

Lending rates unlikely to go up: SBI chief

State Bank of India is yet to work out its new base rate

MUMBAI: Lending rates are unlikely to rise in the next 3-4 months as hiking rates in a low-demand scenario can hurt the margin of the bank, State Bank of India Chairman O. P. Bhatt said here on Saturday.

"That (increasing lending rates) may not happen till May-June till the liquidity surplus goes away from the system," Mr. Bhatt told reporters here.

He hinted that the bank was also unlikely to increase the interest rates for its depositors in the near future.

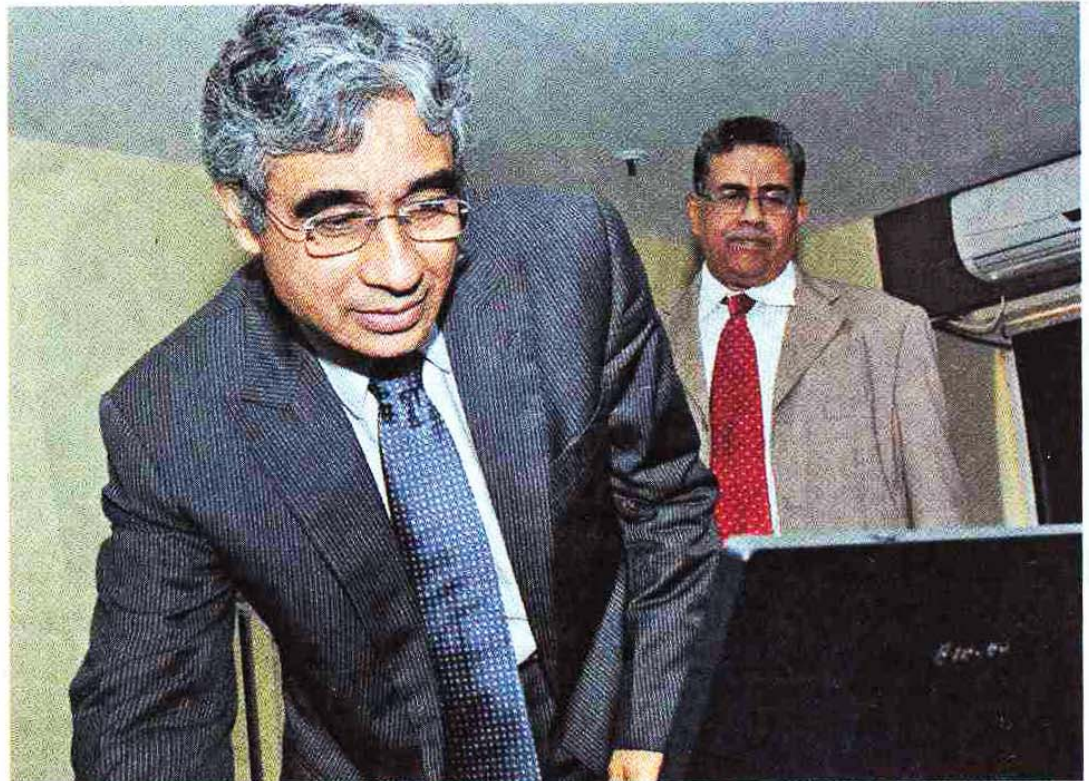
After the Reserve Bank of India hiked the amount banks have to park with it, at least two banks — HDFC Bank and IDBI Bank — have raised their deposit rates, a trend that could be followed by other banks in the coming days.

SBI has a liquidity surplus of around Rs.75,000 crore and its maintenance cost had adversely impacted its third quarter numbers.

On base rates, which will serve as a floor below which banks will not be allowed to lend, Mr. Bhatt said banks had sent a "collective feed back" to the RBI, where they had cited some implementation issues, particularly in the priority sector and staff loan segments.

"The Indian Banks' Association (IBA) has sent a collective feedback to the RBI... It (base rates) makes sense to do... but there are some implementation issues... like in priority sector and staff loans," Mr. Bhatt said.

Banks lend at concessional rates to priority sector cus-



FOR QUALITY MANPOWER: State Bank of India Chairman O. P. Bhatt (left) with Indian Institute of Banking and Finance CEO R. Bhaskaran at a function in Mumbai on Saturday. — PHOTO: PAUL NORONHA

- To seek deadline extension for new RBI model
- Plans to recruit about 20,000 people next fiscal

tomers and to their own staff. But the new base rate model, recently announced by the RBI to improve transparency in lending, prevents banks lending below that rate.

Mr. Bhatt said SBI was yet to work out its base rate. He added that banks might also request the RBI for an extension of the deadline to implement the new model, given the difficulties in switching over to the new rates.

However, the average yield on advances might move up in the system with the new model, which might partly provide relief to banks, especially given the RBI directive to pay more to savings deposit holders from April, Mr. Bhatt said.

He said the new model of savings deposit interest rate calculation could have an impact of 0.20-0.25 per cent on banks' deposit portfolios.

On credit growth, Mr. Bhatt said SBI was confident to achieve a loan growth of 16 per cent in the current fiscal.

The bank was likely to carry on its hiring spree to the next fiscal as it planned to recruit around 15,000-20,000 people in 2010-11, Mr. Bhatt said.

After launching an e-learning package of the Indian Institute of Banking and Finance here, Mr. Bhatt highlighted the need to attract more quality manpower to the banking industry. He also said the staff should understand the nature of financial products such as complex derivative products. — PTI