



RATE CUT IN THE INTEREST RATES WILL ALSO GIVE FILLIP TO THE REAL ESTATE SECTOR, BADLY AFFECTED BY ECONOMIC SLOWDOWN



THE RBI GOVERNOR WILL HAVE TO PRESENT A COGENT CASE IF THE CENTRAL BANK WERE TO HOLD BACK ON RATE CUTS



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Bank	Amount	Period (Yrs)	Rate (in%)
<b>Loan Up to Rs 75 Lakh (Floating)*</b>			
HDFC Ltd	Up to ₹ 75 lakh	Upto 20 years	10.15
ICICI Ltd		Up to 10 years	10.15
SBI	Up to ₹ 75 lakh	Up to 20 years	10.15
PNB	Upto ₹ 75 lakh Above ₹ 75 lakh	Up to 20 years Up to 20 years	10.25 10.5
Axis Bank	Upto ₹ 75 lakh	10 years	10.15
Bank of India	Upto ₹ 75 lakh	Up to 20 years	10.2
Canara Bank	Upto ₹ 75 lakh	Up to 20 years	10.2
Union Bank	Upto ₹ 75 lakh	Upto 30 years	10.25
Dewan Housing	₹ 30 - ₹ 75 lakh	Up to 20 years	11
<b>Loan Above Rs 75 Lakh (Floating)</b>			
HDFC Ltd	Up to ₹ 75 lakh	10	10.15
ICICI Bank	₹ 75 lakh- ₹ 5 crore	20	10.5
State Bank of India	Up to ₹ 75 lakh	Up to 20 years	10.15
Union Bank	Up to ₹ 5 crore	Upto 30 years	10.25
Canara Bank	Above ₹ 75 lakh	Up to 20 years	10.45

\*FLOATING RATE CHANGES AS A BANK CHANGES ITS BASE RATE. HOWEVER, FIXED RATE REMAINS THE SAME DURING THE REPAYMENT PERIOD IRRESPECTIVE OF CHANGE IN BASE RATE. BUT, THE FIXED RATE IS OFFERED AT QUARTER TO HALF A PERCENTAGE POINT HIGHER THAN THE FLOATING RATE



**\* HIGH INTEREST RATES ARE AFFECTING BANKS TOO, AS THIS HAS SLOWED THE CREDIT OFF-TAKE.**

**\* ALL THE PARAMETERS INDICATE A FURTHER FALL IN INFLATION.**

**\* BANKS ARE PLANNING TO CUT DEPOSIT RATES.**

The RBI chief, who is not entirely convinced, will have to present a cogent case if the RBI were to hold back on rate cuts, as resentment is rising against higher rates in the face of an uncertain recovery, a benign outlook for inflation, and falling global commodity prices. "All the parameters are indicating that there will be further fall in inflation. Inflation may go up a little bit between November and January of 2015, due to the base effect.

But by March it will be well below whatever the glide path that is indicated by the RBI," Arundhati Roy, SBI's CMD, said.

"RBI governor has indicated that he will be data driven... maybe, by the end of the fiscal (cut in the interest rate by the RBI)," she added. Asked if she expected rate cut from RBI next month, she said "no".

High interest rates are affecting banks also, as this has slowed down the credit off-take. According to RBI data, growth in aggregate deposits accelerated to 12.3% in September 2014, from 11.5% a year ago, whereas gross bank credit decelerated to 9.5%, from 15.1% during the year.

This acceleration in aggregate deposits as well as deceleration in gross bank credit was broad based and seen across population groups, saddling banks with large surplus deposits which now plan to cut deposits rates.

## CUT & THRUST

# RBI MAY IGNORE FINMIN'S CALL FOR RATE CUT

Despite a clear preference voiced by finance minister Arun Jaitley for rates cuts, the central bank is unlikely to follow suit



FAST FACTS

RETAIL INFLATION FOR OCTOBER WAS BELOW RBI'S JAN 2016 TARGET OF 6%; THIS HAS LED INDUSTRY AND ECONOMISTS TO CALL FOR RATE CUT

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The union government would like the RBI to cut the interest rates to push economic growth. But bankers are still not convinced that the RBI will resort to a cut despite the fact that wholesale inflation dipped to a five-year low of 1.77% in October and retail inflation is down to 5.5%.

A few weeks before the RBI was set to announce the monetary poli-

cy—RBI governor Raghuram Rajan will announce the central bank's bi-monthly review on December 2—finance minister Arun Jaitley has made his preferences clear on cut in interest rates. "Reduction in the cost of capital will give a good fillip to the Indian economy," Jaitley said at the Citi Investor Forum, but added that the decision was the RBI's to make.

The retail inflation for October was below RBI's January 2016 target of 6% and this downward trend has triggered a call from industry and

some economists to cut rates.

"Inflation, especially food inflation, has moderated in the last few months and global fuel prices are also down. Therefore, if RBI, which is a highly professional organization, in its wisdom decides to bring down the cost of capital, it will give a good fillip to the Indian economy," Jaitley said in his keynote address.

Any rate cut will also give fillip to the real estate sector, which has been badly affected owing to the slowdown in the economy.

