Rate

2.3 Applicability of Base Rate

2.4 Floating rate of interest on loans

2.5 Levying of penal rates of interest

2.6 Enabling clause in loan agreement

2.7 Withdrawals against uncleared effects

2.8 Loans under consortium arrangement

2.9 Charging of interest at monthly rests

2.10 Zero percent interest finance schemes for consumer durables

2.11 Excessive interest charged by banks

Annex 1 Illustrative Methodology for the Computation of the Base Rate

Annex 2 Guidelines on Benchmark Prime Lending Rate (BPLR) applicable to loans sanctioned up to June 30, 2010

Annex 3 Interest Rate Structure for all Rupee Advances including Term Loans of Commercial Banks sanctioned up to June 30, 2010

Appendix List of circulars consolidated

## **1 Introduction**

- 1.1 Reserve Bank of India began prescribing the minimum rate of interest on advances granted by Scheduled Commercial Banks with effect from October 1, 1960. Effective March 2, 1968, in place of minimum lending rate, the maximum lending rate to be charged by banks was introduced, which was rescinded with effect from January 21, 1970, when the prescription of minimum lending rate was reintroduced. The ceiling rate on advances to be charged by banks was again introduced effective March 15, 1976, and banks were also advised, for the first time, to charge interest on advances at periodic intervals, that is, at quarterly rests. In the following period, various sector-specific, programme-specific and purpose-specific interest rates were introduced.
- 1.2 Given the prevailing structure of lending rates of Scheduled Commercial Banks, as it had evolved over time, characterised by an excessive proliferation of rates, in September, 1990, a new structure of lending rates linking interest rates to the size of loan was prescribed which significantly reduced the multiplicity and complexity of interest rates. In the case of the Differential Rate of Interest Scheme under which credit was provided at a rate of 4.0 per cent per annum, and Export Credit, which was subject to an entirely different regime of lending rates supplemented by interest rate subsidies, the existing lending rate structure was continued.
- 1.3 An objective of financial sector reform has been to ensure that the financial repression inherent in administered interest rates is removed. Accordingly, in the context of granting greater functional autonomy to banks, effective October 18, 1994, it was decided to free the lending rates of scheduled commercial banks for credit limits of over Rupees two lakh; for loans up to Rupees two lakh, it was decided that it was necessary to continue to protect these borrowers by prescribing the lending rates and accordingly it was prescribed that for loans up to and inclusive of Rupees two lakh, the lending rates of banks should not exceed the Benchmark Prime Lending Rate (BPLR) of the respective banks. For credit limits of over Rupees two lakh, the prescription of minimum lending rate was abolished and banks were given the

freedom to fix the lending rates for such credit limits subject to BPLR and spread guidelines. Banks were required to obtain the approval of their respective Boards for the BPLR, which would be the reference rate for credit limits of over Rupees 2 lakh. Each bank's BPLR had to be declared and be made uniformly applicable at all branches.

- 1.4 The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the Reserve Bank to lending rates of banks. Accordingly, based on the recommendations of the Working Group on Benchmark Prime Lending Rate which submitted its report in October 2009, banks were advised to switch over to the system of Base Rate with effect from July 1, 2010. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy.

## **2 Guidelines**

### **2.1 General**

- 2.1.1 Banks should charge interest on loans / advances / cash credits / overdrafts or any other financial accommodation granted / provided / renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by Reserve Bank of India from time to time.
- 2.1.2 The interest at the specified rates should be charged at monthly rests (subject to the conditions laid down in paragraph 2.9) and rounded off to the nearest rupee.

### **2.2 Base Rate**

- 2.2.1 The Base Rate system has replaced the BPLR system with effect from July 1, 2010. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently. An illustration for computing the Base Rate is set out in **Annex 1**. Banks are free to use any other methodology, as considered appropriate, provided it is consistent and is made available for supervisory review/scrutiny, as and when required.

