

# Banks start cutting repo linked loan interest rates

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Banks have started cutting interest rates on loans linked to repo after the Reserve Bank of India's Monetary Policy Committee reduced the repo rate by 25 basis points (bps) today to 6 per cent.

Punjab National Bank on Wednesday cut its repo linked lending rate (RLLR) by 25 bps to 8.85 per cent, effective April 10, Bank of India slashed RLLR by 25 bps to 8.85 per cent, Indian Bank reduced RLLR by 25 bps to 8.70 per cent, while UCO Bank slashed rates on floating rate loans.

## **MCLR REVISION**

Earlier this week, HDFC Bank lowered its Marginal Cost of Funds-based Lending Rates (MCLR) by 10 bps across multiple tenures, with revised rates ranging between 9.10 per cent and 9.35 per cent.

Yes Bank and Bandhan Bank too revised their lending rates earlier this week.

"Loans linked to external benchmark shall see downward revision in interest rates in this quarter itself, while those linked to MCLR will be dependent on the cost of funds and growth strategy of individual lenders," a senior banker said.

"This cut is likely to spur



**CREDIT PUSH.** This cut is likely to spur demand for home, auto and personal loans, especially in tier-2 and tier-3 markets, where interest sensitivity is higher, say experts

demand for home, auto, and personal loans, especially in tier-2 and tier-3 markets, where interest sensitivity is higher," said Binod Kumar, MD & CEO, Indian Bank.

"Retail loans grew over 18 per cent year-on-year (y-o-y) as per recent trends and a lower rate environment could further accelerate consumption and support economic momentum.

"Indian Bank is fully geared to pass on the benefits swiftly and responsibly to our customers, ensuring inclusive credit growth," he added.

Ajay Srivastava, MD & CEO, Indian Overseas Bank, said the reduction in repo rate will likely lead to lower the cost of borrowing for MSMEs, while retail consumers will gain from cheaper loan prices, which will enhance the spend by

consumers and add to overall economic health. "In agriculture, reduced interest rates can make it possible for farmers to invest in newer machinery and more environmentally friendly forms of farming, leading to improved productivity and farm revenues," he said.

## **DEPOSIT RATES HOLD**

Deposit rates, however, is unlikely to fall sharply considering the challenges in mobilising deposits, especially low-cost ones.

According to ICRA Ratings, with expectations of a cumulative 75 basis points cut in repo rates from February 2025 onwards, banks' net interest margins (NIMs) is expected to decline by 15-17 bps during FY26, primarily as interest rate transmission on deposits will be slower than loans.