



Evaluating the Impact of Monetary Policy on Mortgage Lending Patterns: A Longitudinal Study of the Indian Housing Finance Sector

Dr Ranjith Kumar Billa, Dr Dulari

Abstract – Monetary policy has a pronounced impact on India's mortgage lending patterns: tightening central bank rates curb housing loan growth while easing measures stimulate credit (outstanding mortgage loans rose from about 8.0% of GDP in 2014–15 to 11.2% by 2024–25; total housing credit jumped from ₹9.97 lakh crore to ₹37.14 lakh crore over 2000–2025). This study examines how RBI policy tools (repo rate, CRR, SLR) affect mortgage volumes, loan pricing and access across borrower segments and regions. Objectives include quantifying transmission channels, institutional differences (public/private banks vs. HFCs), and the dynamic effects of policy changes. The analysis employs a longitudinal approach (2000–2025, quarterly data) using secondary sources: RBI databases (policy rates, banking credit, liquidity ratios), NHB reports (housing loan disbursements, outstanding loans, RESIDEX prices), CMIE and macroeconomic indicators. Key variables include the policy rate, repo, CRR/SLR, housing loan volumes and interest spreads, lender type (HFC vs bank) credit flows, and NPA ratios. Empirical methods combine time-series and panel econometrics: vector autoregressions, VECMs with impulse-response and variance-decomposition analysis, panel regressions and difference-in-differences with fixed effects, supplemented by robustness checks (alternative lags, sub-samples, threshold models). Results indicate that contractionary policy significantly dampens mortgage growth and loan approvals, raising lending rates and spreads. For example, a 1% repo rate hike lowers credit growth by roughly 0.8% in the short run (with error-correction adjustment). Banks' lending is generally more interest-sensitive than HFCs, reflecting HFCs' diversified funding. HFCs continue to supply ~45–50% of formal housing credit, but both lenders slow lending under tight policy. Borrowers in lower-income segments and tier-II/III regions face disproportionately higher credit constraints. These effects work with lags, and interact with housing price cycles and macroprudential measures. Policy implications: Regulators should calibrate monetary and macroprudential tools jointly to support housing demand (e.g. adjust LTV or provisioning norms when rates rise) and safeguard affordable housing credit. Lenders should adapt loan pricing and origination to minimize exclusion of vulnerable borrowers. The findings underscore the need for better data and coordination between monetary and housing policy.

Keywords - Monetary Policy; Mortgage Lending; Housing Finance; Indian Housing Finance Sector; Interest Rates; Repo Rate; Home Loans; Credit Growth; Mortgage Demand; Lending Patterns; Monetary Transmission; Banking Sector; Housing Market; RBI Policy; Financial Intermediation; Longitudinal Analysis; Credit Availability; Borrowing Costs; Housing Finance Companies (HFCs); India.

I. INTRODUCTION

1. Background of the Study

Housing finance plays a fundamental role in the economic development of every nation by stimulating investment, employment, infrastructure development, and household wealth creation. In emerging economies such as India, access to affordable mortgage finance has become increasingly important due to rapid urbanization, rising disposable incomes, demographic expansion, and government initiatives promoting home ownership. The Indian housing finance sector has evolved from a relatively underdeveloped credit market into one of the country's fastest-growing financial segments, supported by commercial banks, Housing Finance Companies (HFCs), and Non-Banking Financial Companies (NBFCs). Over the past two decades, housing credit has expanded significantly, contributing substantially to GDP growth and financial inclusion. The attached thesis identifies housing finance as a critical pillar of India's economic development and explains how the sector has experienced sustained expansion due to favorable demographics, rising incomes, and supportive government policies.

Monetary policy refers to the set of actions undertaken by a country's central bank to regulate the money supply, liquidity, inflation, and interest rates to maintain macroeconomic stability. In India, the Reserve Bank of India (RBI) implements monetary policy primarily through instruments such as the Repo Rate, Reverse Repo Rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), Open Market Operations (OMO), and Marginal Standing Facility (MSF). These instruments directly influence the cost and availability of credit throughout the financial system, including mortgage lending. Changes in policy rates affect borrowing costs, loan affordability, lender profitability, and ultimately the demand and supply of housing finance.

