

Base rate of 11 banks down in first quarter

The base rate of 11 commercial banks, out of the 28 in operation, came down in the first quarter of this fiscal when compared to the rate at the end of the previous fiscal year.

Marginal drop in the base rate of the banks will ultimately benefit the borrowers as the banks will have to lower the interest rate on loans as per the rules of Nepal Rastra Bank (NRB) – the central regulatory and monetary authority.

The base rate, which is also known as ‘bank rate’, came down as the high-cost fixed deposits have matured, according to Ramesh Aryal, CEO of NCC Bank. “Those banks that had their base rates at the higher end have started bringing the rates down, which means the situation, is gradually improving.”

Banks had raised the interest rate on deposits from the second quarter of the previous fiscal as they faced crisis of loanable funds due to aggressive lending in the beginning of the last fiscal.

According to the central bank’s rule, banks have to publish base rate every three months and they can change the interest rates at three-month intervals based on the changes in the base rate.

Base rate is calculated on the basis of the expenses incurred by the banks and financial institutions to collect deposits, plus 80 per cent of the bank’s overhead expenses (on staff and rent), plus up to 0.75 per cent profit. If a bank’s return on government securities is lower than their deposit collection rate, they can add the shortfall in the base rate. Banks have to mandatorily publish the base rate every three months. The banks will now have to make adjustments in the interest for the second quarter of this fiscal as per the changes in their base rate.

Compared to the base rate of last fiscal end, Himalayan Bank, Siddhartha Bank, Citizens Bank, Mega Bank, NIC Asia Bank and Sunrise Bank have lowered their base rate in the first quarter of this fiscal.

Similarly, Kumari Bank, Janata Bank, Civil Bank, Prabhu Bank and Century Bank have also lowered their base rate in the first quarter. However, the base rate of the remaining commercial banks, excluding Standard Chartered Bank, has increased slightly. The base rate of Standard Chartered has stayed the same at 6.47 per cent.

Agricultural Development Bank has the highest base rate of 11.97 per cent followed by Civil Bank (11.55 per cent), Janata Bank (11.50 per cent), NCC Bank (11.4 per cent) and Nepal Bangladesh Bank (11.39 per cent).

Likewise, the government-owned Rastriya Banijya Bank has the lowest base rate of 5.98 per cent, followed by Standard Chartered Bank (6.47 per cent), Nabil Bank (6.69 per cent), Nepal Bank (6.9 per cent) and Everest Bank (7.91 per cent), as per the base rate published by the banks in first quarter end.

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If a bank has a higher base rate it means they will charge high interest rate on loans and if it has lower base rate it means lending rate will be low. As per the base rate published by the banks in the first quarter, the lending rate of some banks namely, Agricultural Development Bank, Nepal Investment Bank and Nepal Bank could go up in the second quarter as the base rate of these banks has increased remarkably compared to others.

Comparative figures

Bank	Q4 of 2016-17	Q1 of 2017-18
ADBL	11.27%	11.97%
BoK	10.57%	10.68%
Century	11.17%	11.13%
Citizens	11.17%	10.72%
Civil	11.59%	11.55%
Everest	7.68%	7.91%
Global IME	10.40%	10.54%
Himalayan	9.57%	9.45%
Janata	11.93%	11.50%
Kumari	11.31%	11.15%
Laxmi	10.33%	10.66%
Machhapuchchhre	10.29%	10.48%
Mega	11.00%	10.72%
Nabil	6.61%	6.69%
Nepal Bank	6.29%	6.90%
Nepal Bangladesh	10.28%	11.39%
NCCB	11.36%	11.40%
NIB	8.36%	8.91%
Nepal SBI	8.98%	9.32%
NIC	11.27%	10.78%
NMB	10.12%	10.21%
Prabhu	10.51%	9.80%
Prime	10.64%	10.95%
Rastriya Banijya	5.95%	5.98%
Sanima	10.20%	10.27%
Siddhartha	10.38%	10.28%
Standard Chartered	6.47%	6.47%
Sunrise	11.19%	10.82%

Source: The Himalayan Times (November 12, 2017)