International Journal of Management, IT & Engineering
Vol.15 Issue 10, October 2025,
ISSN: 2249-0558 Impact Factor: 7.119
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

"Impact of Repo Rate Changes on Home Loan Borrower"

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Abstract –

The repo rate plays a crucial role in shapping a nation's economy, as it is a key instrument for managing cash flow and ensuring monetary stability.Governed by india's monetary policy framework,the repo rate directly influences market liquidity and inflation control.Given it's far-reaching effects , it became essential to examine how fluctuations in the repo rate affect lending patterns, like personal loan,home loan and business credit more affordable.This encourages individuals and business to borrow more,thereby increasing credit demand and stimulating economic activity. After understanding the broader impact of repo rate changes on lending,the focus of this study shifts specifically to home loan, This topic was choosen due to the increasing sensitivity of the housing finance market to the monetary policy decisions,especially in recent years. Home loans represent one of the most common forms of long-term borrowing for individuals and even minor shifts in the interest rates can significantly impact borrowers'financial planning and loan accessibility.understanding the dynamics between repo rate movements and home loan lending trends is crucial for policymakers,financial institutions , and borrowers alike. The study is based entirely on secondary data collected from authentic sources such as the Reserve Bank of India (RBI) reports financial bulletins , and industry publications from 2019 to 2025. Statistical techniques including correlation were employed to analyze the relationship between repo rate changes and home loan trends over the period.

Keywords – RBI, Repo Rate , Home loans, Borrowers,Monetary Policy, Housing Finance

Source-https://homefirstindia.com

Introduction – The repo rate ,or repurchase agreement rate, is a crucial monetary policy tool used by central banks, including the Reserve Bank of India (RBI),to manage money supply ,liquidity, and inflation in the economy .It represents the interest rate at which the RBI lends short term funds to commercial banks against government securities.By adjusting the repo rate, the RBI directly influences borrowing costs for banks, which in turn affects interest rates on loans and the overall credit flow in the economy.

Fluctuations in the repo rate have a significant impact on various economic segments, especially the housing finance sector .Changes in the rate alter the cost of home loans thereby influencing borrowing behavior ,affordability ,and loan repayment patterns.over the past five years ,India's monetary policy has seen notable shifts in the repo rate , reflecting efforts to balance growth,inflation, and financial stability. These adjustments have played a critical role in the shaping the lending environment for home loan borrowers, making it essential to analyze the relationship between repo rate trends and home loan borrowing patterns

Review of literature-

- **Chandran lakayii & Manju Shree** "REPO RATE HIKE IN THE POST -COVID PERIOD AND ITS IMPACT ON THE LENDING RATE OF BANKS IN INDIA**"Jounal of Life Style & SDG'S Review ,ISSN :2965-730X-This study examine the** repo rate ,set by the Reserve Bank of India (RBI),is a key tool to control inflation and support economic growth .during the covid-19 pandemic ,it was reduced to 4% to maintain liquidityin the economy .In the post-pandemic phase,the rate was increased by 250 basis points to 6.50%.this change was reflected in the market ,as banks raisdd both lending and deposit rates .the rise in borrowing costs has particularly affected the Micro,Small and Medium
Enterprises (MSME) sector.This review focuses on how lending rates moved in the post- pandemic period in response to repo rate changes

- **Nivithraa R & Dr.T.Usha Priya** "IMPACT OF REPO RATE CHANGES DURING COVID-19 ON SOURCE OF INCOME AND EASE IN AVAILING LOANS ON GENERAL PUBLIC IN INDIA,**International Journal of Commerce and Management Vol.3, No,1; Jan-Mar (2023) This study explores** the impact of economic changes during the covid -19 pandemic on individuals across india.based on responses from 200 participant ,statistical tools like regression,correlation, and ANOVA were applied. Finding indicate that many people faced challenges in securing loans and experriencedd disruptions to their income between 2019 and 2021 due to policy shifts during this period

- **Jiji T Mathew** "RBI'S RECENT MONETARY POLICY TIGHTENING AND ITS IMPACT ON MONEY ,BOND AND CREDIT MARKET" **NIBM Working Paper WP37/March. This article aims to examine** the RBI's monetary tightening since April 2022 and its impact on money,bond ,deposit and credit market ,as well as the overall economy.It also reviews inflation trends and evaluates the accuracyof RBI's forecasts .The
  Policy changes led to higher interest rates in the money market and a moderate rise in long term bond yields .Lending and deposit rates incresased ,and the credit growth slowed initially but recovered after the rate pause. Inflation and GDP growth have moderated ,helped by RBI's rate hikes, global ecconomic trends,and government supply-side measures.Global central banks are now signaling possible rate cuts,which is stabilizing financial markets.