- 2.2.2 Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate. The actual lending rates charged should be transparent and consistent and be made available for supervisory review/scrutiny, as and when required.
- 2.2.3 In order to give banks some time to stabilize the system of Base Rate calculation, banks were permitted to change the benchmark and methodology any time during the initial six month period, i.e. end-December 2010. This period was extended by a further period of six months i.e. upto June 30, 2011.
- 2.2.4 There can be only one Base Rate for each bank. Banks have the freedom to choose any benchmark to arrive at a single Base Rate which should be disclosed transparently.
- 2.2.5 Changes in the Base Rate shall be applicable in respect of all existing loans linked to the Base Rate, in a transparent and non-discriminatory manner.
- 2.2.6 Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Accordingly, the stipulation of BPLR as the ceiling rate for loans up to Rupees 2 lakh stands withdrawn. It is expected that the above deregulation of lending rate will increase the credit flow to small borrowers at reasonable rate so that direct bank finance will provide effective competition to other forms of high cost credit.
- 2.2.7 Banks are required to review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank's practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their Base Rate at all branches and also on their websites. Changes in the Base Rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis, as hitherto.
- 2.2.8 Even after introduction of the Base Rate system, banks would have the freedom to offer all categories of loans on fixed or floating rates. Where loans are offered on fixed rate basis, notwithstanding the quarterly review of the Base Rate, the rate of interest on fixed rate loans will continue to remain the same subject to the condition that such fixed rate should not be below the Base Rate at the time of sanction. If the base rate is revised upward thereafter

and in the process the fixed rate falls below the new Base Rate, it would not be construed a violation of the guidelines on Base Rate.

### **2.3 Applicability of Base Rate**

2.3.1 With effect from July 1, 2010, all categories of loans should be priced only with reference to the Base Rate. Accordingly, the Base Rate system would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switch-over.

2.3.2 However, the following categories of loans could be priced **without** reference to the Base Rate:

- (a) DRI advances
- (b) loans to banks' own employees including retired employees
- (c) loans to banks' depositors against their own deposits

2.3.3 In those cases where subvention is available to borrowers, it is clarified as under:

(i) *Interest Rate Subvention on Crop Loans*

- a) In case of crop loans up to Rupees three lakh, for which subvention is available, banks should charge farmers the interest rates as stipulated by the Government of India. If the yield to the bank (after including subvention) is lower than the Base Rate, such lending will not be construed a violation of the Base Rate guidelines.
- b) As regards the rebate provided for prompt repayment, since it does not change the yield to the banks [mentioned at (a) above] on such loans, it would not be a factor in reckoning compliance with the Base Rate guidelines.

(ii) *Interest Rate Subvention on Export Credit*

Interest rates applicable for all tenors of rupee export credit advances will be at or above the Base Rate. In respect of cases where subvention of Government of India is available, banks will have to reduce the interest rate chargeable to exporters as per Base Rate system by the amount of subvention available. If, as a consequence, the interest rate charged to

exporters goes below the Base Rate, such lending will not be construed a violation of the Base Rate guidelines.

#### 2.3.4 *Restructured Loans*

In case of restructured loans if some of the WCTL, FITL, etc. need to be granted below the Base Rate for the purposes of viability and there are recompense etc. clauses, such lending will not be construed a violation of the Base Rate guidelines.

2.3.5 In those cases where refinance is available to borrowers, it is clarified as under:

##### *(a) Financing of Off-Grid and Decentralised Solar applications*

Government of India, Ministry of New and Renewable Energy (MNRE) has formulated a scheme on financing of Off-Grid and Decentralised Solar (Photovoltaic and Thermal) applications as part of the Jawaharlal Nehru National Solar Mission (JNNSM). Under the scheme, banks may extend subsidized loans to entrepreneurs at interest rates not exceeding five percent, where refinance of two percent from Government of India is available. Such lending at interest rates not exceeding five percent per annum where refinance of Government of India is available, would not be considered a violation of our Base Rate Guidelines.

##### *(b) Extending financial assistance under Micro Credit scheme of National Scheduled Tribes Finance and Development Corporation (NSTFDC) and various schemes of National Handicapped Finance and Development Corporation (NHFDC)*

Banks may charge interest at the rates prescribed under the schemes of NSTFDC /NHFDC to the extent refinance is available. Such lending, even if it is below the Base Rate, would not be considered a violation of our Base Rate Guidelines. Interest rate charged on the part not covered under refinance should not be below Base Rate.

##### *(c) Extending financial assistance under schemes of National Safai Karmacharis Finance & Development Corporation (NSKFDC)*

Banks may charge interest at the rates prescribed under the schemes of National Safai Karmacharis Finance & Development Corporation (NSKFDC) to the extent refinance is available. Such lending, even if it is below the Base Rate, would not be considered as a violation of our Base Rate Guidelines. Interest rate charged on the part not covered under refinance should not be below Base Rate.