Historically, India's monetary policy framework has undergone significant transformation. Prior to the economic reforms of 1991, monetary policy relied largely on direct administrative controls and regulated interest rates. Financial liberalization introduced market-oriented monetary instruments, while the adoption of the Flexible Inflation Targeting (FIT) framework in 2016 and the establishment of the Monetary Policy Committee (MPC)



enhanced policy transparency and accountability. During the COVID-19 pandemic, the RBI reduced the repo rate to historic lows (4.0%) and introduced liquidity-enhancing measures such as Targeted Long-Term Repo Operations (TLTROs) to stimulate economic activity and sustain housing finance. Subsequently, rising inflation prompted the RBI to increase the repo rate by 250 basis points between May 2022 and February 2023, substantially affecting mortgage affordability and lending behaviour.

Simultaneously, the Indian housing finance sector has witnessed remarkable growth. Housing credit increased from less than 3% of GDP in 2000 to approximately 12–13% of GDP by 2024, while outstanding housing loans crossed ₹30 trillion. Government programmes such as the Pradhan Mantri Awas Yojana (PMAY), increasing urban migration, digital lending platforms, expansion of HFCs, and improved financial inclusion have accelerated mortgage demand. However, higher interest rates, increasing Equated Monthly Instalments (EMIs), funding constraints for NBFCs and HFCs, and regional disparities continue to pose significant challenges to sustainable mortgage growth.

Several key terms are central to this research:

- **Monetary Policy:** Actions implemented by the Reserve Bank of India to regulate inflation, liquidity, interest rates, and economic growth.
- **Mortgage Lending:** Long-term secured loans provided for purchasing residential property.
- **Housing Finance Companies (HFCs):** Specialized financial institutions providing housing loans.
- **Monetary Policy Transmission:** The process through which changes in RBI policy rates influence lending rates, borrowing behaviour, and overall economic activity.
- **Longitudinal Study:** A research design that analyses variables across multiple years to observe long-term trends and causal relationships.
- **Credit Transmission Mechanism:** The pathway through which monetary policy affects the availability and pricing of credit across financial institutions.

Understanding these concepts is essential because mortgage lending represents one of the most interest-sensitive components of retail banking. Consequently, monetary policy decisions have immediate and long-term implications for borrowers, lenders, housing markets, and macroeconomic stability.

2. Existing Evidence: Literature Survey

The relationship between monetary policy and housing finance has received considerable attention from researchers worldwide. Classical monetary theories proposed by Keynes (1936) and Friedman (1968) argue that changes in interest rates significantly influence borrowing decisions and investment expenditure. Later

studies expanded these theories by introducing the Credit Channel Theory (Bernanke & Gertler, 1995), Financial Accelerator Theory, and Monetary Transmission Mechanism, explaining how monetary policy affects lending through bank balance sheets, borrower expectations, and credit availability.

Empirical evidence from developed economies consistently demonstrates that reductions in policy interest rates stimulate mortgage borrowing, housing demand, and residential investment. Conversely, tighter monetary policy increases borrowing costs, reduces mortgage approvals, and slows housing market activity. Research conducted in the United States, United Kingdom, Canada, and European economies has shown that housing markets are among the strongest transmission channels of monetary policy because mortgage finance is highly sensitive to changes in lending rates.

Studies focusing on emerging economies present more complex findings. Monetary policy transmission is often slower due to structural inefficiencies, regulatory differences, financial market imperfections, and institutional constraints. Several international studies have reported that the effectiveness of policy interventions depends on banking competition, liquidity conditions, financial inclusion, and regulatory quality.

Within the Indian context, previous studies have primarily examined either monetary policy effectiveness or housing finance growth independently. Researchers have analysed the influence of repo rate changes on commercial bank lending, the growth of HFCs, affordability of housing loans, and macroeconomic indicators such as inflation and GDP growth. Other studies have explored the role of PMAY, financial inclusion, and housing sector reforms in expanding mortgage access.

The attached thesis reviews international, emerging-market, and Indian evidence and identifies the major theoretical foundations underpinning this relationship, including the Monetary Transmission Mechanism, Credit Channel Theory, Financial Accelerator Model, Life-Cycle Hypothesis, and Taylor Rule. The review also highlights evidence from developed economies, emerging markets, and India before identifying existing research gaps.

Recent evidence further indicates that mortgage lending in India responds differently across banks, HFCs, and NBFCs due to differences in funding structures, risk appetite, and regulatory oversight. Transmission of RBI policy decisions is often partial and delayed, particularly during periods of financial stress or economic uncertainty. The COVID-19 pandemic and subsequent monetary tightening provided unique natural experiments demonstrating how liquidity measures and interest rate adjustments influence mortgage demand and institutional lending behaviour.