- **Susmita Das & Debjani Mitra** "IMPACT OF REPO RATE ON INFLATION IN INDIA "**BKGC SCHOLARS**,**January -June2020,Vol.1,Issue 1,PP-83-9 This study shows that** Interest rate adjustments ,particularly those related to the repo rate ,play a pivotal role in shaping a country's financial and economic enironment.In India,Such changes are aligned
  With monetary policy objectives aimed at balancing liquidity and curbing inflation .Understanding the ripple effects of these rate shifts becomes especially important in times of crisis,such as the COVID-19 Pandemic .To examine the socio-economic impact during the period 2019-2021, a structured survey was conducted among 200 individuals across india.The data obtained were analyzed using statistical tools such as regresssion ,correlation,and ANOVA.The results indicated that income sources were disrupted,and many respondents faced increased difficulty in securing loans during this period of policy tightening.

- **D.Anil Raj & Dr.N.Ajithkumar"**IS THE MONETARY POLICY TRANSMISSION TO BANK LENDING RATES IN INDIA EFFICIENT ?A COMPARISON BETWEEN PUBLIC SECTTOR BANKS'(PSBS)MEDIAN BENCHMARK INTEREST RATES AND REPO RATE DURING 2011-2017 This Study Examine that with the liberalization of indian financial markets and global influences,the RBI's monetary policy has shifted from traditional tools like CRR and SLR to modern instruments such as the repo and reverse repo rates. This study analyzes how effectively these policy rates influence bank lending ,particularly in public sector banks.It finds that the introduction of the (Marginal Cost of Funds based Lending Rate) MCLR system has improved the transmission of repo rate changes to lending rates

Research Methodology – This research paper follows a descriptive pattern and is entirely based on secondary sources such as annual reports and publications by the Reserve Bank of India (RBI),government data ,journal articles books,financial websites,and previously published research papers.The study uses correlation analysis as the primary statistical tool to examine the relationship between repo rate fluctuations and home loan borrowing trends in India.

Objectives – To assess the impact of repo rate fluctuations on home loan borrowing in India.

Research Hypothesis –

H0 (Null Hypothesis): Changes in the RBI repo rate have no significant impact on home loan borrowing or loan behavior

H1(Alternative Hypothesis): Changes in the RBI repo rate have a significant impact on home loan borrowing and loan behavior

Study and Analysis – The repo rate ,is a crucial monetary policy tool that directly affects the cost of borrowing for banks and consequently ,the interest rates charged to borrowerrs. When the Reserve Bank of India (RBI) raises the repo rate ,banks face higher borrowing costs, leading to increased interest rates on loans like home loan ,personal ,and car loans. Conversely ,a lower repo rate reduces banks'borrowing costs,potentially leading to lower interest rates and making loans more affordable.

Computation of Correlation of Coefficient

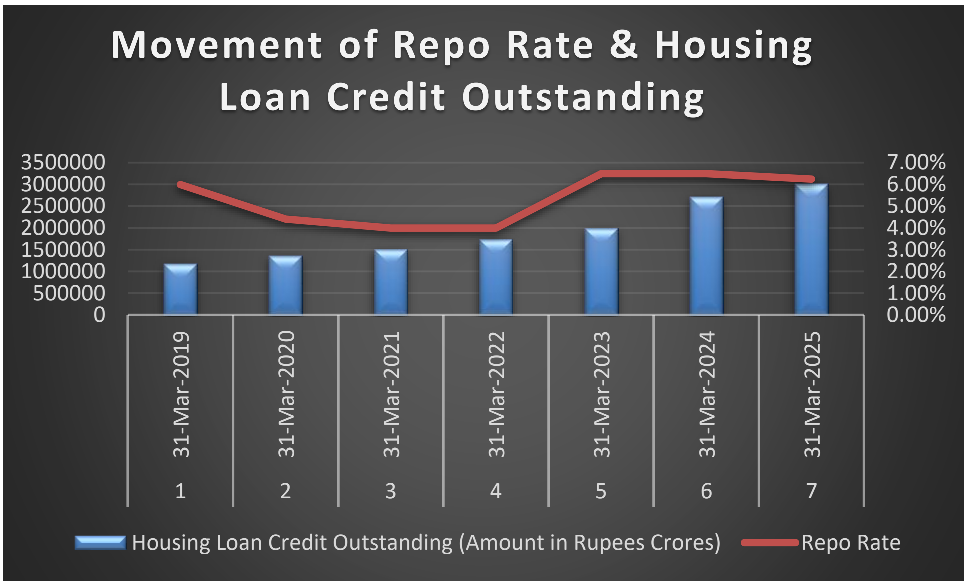
To examine the effect of changes in the repo rate since march 2019 on housing loan borrowing,the pearson correlation coefficient has been calculated based on variation in repo rate and the corresponding housing loan lending by scheduled commercial banks using the following
formula:

$$r =[n(\sum xy)-(\sum x) (\sum y)]/\sqrt{}[n(\sum x^2)-(\sum x)^2][n(\sum y^2)-(\sum y)^2]$$