#### *(d) Lending to Primary Agricultural Credit Societies (PACS)*

Banks financing Primary Agricultural Credit Societies (PACS) for short term seasonal agricultural operations may lend below their Base Rate to the extent refinance is available from NABARD. However, when banks use their own funds, they are not allowed to lend below Base Rate.

- 2.3.6 Interest rates under the BPLR system are applicable to all loans sanctioned up to June 30, 2010. The guidelines on BPLR and Spreads and its determination for existing loans sanctioned up to June 30, 2010 are given in **Annex 2** and **Annex 3**.

#### **2.4 Floating Rate of Interest on Loans**

Banks have the freedom to offer all categories of loans on fixed or floating rates, subject to conformity to their Asset-Liability Management (ALM) guidelines. The methodology of computing the floating rates should be objective, transparent and mutually acceptable to counter parties. The Base Rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the Base Rate at the time of sanction or renewal. This methodology should be adopted for all new loans. In the case of existing loans of longer / fixed tenure, banks should reset the floating rates according to the above method at the time of review or renewal of loan accounts, after obtaining the consent of the concerned borrower/s.

#### **2.5 Levying of Penal Rates of Interest**

Banks are permitted to formulate a transparent policy for charging penal interest with the approval of their Board of Directors. However, in the case of loans to borrowers under priority sector, no penal interest should be charged for loans up to Rupees 25,000. Penal interest can be levied for reasons such as default in repayment, non-submission of financial statements, etc. However, the policy on penal interest should be governed by well-accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

#### **2.6 Enabling Clause in Loan Agreement**

- 2.6.1 Banks should invariably incorporate the following proviso in the loan agreements in the case of all advances, including term loans, thereby enabling banks to charge the applicable interest rate in conformity with the directives issued by RBI from time to time:

"Provided that the interest payable by the borrower shall be subject to the changes in interest rates made by the Reserve Bank from time to time."

2.6.2 Since banks are bound by the Reserve Bank's directives on interest rates on loans and advances, which are issued under Sections 21 and 35A of the Banking Regulation Act, 1949, banks are obliged to give effect to any revision of interest rates whether upwards or downwards, on all the existing advances from the date the directives / revised interest rate come into force, unless the directives specifically provide otherwise.

## **2.7 Withdrawals Against Uncleared Effects**

2.7.1 Where withdrawals are allowed against cheques sent for clearing, i.e. uncleared effects (e.g. uncleared local or outstation cheques) which are in the nature of unsecured advances, banks should charge interest on such drawals as per the directive on interest rates on advances.

2.7.2 As a measure of customer service, the above instruction will not apply to the facility afforded to depositors for immediate credits in respect of cheques sent for collection.

## **2.8 Loans under Consortium Arrangement**

Banks need not charge a uniform rate of interest even under a consortium arrangement. Each member bank may charge a rate of interest on the portion of the credit limits extended by it to the borrower, subject to the condition that such rate of interest is determined with reference to its Base Rate.

## **2.9 Charging of Interest at Monthly Rests**

2.9.1 Banks were advised to charge interest on loans/advances at monthly rests with effect from April 01, 2002. Interest at monthly rests shall be applied in case of all new and existing term loans and other loans of longer / fixed tenor. In the case of existing loans of longer / fixed tenor, banks shall move over to application of interest at monthly rests at the time of review of terms and conditions or renewal of such loan accounts, or after obtaining consent from the borrower.

2.9.2 Instructions on charging interest at monthly rests shall not be applicable to agricultural advances and banks shall continue to follow the existing practice of charging / compounding of interest on agricultural advances linked to crop seasons. As indicated in circular RPCD.No.PLFS.BC.129/ 05.02.27/97-98 dated June 29, 1998, banks should charge interest on agricultural advances

for long duration crops at annual rests. As regards other agricultural advances in respect of short duration crop and allied agricultural activities such as dairy, fishery, piggery, poultry, bee-keeping, etc., banks should take into consideration due dates fixed on the basis of fluidity with borrowers and harvesting / marketing season while charging interest and compounding the same if the loan / installment becomes overdue. Further, banks should ensure that the total interest debited to an account should not exceed the principal amount in respect of short term advances granted to small and marginal farmers.

