

# Base rate may come down in Jan-March: Sukthankar

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Paresh Sukthankar, deputy managing director of HDFC Bank, the country's second largest private sector bank, believes lending rates will come down in January-March next year.

"The base rate is on a downward trajectory now that deposit rates have started coming off. Banks typically assess their base rates once in a quarter. So all the lenders will take a look at them in the January-March quarter. We can see rates coming down during that time," said Sukthankar in an interaction with *Business Standard*.

Earlier this month, Aditya Puri, managing director of HDFC Bank, had said base rates would come down by the end of March.

Sukthankar added lending



**Paresh Sukthankar,**  
deputy managing director of  
HDFC Bank

rates were benign in the last quarter due to festival loans that were extended till the end of the December quarter.

HDFC Bank's base rate is 10 per cent. It was raised in November last year by 0.2 per cent. The bank recently cut deposit rates by 0.25-0.5 per cent in various buckets from

49 days to less than a year

The base rate is the benchmark rate all loans are linked to. A cut in the base rate lowers all other lending rates, such as those on home and car loans, by a similar quantum.

Recently, Axis Bank and Bank of Maharashtra cut their base rates by 10 and 15 basis points (one basis point is a hundredth of a percentage point), respectively. The Axis Bank base rate stands at 10.15 per cent and the Bank of Maharashtra base rate has been revised to 10.25 per cent from 10.40 per cent.

Reserve Bank of India Governor Raghuram Rajan has made a case for banks to lower lending rates. "Some easing of monetary conditions has already taken place... However, these interest rate impulses have yet to be transmitted by banks into lower lending rates," Rajan had said during a monetary policy review earlier this month.

With ample liquidity in the system and tepid credit growth, banks have started reducing deposit rates. Lower deposit rates are generally a precursor to lower borrowing rates. Rates for deposits of one year are around 8.75 per cent now, down from 9-9.25 per cent last year. These rates are expected to reduce further.