

# RBI Cuts Interest Rates After 4 Years - A Boost for Investors



For the first time in four years, the Reserve Bank of India (RBI) has **reduced the repo rate by 25 basis points (0.25%), bringing it down from 6.5% to 6.25%.**

## Inflation Under Control :

Currently at **4.2%**, allowing room for policy adjustments.

## Growth Forecast Raised :

The economy is expected to expand at **6.5%-6.7%**.

With lower borrowing costs, **economic activity** is expected to improve, and **investor confidence** is set to rise.

## Interest Rates & Economic Growth

Lower interest rates make **borrowing cheaper, boosting lending and investment activity.** Businesses benefit from lower financing costs, which encourages **expansion and economic growth.**

Investor sentiment usually improves as **capital flows into equities and fixed-income instruments,** supporting long-term growth.

RBI's rate cut directly affects the banking sector, especially in terms of government issued securities:

- **Total government securities:** ₹85 lakh crores.
- Commercial banks hold **₹32 lakh crores (40%)** in government securities.
- A 0.25% rate cut increases bond values, **improving bank balance sheets.**
- **Modified duration impact:** A 0.25% rate cut can increase bond values by **3.75%-4%.**
- Net banking sector profits could rise by **₹1.5 lakh crores.**

## Banking Sector Growth

## MARKET IMPACT

The **banking & finance sector** plays a key role in market movements, forming **30% of NIFTY & Sensex.** With rising banking profits, market capitalization could increase by **₹15 lakh crores.**

Moreover, **LIC**, which holds 18-20% in government securities, will also benefit. Public sector banks, with their stable fundamentals, are well-positioned to navigate market fluctuations, limiting downside risks.

## Investment Strategy

- **Hold onto banking stocks** – Long-term growth potential remains strong.
- **Make selective investments in financial stocks** – These sectors are expected to see gains.
- **Look at insurance stocks like LIC** – Their strong banking exposure makes them attractive.

**With RBI's rate cut and a positive economic outlook, now is the right time to make informed investment decisions. Click here and fill out the form to get expert financial insights and personalized advice!**