#### **2.10 Zero Percent Interest Finance Schemes for Consumer Durables**

Banks should refrain from offering low / zero percent interest rates on consumer durable advances to borrowers through adjustment of discount available from manufacturers / dealers of consumer goods, since such loan schemes lack transparency in operations and distort pricing mechanism of loan products. These products do not also give a clear picture to the customers regarding the applicable interest rates. Banks should, also, not promote such schemes by releasing advertisements in different newspapers and media indicating that they are promoting / financing consumers under such schemes. They should also refrain from linking their names in any form / manner with any incentive-based advertisement where clarity regarding interest rate is absent.

#### **2.11 Excessive Interest Charged by Banks**

Though interest rates have been deregulated, charging of interest beyond a certain level is seen to be usurious and can neither be sustainable nor be conforming to normal banking practice. Boards of banks have, therefore, been advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on loans and advances. In laying down such principles and procedures in respect of small value loans, particularly, personal loans and such other loans of similar nature, banks should take into account, inter-alia, the following broad guidelines:

- a. An appropriate prior-approval process should be prescribed for sanctioning such loans, which should take into account, among others, the cash flows of the prospective borrower.
- b. Interest rates charged by banks, inter-alia, should incorporate risk premium as considered reasonable and justified having regard to the internal rating of the borrower. Further, in considering the question of risk, the presence or absence of security and the value thereof should be taken into account.
- c. The total cost to the borrower, including interest and all other charges levied on a loan, should be justifiable having regard to the total cost incurred by the bank in extending the loan, which is sought to be defrayed and the extent of return that could be reasonably expected from the transaction.
- d. An appropriate ceiling should be fixed on the interest, including processing and other charges that are levied on such loans, which should be suitably publicised.

**Illustrative Methodology for the Computation of the Base Rate**

Base Rate = a + b + c + d

a -Cost of Deposits / Funds =  $D_{cost}$  (benchmark)

b -Negative Carry on CRR and SLR= 
$$\left[ \left[ \frac{\{D_{cost} - (SLR * T_r)\}}{\{1 - (CRR + SLR)\}} \right] * 100 \right] - D_{cost}$$

c- Unallocatable Overhead Cost= 
$$\left( \frac{U_c}{D_{ply}} \right) * 100$$

d- Average Return on Net Worth= 
$$\left[ \left( \frac{NP}{NW} \right) * \left( \frac{NW}{D_{ply}} \right) \right] * 100$$

Where :

$D_{cost}$  : Cost of Deposits / Funds 
$$\left[ \left[ \frac{\{D_{cost} - (SLR * T_r)\}}{\{1 - (CRR + SLR)\}} \right] * 100 \right] - D_{cost}$$

D : Total Deposits = Time Deposits + Current Deposits + Saving Deposits

$D_{ply}$  : Deployable Deposits = Total Deposits less Share of Deposits locked as CRR and SLR balances. i.e. =  $D * [1 - (CRR + SLR)]$

CRR : Cash Reserve Ratio

SLR : Statutory Liquidity Ratio

$T_r$  : 364 T-Bill Rate

$U_c$  : Unallocatable Overhead Cost

NP : Net Profit

NW : Net Worth = Capital + Free Reserves

**Negative Carry on CRR and SLR**

Negative Carry on CRR and SLR=

Negative carry on CRR and SLR balances arises because the return on CRR balances is nil, while the return on SLR balances (proxied using the 364-day Treasury Bill rate) is lower than the cost of deposits. Negative carry on CRR and SLR is arrived at in three steps. In the first step, return on SLR investment was calculated using 364-day Treasury Bills. In the second step, effective cost was calculated by taking the ratio (expressed as a percentage) of cost of deposits (adjusted for return on SLR investment) and deployable deposits (total deposits less the deposits locked as CRR and SLR balances). In the third

step, negative carry cost on SI  $\left(\frac{Uc}{Dply}\right) * 100$  by taking the difference between the effective cost and the  $+ 100$

### **Unallocatable Overhead Cost**

Unallocatable Overhead Cost=

Unallocatable Overhead Cost is calculated by taking the ratio (expressed as a percentage) of unallocated overhead cost and deployable deposits.

