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Rate cut by RBI: Banks should passed on rate cut to consumers

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New Delhi: RBI should impress upon banks to pass on benefits of the rate cut to customers by lowering interest on home loans for boosting housing demand, realty developers and consultants today said while hailing the policy move at the time of festivals.

RBI today reduced the repo rate by 0.25 percent -- the short term rate at which the central bank lends to banks -- to 6.25 percent.

"We welcome the rate cut. However, it will benefit only when banks pass it on to home loan borrowers and other retail customers. That is not happening. This is very unfair. RBI must push banks to pass on the reduction in rate cut," CREDAI President Getamber Anand told PTI.

When contacted, DLF CEO Rajeev Talwar said: "It's a very good announcement by RBI. The new Governor and Monetary Policy Committee have taken a very progressive and a unanimous stand to promote further growth of the economy."

The further growth of the economy will positively impact demand in the housing segment and the overall real estate sector, said Talwar, also the Chairman of NAREDCO.

The real estate sector is in the midst of a slowdown for last 3-4 years leading to significant delays in project completion.

NAREDCO President Parveen Jain said the rate cut would boost sentiment in the market and help revive housing sales.

JLL India Chairman and Country Head Anuj Puri said: "This is a pleasant surprise and will help further boost demand in the real estate sector, which is appropriately required ahead of the festive season. Boosting demand will help the real estate sector with growth and profitability."

He hoped that the banks will pass on the benefit of rate cut to the consumers.

Stating that the rate cut augurs well for the realty sector, Knight Frank India CMD Shishir Bajjal said: "We do hope that the transmission of the rate cut is efficient and banks pass on the benefit to the

customers in similar magnitude."

Supertech Chairman R K Arora hoped that sluggishness in the property sales would come to an end with this policy action at the festive season.

PropEquity founder Samir Jasuja saw it as a positive development as major home sales happen during the festive season. He expects banks to pass on the rate cut to home loan borrowers.

According to SARE Homes MD Vineet Relia, this would boost not only the realty sector, but overall economy ahead of the festive season. "It is imperative for banks to reduce interest rates," Relia added.

CHD Developers Gaurav Mittal too said the banks should pass on the benefits of this rate cut. "Lowering of the lending rates would be pivotal in generating demand," Mittal noted.

CREDAI (Western UP) VP Amit Modi said: "We hope that both the Finance Ministry as well as RBI ask all the banks to transfer the benefits to the end consumer. Else, this move will severely stop short of benefiting the consumer and only help in buffering the bottom lines of the bank." RBI has reduced key interest rate (repo rate) by 175 basis points since January 2015. However, the banks have been reluctant to pass on the entire benefits to consumers.

"We now earnestly hope that the banks will quickly pass the benefit of this repo rate cut to their customers by bringing down their lending rates, given the easy liquidity conditions and the recent downward adjustment in small saving rates," DLF's Talwar said.

A cut in home loan rates would surely help buyers firm up their decision to buy a house in this festival season and give fillip to sales, he added.

CBRE Chairman India and South East Asia Anshuman Magazine said: "The RBI's latest bi-monthly monetary policy review is a welcome one. The announcement will not only help the real estate industry to rejuvenate housing sales but will also infuse consumer confidence in the festival season."

House of Hiranandani CMD Surendra Hiranandani said: "While RBI has cut policy rates at regular intervals, banks have not followed suit by reducing them proportionately. Following this rate cut, it is critical for banks to reduce interest rates so that the benefits can be enjoyed by the end user".

Alphacorp CEO Ashish Sarin said: "Subsequent to the rate cut borrowing costs for the banks would reduce and therefore they should pass through the benefits to the home loan buyers by reducing the base rates."

M3M India President (Finance and Accounts) Atul Banshal said: "Softening of Interest rates will definitely raise the number of potential home buyers and hence will lead to an increase in overall real estate demand. Simultaneously it's very important that banks pass on entire benefit ahead, which will further fuel the growth and development."

Hawelia group Chairman Rattan Hawelia said: "Ahead of festive season, it is a positive step and will attract genuine end-user home buyers. Banks should pass on the benefits to home loan borrowers that would help revive housing demand".

"Any reductions in the bank rates at this juncture will definitely have a positive impact on the real estate market, which will boost the demand factor and increase the capacity of the common men to buy their dream property," Solitairian Group ED Arjunpreet Singh Sahni said.

Nahar group Vice Chairperson Manju Yagnik said the sluggish realty market will definitely benefit from rate cut.

Seth Corp CMD Ashwin Sheth said: "The rate cut will definitely help in bringing down the home loan interest rates and would bring some amount of relief to the homebuyers. Also banks should pass down the benefit to the homebuyers as this will encourage the buyers to buy their dream home.