

# SBI cuts lending rates for SMEs

Special Correspondent

**MUMBAI:** Ahead of the monetary review of the Reserve Bank of India (RBI) on June 18, State Bank of India (SBI), on Friday, reduced its lending rates between 0.5 percentage point to 3.5 percentage points mainly for small and medium enterprises (SMEs) and the agriculture sector.

"There is an overall reduction in interest rates in the range of 50 to 350 basis points (bps)," said A. Krishna Kumar, Managing Director and Group Executive (National Banking), SBI, while addressing a press conference here. However, he said the bank's Base Rate continued to remain at 10 per cent.

However, this revision is not applicable to personal segment loans, including home and retail, loans sanctioned under specific schemes, export credit for which a separate interest rate structure is in place.

**PTI reports:**

Asked about the exclusion of these segments and individual borrowers, Mr. Kumar said their rates were already low and competitive as the bank had brought down the pricing on them in the past two months.

Mr. Kumar attributed the delayed announcement to the time taken for upgrading the IT system with the new rates. Asked whether the bank



A. Krishnakumar

would lower deposit rates, Mr. Kumar said "definitely, if the RBI lowers interest rates on Monday."

On the impact of these reductions on the margins of the state-run lender, Mr. Kumar said it would not be more than 10-15 basis points and the bank was sure it would be offset by the likely increase in advances.

"Even a Rs.15,000-crore increase in lending can offset this presumed loss of net interest margins. We are sure of maintaining our NIM target

for the year over 3.5 per cent," Mr. Kumar said.

The bank saw its advances rising by just Rs.8,000 crore in the first two months of the current fiscal, while deposits grew by Rs.25,000 crore, he said.

The increase in advances was primarily driven by the retail segment, which also included SMEs and the farm sector, he said, adding retail loans rose to Rs.5,000 crore in the past two months while corporate loans rose by Rs.2,500 crore.

The Reserve Bank of India is scheduled to come out with its mid-quarter review of the credit policy on Monday amidst expectations of a cut in the short-term lending rates. Though near 8 per cent inflation leaves small room for the big reduction in interest rate, the industrial growth slowing to mere 0.1 per cent in April is exerting pressure on the banking sector to go in for easing of the monetary policy.

While there is an overall reduction in the range of 50 to 350 bps, tenor premium on term loans had been reduced in the range of 40 to 100 bps, SBI said. Interest rates for borrowers under the agriculture segment had been brought down by 75 to 350 bps in view of the need for credit flow to sustain growth in the key sector, Mr. Kumar added. There was a concession of 25 to 100 bps to borrowers with external credit rating of investment grade and above along with bank's threshold internal credit rating, Mr. Kumar said.

A separate interest rate structure was being introduced for borrowers with CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) cover with limits up to Rs.1 crore to encourage SMEs to obtain guarantee cover and ensure enhanced credit flow to them, he said.