### **Average Return on Net Worth**

Average Return on Net Worth=

Average Return on Net Worth is computed as the product of net profit to net worth ratio and net worth to deployable deposits ratio expressed as a percentage.

**Guidelines on Benchmark Prime Lending Rate (BPLR) applicable to loans sanctioned upto June 30, 2010 ( Paragraph 2.3.6)**

With effect from October 18, 1994, RBI has deregulated the interest rates on advances above Rupees two lakh and the rates of interest on such advances are determined by the banks themselves subject to BPLR and Spread guidelines. For credit limits up to Rupees two lakh, banks should charge interest not exceeding their BPLR. Keeping in view the international practice and to provide operational flexibility to commercial banks in deciding their lending rates, banks can offer loans at below BPLR to exporters or other creditworthy borrowers, including public enterprises, on the basis of a transparent and objective policy approved by their respective Boards. Banks will continue to declare the maximum spread of interest rates over BPLR.

Given the prevailing credit market in India and the need to continue with concessionality for small borrowers, the practice of treating BPLR as the ceiling for loans up to Rupees two lakh will continue.

Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of loans for purchase of consumer durables, loans to individuals against shares and debentures / bonds, other non-priority sector personal loans, etc. as per details given below.

BPLR will be made uniformly applicable at all branches of a bank.

**Determination of Benchmark Prime Lending Rate (BPLR)**

In order to enhance transparency in banks' pricing of their loan products as also to ensure that the BPLR truly reflects the actual costs, banks should be guided by the following considerations while determining their Benchmark PLR:

Banks should take into account their (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning / capital charge and profit margin, while arriving at the benchmark PLR. Banks should announce a Benchmark PLR with the approval of their Boards.

The Benchmark PLR will be the ceiling rate for credit limit up to Rupees two lakh.

All other lending rates can be determined with reference to the Benchmark PLR arrived at as above by taking into account term premia and / or risk premia.

Detailed guidelines on operational aspects of Benchmark PLR have been issued by IBA on November 25, 2003.

In the interest of customer protection and to have greater degree of transparency in regard to actual interest rates charged to borrowers, banks should continue to provide information on maximum and minimum interest rates charged together with the Benchmark PLR.

### **Freedom to fix Lending Rates**

Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans:

- i. Loans for purchase of consumer durables;
- ii. Loans to individuals against shares and debentures / bonds;
- iii. Other non-priority sector personal loans including credit card dues;
- iv. 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;
- v. Finance granted to intermediary agencies including housing finance intermediary agencies (list as given below) for on-lending to ultimate beneficiaries and agencies providing input support.;
- vi. Discounting of Bills;
- vii. Loans / Advances / Cash Credit / Overdrafts against commodities subject to Selective Credit Control;
- viii. To a co-operative bank or to any other banking institution;
- ix. To its own employees;
- x. Loans covered by refinance schemes of term lending institutions.

### **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, and landless labourers, tenant farmers and share-croppers;
  - ii) Artisans, village and cottage industries where individual credit requirements do not exceed Rupees 50,000/-;
  - iii) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY);
  - iv) Scheduled Castes and Scheduled Tribes;
  - v) Beneficiaries of Differential Rate of Interest (DRI) scheme;
  - vi) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY);
  - vii) Beneficiaries under scheme of Liberation and Rehabilitation of Scavengers (SLRS);
  - viii) Advances to Self-Help Groups (SHGs);
  - ix) Loans to distressed poor to repay their debt to informal sector, against appropriate collateral or group security;

Loans granted under (i) to (viii) above to persons from minority communities as may be notified by Government of India from time to time.

In states, where one of the minority communities notified is, in fact, in majority, item (ix) will cover only the other notified minorities. These States/Union Territories are Jammu and Kashmir, Punjab, Sikkim, Mizoram, Nagaland and Lakshadweep.

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.

**Interest Rate Structure for all Rupee Advances  
including Term Loans of Commercial Banks sanctioned up to June 30, 2010  
[paragraph 2.3.6]**

**Rate of Interest (Per cent per annum)**

1. (a)	Up to and inclusive of Rupees two lakh	Not exceeding Benchmark Prime Lending Rate (BPLR)
(b)	Over Rupees two lakh	Banks are free to determine rates of interest subject to BPLR and spread guidelines. Banks may, however, offer loans at below BPLR to exporters or other creditworthy borrowers including public enterprises based on a transparent and objective policy approved by their Boards.

