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Bombay, May 30: The Reserve Bank of India to-day announced an unprecedented increase in the bank rate from six to seven per cent in a massive effort to curb inflation. The monetary authority combined its effort with a plea to the Union Government that the "primary corrective" had to be found in "budgetary measures, particularly greater control over public expenditure." In a letter to all commercial banks, the Governor, Mr. S. Jagannathan, also sought in effect to impound for one year about Rs. 190 crores of their lendable funds and to put a stop to the current rate war among banks to attract loan amounts of bigger borrowers by offering competitively lower interest rates to them. A Reserve Bank press note said that a minimum lending rate of 10 per cent on bank advances other than those specifically exempted had also been fixed, effective from June 1. The minimum lending rate of 10 per cent will not apply to those categories which are specifically exempted from this requirement such as those covered by the credit guarantee schemes exports, primary co-operatives, public sector food procurement, storage and distribution and those under the differential interest schemes. In all other cases, banks have been asked to review the interest charged in keeping with the policy objective of raising the cost of borrowing. The minimum statutory reserves to be maintained by scheduled banks with the RBI have been raised from 3 to 5 per cent to be fulfilled before June 29.

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