

RBI's rate cut will help if banks pass on benefit to end-users, say realty players

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New Delhi, Aug 7 () The real estate industry on Wednesday said the MPC's decision to cut the repo rate would help the sector if banks pass on the benefit to end-users in the form of lower lending rates.

The Reserve Bank of India's (RBI) Monetary Policy Committee on Wednesday cut the interest rate by 35 basis points (bps) -- the fourth successive reduction -- to a nine-year-low level, in an attempt to boost an economy growing at its slowest pace in nearly five years.

The repo rate is the rate at which the RBI lends to banks.

CREDAI Haryana spokesperson Prashant Solomon said the reduction of the repo rate by 35 bps was on the expected lines. CREDAI is the apex association of real estate developers.

"Given that there was no rate cut after the Union Budget, this move was highly anticipated," he said.

Solomon added that the fall in interest rates would be of great benefit to the real estate sector. "Now, we expect that the benefits of reduced rates are transmitted to the end-users by banks at the earliest."

Manoj Gaur, managing director of Gaur's Group and chairman (affordable housing committee) of CREDAI, termed the RBI move "constructive".

"With the fourth consecutive rate cut, we expect the demand of housing sector to rise marginally. The rate cut is expected to further bring down interest rates on home loans and auto loans as the monetary transmission of previous policy easing have been limited. It will also help boost credit growth in the banking system," he said.

Mohit Goel, chief executive officer of Omaxe Ltd, said that with inflation well within the RBI range and economy showing signs of slowdown, the repo rate cut of 35 bps to 5.4 per cent is on the expected lines.

"Despite repeated cuts in policy rates by the RBI, fourth since January 2019, commercial banks have not passed on the cut to borrowers. As a result, lending rates continue to remain high. The slowdown in economy coupled with high lending rate has accentuated the slump in housing demand," he said.

Sagar Saxena, project head for Spectrum Metro in Noida, said the rate cut along with infusing liquidity in the banking system will also result in reduced burden on banks' resources, which will further bring down interest rates on home loans providing the much-needed boost to the real estate industry.

Ashok Gupta, chairman and managing director of Ajnara India, said that apart from the RBI's rate cut, also important is the enhanced exposure limit of banks for a single non-banking financial company (NBFC). The move will ensure greater funds for NBFCs and it would help realty sector a great deal, he added.

Amit Modi, director of ABA Corp, said the benchmark rate is now at the lowest since April 2010, but "unfortunately, there is still no major effect" on the ground, and this is mainly due to the fact that despite the repeated reductions, the majority of banks are not passing the benefits of the rate cuts to end-consumer.

"Rather than making sure that consumers are offered reduced interest rates on home loans which will result in lower EMIs, there is still an ongoing tendency of cushioning the bottom lines by the banks, which ultimately turns out to be counterproductive to the move itself," he said.

The RBI has reduced its growth projection for the Indian economy to 6.9 per cent for the current financial year, from 7 per cent forecast in June, due to a slowdown in demand and investments.

The RBI, which has lowered the repo rate by 1.1 percentage points this year, maintained its "accommodative" stance that means an increase is off the table. KIS HRS