**2. Export Credit up to June 30, 2010**

Interest Rates effective from May 1, 2010 to June 30, 2010 will be not exceeding BPLR minus 2.5 percentage points per annum for the following categories of Export Credit:

	<b>Categories of Export Credit</b>
1.	<b>Pre-shipment Credit (from the date of advance)</b>
	(a) Up to 270 days
	(b) Against incentives receivable from Government covered by ECGC Guarantee up to 90 days
2.	<b>Post-shipment Credit (from the date of advance)</b>
	(a) On demand bills for transit period (as specified by FEDAI)
	(b) Usance bills (for total period comprising usance period of export bills, transit period as specified by FEDAI, and grace period, wherever applicable)
	i) Up to 180 days
	ii) Up to 365 days for exporters under the Gold Card Scheme.
	(c) Against incentives receivable from Govt. (covered by ECGC Guarantee) up to 90 days
	(d) Against undrawn balances (up to 90 days)
	(e) Against retention money (for supplies portion only) payable within one year from the date of shipment (up to 90 days)
<b>BPLR:</b> Benchmark Prime Lending Rate	
<b>Note:</b>	
1. Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.	
2. Interest rates for the above-mentioned categories of export credit beyond the tenors as prescribed above are deregulated and banks are free to decide the rate of interest, keeping in view the BPLR and spread guidelines.	

3.	<b>Education Loan Scheme up to June 30, 2010</b>	
	Up to Rupees four lakh	Not exceeding BPLR
	Above Rupees four lakh	BPLR + 1%
<b>Note.</b>	1. The interest to be debited quarterly/ half yearly on simple basis during the Repayment holiday/ Moratorium period.	
	2. Penal interest @2% be charged for loans above Rupees two lakh for the overdue amount and overdue period.	
4.	<b>Banks are free to determine the rates of interest without reference to BPLR and regardless of the size in respect of the following loans up to June 30, 2010:</b>	
	i)	Loans for purchase of consumer durables
	ii)	Loans to individuals against shares and debentures / bonds
	iii)	Other non-priority sector personal loans including credit card dues
	iv)	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
	v)	Finance granted to intermediary agencies (excluding those of housing) for on-lending to ultimate beneficiaries and agencies providing input support.
	vi)	Finance granted to housing finance intermediary agencies for on-lending to ultimate beneficiaries.
	vii)	Discounting of Bills
	viii)	Loans / Advances / Cash Credit / Overdrafts against commodities subject to Selective Credit Control.
	ix)	To a co-operative bank or to any other banking institution
	x)	To its own employees
5.	<b>Loans covered by participation in refinancing schemes of term lending institutions up to June 30, 2010</b>	
	Free to charge interest rates as per stipulations of the refinancing agencies without reference to BPLR	
6.	<b>DRI Advances</b>	4.0%
<b>Note:</b>	Intermediary agencies are indicated in <b>Annex 2</b>	

**APPENDIX****List of circulars consolidated in the  
Master Circular on 'Interest Rates on Advances'**

<b>SL</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
1.	RPCD No. BC. 29/PS.22-84	16.03.1984	Margin and Security Norms, etc. in respect of Borrowers under Priority Sector Advances
2.	DBOD.No.Dir.BC.90/C.347/85	02.08.1985	Rounding off Transactions to the Nearest Multiple of 5 Paise
3.	DBOD.No.Dir.BC.38/C.96-86	24.03 1986	Interest Rates on Advances - Effect of Revision thereto on Existing Advances
4.	DBOD.No.Dir.BC.88/C.96-89	08.03.1989	Interest Rates on Advances - Penal Rate of Interest - Clarification
5.	DBOD.No.Dir.BC.18 & 19/C.96-90	21.09.1990	Interest Rates on Advances
6.	DBOD.No.Dir.BC.36/C.347-90	22.10.1990	Rounding off Transactions to the Nearest Rupee
7.	DBOD.No.Dir.BC.92/C.96-91	06.03.1991	Interest Rates on Advances
8.	IECD.No.19/08.13.09/93-94	28.10.1993	Report of the In-House Group Set up to Review the Role of Reserve Bank of India in laying down Norms for Bank Lending for Working Capital Purposes - Revised Guidelines
9.	DBOD.No.Dir.BC.115/13.07.01/ 94	17.10.1994	Interest Rates on Advances
10.	IECD.No.28/08.12.01/94-95	22.11.1994	Compliance with Lending Discipline - (a) Charging of Uniform Rates of Interest for Lending under Consortium Arrangement and (b) Penal Interest for Non-compliance with the Discipline
11.	DBOD.No.Dir.BC.141/13.07.01-94	07.12.1994	Interest Rates on Advances
12.	RPCD.No.PLNFS.BC.165/06.03.01/94-95	06.06.1995	Scheme for Financing Primary Weavers' Co-operative Societies by Commercial Banks
13.	DBOD.No.Dir.BC.89/13:07:01/95	21.08.1995	Deregulation of Lending Rates - Levy of Interest Tax
14.	DBOD.No.BC.99/13.07.01/95	12.09.1995	Interest Rates on Advances