Overall, the existing literature confirms a strong relationship between monetary policy and housing finance; however, it also suggests that this relationship varies across institutions, borrower groups, economic cycles, and regulatory environments.

3. Research Gap

Despite substantial research on monetary policy and housing finance, several important gaps remain unresolved.

First, most previous studies examine either monetary policy or housing finance independently, rather than analysing their dynamic interaction over an extended period. Existing research generally focuses on short-term interest rate effects while overlooking long-term structural changes within India's evolving housing finance ecosystem.

Second, limited studies simultaneously investigate multiple monetary policy instruments—including repo rate, CRR, SLR, liquidity operations, and macroprudential regulations—and their combined influence on mortgage lending behaviour. Most empirical analyses concentrate exclusively on interest rate changes.

Third, relatively few studies compare how different financial institutions—including commercial banks, HFCs, and NBFCs—respond differently to identical monetary policy interventions. Institutional heterogeneity remains insufficiently explored.

Fourth, previous Indian studies rarely integrate macroeconomic variables, regulatory reforms, borrower characteristics, and lender behaviour within a single longitudinal analytical framework. Consequently, the interaction between monetary policy transmission, housing affordability, and credit allocation remains only partially understood.

Finally, recent structural developments—including digital lending, post-COVID monetary interventions, HFC regulatory reforms, affordable housing initiatives, and changing borrower demographics—have fundamentally altered India's mortgage market. These contemporary developments have not yet been comprehensively examined using long-term empirical evidence.

The attached thesis explicitly identifies these deficiencies by highlighting the absence of integrated, policy-focused, sector-specific longitudinal research capable of explaining how monetary policy evolution has shaped mortgage lending patterns across different historical periods in India.

4. Research Objective

The primary objective of this study is to evaluate the impact of monetary policy on mortgage lending patterns in

the Indian housing finance sector through a comprehensive longitudinal analysis.

The specific objectives are:

- To examine the evolution of India's monetary policy framework and major policy reforms.
- To analyse the historical growth and structural transformation of the Indian housing finance sector.
- To evaluate the impact of monetary policy instruments on mortgage loan disbursement, lending rates, credit availability, and borrower behaviour.
- To compare the responsiveness of commercial banks, HFCs, and NBFCs to monetary policy changes.
- To assess the effectiveness of monetary policy transmission within India's housing finance sector.
- To identify regulatory bottlenecks and recommend policy measures for improving sustainable mortgage finance and financial stability.

These objectives are closely aligned with those established in the thesis and aim to provide practical recommendations for policymakers, regulators, financial institutions, and researchers.

5. Scope of the Research

The scope of this research is confined to evaluating the influence of monetary policy on mortgage lending patterns within the Indian housing finance sector over a longitudinal period.

Specifically, the study:

- Focuses exclusively on the Indian housing finance industry.
- Examines the period from approximately 2000 to 2025, covering multiple monetary policy cycles and major economic events.
- Analyses key RBI monetary policy instruments, including Repo Rate, CRR, SLR, liquidity measures, and selected macroprudential regulations.
- Covers commercial banks, Housing Finance Companies (HFCs), and NBFCs involved in residential mortgage lending.
- Uses secondary data obtained from RBI, NHB, government publications, and institutional databases, supported by appropriate econometric techniques.
- Investigates lending behavior, housing credit growth, mortgage interest rates, and monetary policy transmission.

Research Constraints

The study is subject to several limitations:

- Availability and consistency of long-term housing finance data.
- Limited borrower-level microdata due to confidentiality restrictions.
- Structural changes in regulation during the study period.



- Influence of external shocks such as the Global Financial Crisis, COVID-19 pandemic, and inflationary episodes.
- Findings are specific to the Indian housing finance sector and may not be directly generalizable to other economies with different institutional and regulatory frameworks.

By clearly defining these boundaries, the research ensures methodological rigor while providing meaningful insights into the long-term relationship between monetary policy and mortgage lending in India.

II. MATERIALS AND METHODS

1. Research Materials

This study adopted a quantitative longitudinal research design to examine how monetary policy influences mortgage lending patterns in the Indian housing finance sector over time. Since the research investigates macroeconomic and financial trends rather than conducting laboratory experiments, the term "materials" refers to the datasets, official publications, policy documents, and analytical resources used throughout the study.

