

RBI rate cut: 6 ways in which it will impact you

Reserve Bank of India governor [Raghuram Rajan](#) on Wednesday brought down its key policy rate by 25 basis points citing that the fiscal consolidation was better than what numbers show and that the combined fiscal deficit is much lower due to the government transferring more funds to the states.

This is the first time that the Reserve Bank of India has announced a monetary policy action ahead of markets opening.

Let us take a look at some of the likely impacts of this rate cut:

1. **EMIs to come down**

A 25 basis points cut in home loan rate will bring down EMIs by Rs 842 on a Rs 50 lakh loan tenure of 20 years.

2. **Improved market sentiment**

The ripple effect of this rate cut has already been seen in the form of improved market sentiment with Sensex hitting 30,000 for the first time and Nifty breaching 9,100 level in opening trade.

3. **Banks to gain**

Banks will gain as the value of their bond portfolio rises; companies will get stronger as interest costs fall.

4. **Corporates to benefit too**

Corporate loans, too, are set to get cheaper and hence the expected disbursement of those will increase.

5. **Companies can raise equity**

Improved market sentiment will enable companies to raise equity, enhance prospects for government divestment.

6. **Economy growth to get momentum**

With more consumer spending and easy availability of loans -corporate as well as consumer- the economy growth is likely to pick up pace.