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RBI's 25 Basis Points Rate Cut: **Catalyst for Growth Amid Global Headwinds.**

The Reserve Bank of India (RBI) has cut its key repo rate from **6.5% to 6.25%, marking a decrease of 25 basis points.** This is the first rate cut in almost five years. The Monetary Policy Committee under the administration of **Sanjay Malhotra** took this measure to boost an economy that has shown signs of sluggishness all while keeping a **neutral position on policies**.

The cuts are expected to **reduce the cost of loans for households and businesses** which will in turn **boost consumer spending and increase the flow of credit,** aiding critical industries such as **housing, auto, and small business.** While the move is positive for corporate margins and equity values, it is worrisome because of the potential issues that may arise such as the ability of the banks to pass on lower costs during present global economic volatility. While these moves will serve as a boost to economic activity, achieving sustained growth will mean structural changes and fiscal coordination will be necessary.

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Initially, the market reactions were not very optimistic. The BSE Sensex dropped 87.32 points and Nifty50 dipped 32.6 points. However, optimism returned when both of these indices went up and by 11:45 A.M., **Sensex was up 0.17% and Nifty50 increased by 0.26%,** which allowed for sectors sensitive to interest rates to gain traction. The rate cut is expected to increase corporate profit margins and better their equity valuations which sets an optimistic atmosphere for more investment. In the long run, if growth stays quiet, then more rate cuts could be possible. However, for significant economic recovery, there needs to be a major overhaul in how fiscal measures are administered.

In conclusion, while this decision allows more capital to be circulated for business use, the RBI's decision to cut rates appears to have been made with an understanding of the constrained domestic fiscal condition and persisting global issues.