SL	Circular No.	Date	Subject
15.	RPCD.No.PL.BC.120/04.09.22/95-96	02.04.1996	Linking of Self Help Groups with Banks - Working Group on NGOs and SHGs - Recommendations - Follow-up
16.	DBOD.No.Dir.BC.139/13.07.01/96	19.10.1996	Interest Rates on Advances - Prime Lending Rate
17.	DBOD.No.Dir.BC.10/13.07.01/97	12.02.1997	Interest Rates on Advances - Prime Lending Rate
18.	DBOD.No.Dir.BC.124/13.07.01/97-98	21.10.1997	Interest Rates on Advances
19.	DBOD.No. Dir.BC.33/13.03.00/98	29.04.1998	Interest Rates on Advances
20.	DBOD.No.Dir.BC.36/13.03.00/98	29.04.1998	Monetary and Credit Policy Measures
21.	DBOD.No.BP.BC.35/21.01.002/ 99	24.04.1999	Monetary and Credit Policy Measures
22.	DBOD.No.Dir.BC.100/13.07.01/ 99	11.10.1999	Interest Rates on Advances - Fixed Rate Loans
23.	DBOD.No.Dir.BC.106/13.03.00/ 99	29.10.1999	Interest Rates on Advances
24.	DBOD.No.Dir.BC.114/13.03.00/ 99	29.10.1999	Mid-Term Review of Monetary and Credit Policy 1999-2000
25.	DBOD.No.Dir.BC.168/13:03:00-2000	27.04.2000	Monetary and Credit Policy for the Year 2000-2001 - Interest Rate Policy
26.	<a href="#">DBOD.No.BC.178/13:07:01/2000</a>	25.05.2000	Interest Rates on Advances
27.	DBOD No. BP.BC 31/21.04.048/00-01	10.10.2000	Monetary and Credit Policy Measures - Mid-Term Review for the Year 2000-2001
28.	<a href="#">IECD No. 9/04.02.01/2000-01</a>	05.01.2001	Interest Rate on Export Credit
29.	<a href="#">DBOD No. Dir.BC 106/13.03.00/2000-01</a>	19.04.2001	Interest Rates on Advances
30.	DBOD No. Dir.BC 107/13.03.00/2000-01	19.04.2001	Monetary and Credit Policy for the year 2001-2002 - Interest Rate Policy
31.	IECD No.13/04.02.01/2000-01	19.04.2001	Rupee Export Credit Interest Rates
32.	RPCD.PLNFS.BC.No. 83/ 06.12.05/2000-01	28.04.2001	Educational Loan Scheme
33.	DBOD No. Dir.BC. 117/13.07.01/2000-01	04.05.2001	Charging of Penal Interest

