

EMIs TO COME DOWN

RBI'S DECISION TO REDUCE REPO RATES WILL IMPACT HOME LOAN INTEREST RATES

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The first week of April has so far brought lot of cheers to homebuyers. Close on the heels of reduced GST rates coming into effect, the Reserve Bank of India (RBI) on April 4 reduced the Repo rate by 25 basis points to 6 per cent. This will in effect bring down the EMIs of tens of thousands of homebuyers who are paying monthly instalments to the banks. The apex bank's decision to cut interest rates, second time in a row, is icing on the cake for the interest-rate sensitive sector. After government's proactive steps to boost real estate markets by relaxing GST rates and offering tax sops in the interim budget, the rate cut will provide much needed impetus to real estate sector, which is reeling under liquidity pressures.

Meanwhile, State Bank of India (SBI), nation's largest lender by assets, on April 10 reduced its interest rate by 10 basis points or 0.10 per cent on home loans of up to Rs. 30 lakh. This will provide some respite to home loan borrowers. SBI's reduction in home loans rate came nearly a week after the RBI's repo rate cut

Anshuman Magazine, chairman & CEO, India, South East Asia, Middle East & Africa, CBRE, says, the decision by RBI to slash rates by 25 bps will support domestic growth and private investment. "As a key policy shift, the RBI reduced the repo rate by 25 basis points to 6.0 per cent. The

reverse repo rate under the Liquidity Adjustment Facility (LAF) has also been adjusted to 5.75 per cent from 6.0 per cent."

Also, the focus of the central bank to align the housing finance securitisation market and the secondary market for corporate loans with international best practices will deepen these markets and allow for better price discovery.

Satish Magar, president, CREDAI National, says, "The decision by RBI to reduce the repo rate is a hugely positive sign for the Indian real estate industry. The EMI burden on homebuyers will also reduce and improve the purchasing power which is expected to provide a huge stimulus to Indian Realty. This step by the RBI can be largely seen as a huge win for homebuyers amidst the Government's constant measures of establishing a highly conducive environment for Indian reality." Moreover, the rate cut is expected to substantially enhance homebuyer sentiments and add further impetus to the industry's revival, which needed a boost especially post the NBFC crisis.

Niranjan Hiranandani, national president, NAREDCO, points out, "India Inc got positive news as regards a rate cut in the first monetary policy

of the current fiscal. The need for flexibility with the evolving situation in India, given that both, inflation and growth have slowed, was reflected in the RBI's move. Economic growth weakened to 6.6 per cent at end-2018, the slowest in five quarters, while annual retail inflation was low, at 2.57 per cent in February following five months of deflation in food prices."

The RBI move is likely to lift industry sentiments, as also provide relief to various stakeholders like corporates as also in real estate, home buyers. Developers expect that banks further pass down the benefit for the rate cut to the homebuyers which shall further trigger the home buying in to the actual sales. Ravindra Sudhalkar, ED & CEO, Reliance Home Finance, says, "Setting up the committee for assessing housing finance securitisation market is a welcome move which will help further easing liquidity in the system. Overall, the cut in rates will positively impact home loan interest rates by reducing EMIs, and in turn provide stimulus to demand-side in real estate. We also expect improvement in flow of bank credit to NBFCs."

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