

**AN ANALYSIS ON THE INFLUENCE OF
DEMAND FOR AND SUPPLY OF FUNDS
ON THE BASE LENDING RATE**

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TABLE OF CONTENTS

	Page
Acknowledgements.....	i
Abstract	ii
Organisation of the project paper.....	iii
 List of Charts :	
Chart 1.....	13
Chart 2.....	22
Chart 3.....	38
Chart 4.....	41
Chart 5 and 6.....	76
 List of Tables :	
Table 1.....	38
Table 2.....	41
Table 3.....	67
Table 4.....	75
Table 5.....	85

Chapter 1

INTRODUCTION.....

1.1	Introduction.....	1 - 3
1.2	The Objective of the Study.....	4
1.3	Scope and Limitation	
1.3.1	Scope of the Study.....	5
1.3.2	Limitation.....	5 - 6

Chapter 2

THE HISTORICAL BACKGROUND OF INTEREST RATE MANAGEMENT BY THE CENTRAL BANK

2.1	Central Bank Interest Rate and Monetary Policy.....	7 - 13
2.2	The Early Regime of Interest Rate Administration.....	14 - 17
2.3	Development of a Market Oriented Interest Rate Regime.....	18 - 22
2.4	Guidelines on Fixing Interest Rate by Association of Banks..	23 - 32

Chapter 3

THE BASE LENDING RATE REGIME

3.1	Introduction of the Base Lending Rate.....	33 - 34
3.2	Base Lending Rate Determine by Leading Bank.....	35 - 42
3.3	Towards New Era of Freeing of the Base Lending Rate.....	43 - 44
3.4	Market Oriented Base Lending Rate Regime.....	45 - 59

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ABSTRACT

This research analyse the relationship between BLR and the demand for and supply of funds and the economic indicator and to determine the factors that significantly effect the BLR of the commercial banks.

Four variables was identified for the analysis, they are the Base Lending Rate (the dependent variable) and Total Deposit (which consists of Demand, Saving and Fixed Deposit), Loan and Advances and Gross Domestic Product represent the independent variable. Data collected for the analysis is from 1987 to 1993.

The result of the analysis found that the changes in the BLR is explained by the variation in the demand for and supply of funds and the GDP. Based on the analysis, the GDP gives the most impact on the changes of BLR. It was conclude that the economics condition of the country plays the vital role in determining the demand for and supply of funds and at the same time it influence the Base Lending Rate of the financial institution especially the commercial banks.