<b>SL</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
34.	RPCD.Plan.BC.15/04.09.01/2001-02	17.08.2001	Charging of Penal Interest by Banks on Priority Sector Loans
35.	<a href="#">DBOD.No.Dir.BC.75/13.07.01/2002</a>	15.03.2002	Interest Rates on Advances
36.	<a href="#">DBOD.No.Dir.BC.8/13.07.00/2002-03</a>	26.07.2002	Charging of Interest at Monthly Rests - Consolidated Instructions
37.	<a href="#">DBOD.No.Dir.BC.19/13.07.01/2002-03</a>	19.08.2002	Zero percent Interest Finance Schemes for Consumer Durables
38.	<a href="#">DBOD.No.Dir.BC.25/13.03.00/2002-03</a>	19.09.2002	Charging of Interest at Monthly Rests - Agricultural Advances
39.	<a href="#">IECD.No.18/04.02.01/2002-03</a>	30.04.2003	Rupee Export Credit Interest Rates
40.	DBOD.No.BC.103/13.07.01/2003	30.04.2003	Interest Rates on Advances
41.	<a href="#">DBOD.No.Dir.BC.103A/13.03.00/2002-03</a>	30.04.2003	Interest Rates on Advances - Prime Lending Rate and Spreads
42.	<a href="#">DBOD.No.Dir.BC.10/13.03.00/2003-04</a>	14.08.2003	Interest Rates on Advances
43.	DBOD.No.Dir.BC.38/13.03.00/2003-04	21.10.2003	Interest Rates on Advances - Prime Lending Rate and Spreads
44.	<a href="#">DBOD.No.Dir.BC.39/13.03.00/2003-04</a>	21.10.2003	Interest Rates on Advances - Prime Lending Rate and Spreads
45.	<a href="#">DBOD.No.81/13.07.01/2003-04</a>	24.04.2004	Interest Rates on Advances
46.	<a href="#">IECD.No.10/04.02.01/2003-04</a>	24.04.2004	Rupee Export Credit Interest Rates
47.	<a href="#">IECD.No.13/04.02.01/2003-04</a>	18.05.2004	Export Credit Interest Rates for Gold Card Holder Exporters
48.	<a href="#">DBOD.No.BC.85/13.07.01/2003-04</a>	18.05.2004	Interest Rates on Advances
49.	<a href="#">DBOD.No.BC.84/13.07.01/2004-05</a>	29.04.2005	Interest Rates on Advances
50.	<a href="#">DBOD.Dir (Exp.).BC.No.83/04.02.01/2005-06</a>	28.04.2006	Rupee Export Credit Interest Rates
51.	<a href="#">DBOD.Dir (Exp.).BC.No.79/04.02.01/2006-07</a>	17.04.2007	Interest Rates on Advances
52.	<a href="#">RPCD.No.Plan.BC.84/04.09.01/2006-07</a>	30.04.2007	Guidelines on Lending to Priority Sector - Revised
53.	<a href="#">DBOD.Dir.BC.93/13.03.00/2006-07</a>	07.05.2007	Complaints about Excessive Interest Charged by Banks

<b>SL</b>	<b>Circular No.</b>	<b>Date</b>	<b>Subject</b>
54.	<a href="#">RPCD.No.Plan.BC.10856/04.09.01/2006-07</a>	18.05.2007	Revised Guidelines On Lending To Priority Sector - Weaker Sections
55.	<a href="#">DBOD. Dir. (Exp). BC.No.77/04.02.01/ 2007- 08</a>	28.04.2008	Rupee Export Credit Interest Rates
56.	<a href="#">DBOD.Dir.(Exp).BC.No.131/04.02.01/2008-09</a>	29.04.2009	Rupee Export Credit Interest Rates
57.	<a href="#">DBOD.Dir.BC.88/13.03.00/2009-10</a>	09.04.2010	Guidelines on Base Rate
58.	<a href="#">DBOD.Dir.(Exp).BC.No.102/04.02.01/2009-10</a>	06.05.2010	Rupee Export Credit Interest Rates
59.	Mail Box clarification	14.05.2010	Guidelines on Base Rate
60.	Mail Box clarification	24.09.2010	Guidelines on Base Rate
61.	<a href="#">DBOD.No.Dir.BC.73/13.03.00/2010-11</a>	06.01.2011	Guidelines on Base Rate
62.	<a href="#">DBOD.No.Dir.BC.81/13.03.00/2010-11</a>	21.02.2011	Guidelines on Base Rate
63.	<a href="#">DBOD.Dir.BC.34/13.03.00/2011-12</a>	09.09.2011	Guidelines on Base Rate
64.	DBOD.Dir.No.12740/13.07.01/2011-12	24.2.2012	Guidelines on Base Rate
65.	Mail Box clarification	10.04.2012	Guidelines on Base Rate
66.	Mail Box clarification	27.04.2012	Guidelines on Base Rate