Table 1

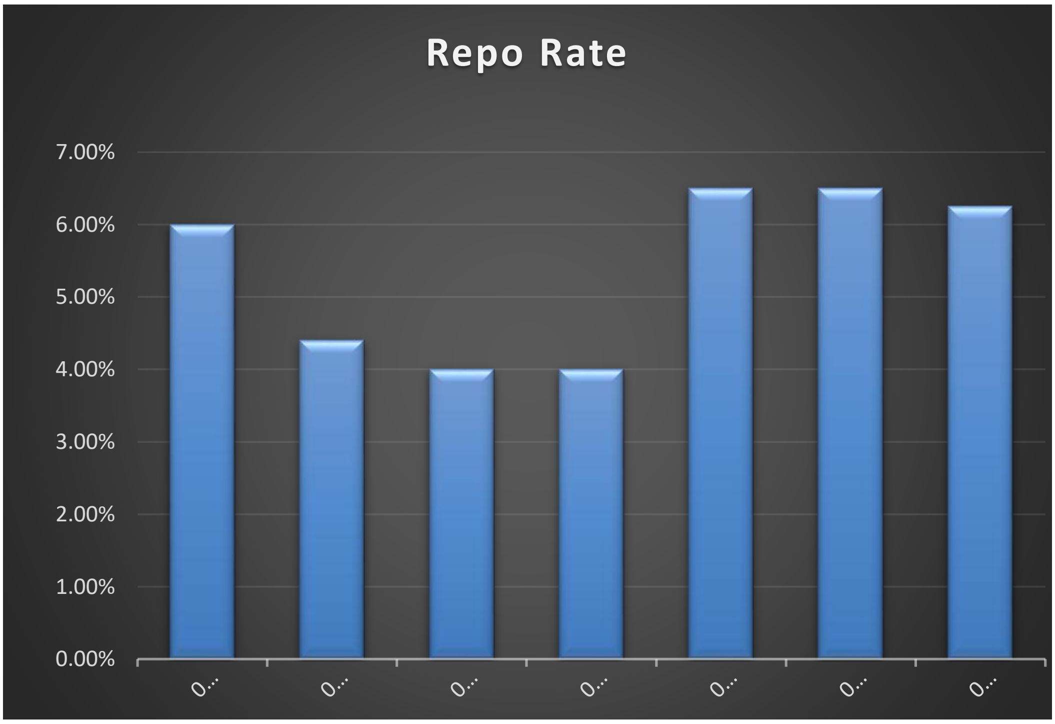
REPO RATE AND HOUSING LOAN CREDIT OUTSTANDING

S.No	Date	Housing Loan Credit Outstanding (Amount in Rupees Crores)	RBI Repo Rate(%)
1.	31-03-2019	1176510.06	6.00%
2.	31-03-2020	1361880.10	4.40%
3.	31-03-2021	1512004.211	4.00%
4	31-03-2022	1738472.954	4.00%
5	31-03-2023	1991163.513	6.50%
6	31-03-2024	2718715.395	6.50%
7	31-03-2025	3010477.00	6.25%



The results is 0.5717,which indicates a positive correlation between the changes in the repo rate
and housing loan

Conclusion



At this concluding stage of the research work,it can be derived that the fluctuations in the RBI'srepo rate over the past six years have played a pivotal role in shaping house credit trends in india. Begining with a relatively stable rate of 6.00% in 2019,the repo rate witnessed sharp declines during the pandemic-induced slowdown,reaching a historic low of 4.00%,and later experienced a rapid tightening phase post-2022, peaking at 6.50%, before easing slightly to 6.25% by march 2025. Despite these cylical shifts in policy rates ,housing loan credit oustanding steadily increased,signifyingthat borrower sentiment,housing demand ,and credit accessibility remained resilient to monetary tightening.

During this same period, housing loan credit outstanding showed a consistent upward trend-rising from Rs11.76 lakh crore in march 2019 to Rs 30.10 lkh crore in march 2025-reflecting growing demand for housing finance despite rising interest rates.
The Pearson Correlation coefficient calculated between the repo rate and housing loan credit outstanding is .5717, indicating a moderate positive correlation .This suggests that changes in the policy rate are somewhat associated with movements in housing loan credit levels
Intrestingly ,the data reveals that even during periods of elevated interest rates,housing loan borrowing continued to rise.This indicates that factors such as population growth,urbanization ,rising household incomes,competitive loan offerings,and stable real estate demand may have mitigated the impact of rising rates.
These findings also suggest that the transmission of monetary policy to the housing loan segment is not immediate or fully elastic .borrower prefrences ,loan product features,and broader economic factors play a substantial role in shaping credit outcomes

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