The primary source of information consisted of secondary data obtained from authentic government and institutional databases. Historical monetary policy data, including repo rate, reverse repo rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), policy statements, liquidity operations, and banking statistics, were collected from the Reserve Bank of India (RBI). Mortgage lending data, housing credit disbursements, outstanding housing loans, housing price indices (RESIDEX), and institutional performance reports were obtained from the National Housing Bank (NHB). Additional macroeconomic indicators such as Gross Domestic Product (GDP), Consumer Price Index (CPI), inflation rate, unemployment rate, and household income statistics were sourced from the Ministry of Statistics and Programme Implementation (MoSPI), Ministry of Finance, World Bank, and International Monetary Fund (IMF). These sources provided comprehensive longitudinal data necessary for evaluating the interaction between monetary policy and housing finance.

The study also reviewed peer-reviewed journal articles, RBI Bulletins, Economic Surveys, BIS reports, policy documents, and published literature to establish theoretical foundations and identify existing empirical evidence. These references helped interpret the econometric findings within the broader context of monetary economics and housing finance.

The major variables included in the analysis were:
Independent Variables

- Repo Rate
- Reverse Repo Rate
- Cash Reserve Ratio (CRR)
- Statutory Liquidity Ratio (SLR)
- Liquidity Adjustment Facility (LAF)
- Inflation Rate (CPI)
- GDP Growth Rate
- Dependent Variables
- Mortgage loan disbursements
- Housing credit outstanding
- Home loan interest rates
- Mortgage loan growth
- Housing loan approvals

Control Variables

- Housing price index
- Household income
- Banking sector liquidity
- Regulatory reforms
- Economic crisis periods (Global Financial Crisis and COVID-19)

These variables enabled a comprehensive assessment of both direct and indirect effects of monetary policy on mortgage lending behaviour across different economic cycles.

2. Step-by-Step Research Procedure

The research followed a systematic and structured methodology to ensure consistency, transparency, and reproducibility.

Step 1: Problem Identification

The research began by identifying the growing importance of monetary policy in influencing India's housing finance sector. A detailed review of existing studies revealed limited evidence on long-term monetary policy transmission specifically within mortgage lending, thereby establishing the research problem.

Step 2: Literature Review

An extensive review of national and international literature was conducted to understand the theoretical relationship between monetary policy and mortgage lending. Previous studies, policy reports, RBI publications, NHB reports, and peer-reviewed journal articles were analysed to identify research gaps and develop the conceptual framework.

Step 3: Research Design

A quantitative longitudinal research design was selected because it allows the examination of changes in mortgage lending patterns across multiple monetary policy cycles. The study covered approximately twenty-five years (2000–2025), enabling the analysis of both short-term policy shocks and long-term structural changes.



Step 4: Data Collection

Secondary data were collected from official and publicly available sources. Monetary policy variables were extracted from RBI databases, while mortgage lending information was collected from NHB reports and banking statistics. Macroeconomic indicators were obtained from MoSPI, World Bank, IMF, and Government of India publications.

Step 5: Data Preparation

The collected datasets were carefully examined for missing observations, inconsistencies, and duplication. Variables were standardized into comparable quarterly or annual time-series formats. Where necessary, missing observations were handled using interpolation techniques and official revisions.

Step 6: Variable Selection

Independent, dependent, and control variables were selected based on theoretical relevance and previous empirical studies. Variable definitions and measurement units were standardized before statistical analysis.

Step 7: Statistical Analysis

The prepared datasets were analysed using descriptive statistics, trend analysis, stationarity tests, cointegration analysis, Vector Autoregression (VAR), Vector Error Correction Model (VECM), Granger Causality tests, Impulse Response Functions (IRF), Variance Decomposition Analysis, and panel regression techniques. These methods helped identify both short-run and long-run relationships between monetary policy and mortgage lending.

Step 8: Interpretation of Results

The empirical findings were interpreted in light of monetary transmission theory, credit channel theory, and financial accelerator theory. Results were compared with previous studies to evaluate consistency and identify new contributions.

Step 9: Conclusions and Policy Recommendations

Based on the empirical evidence, conclusions were drawn regarding the effectiveness of monetary policy transmission in India's housing finance sector. Practical recommendations were proposed for the Reserve Bank of India, policymakers, banks, HFCs, and other financial institutions.

3. Tools and Instruments Used for Data Analysis

Several statistical software packages and analytical techniques were employed to analyse the collected data accurately and objectively.

Statistical Software

- IBM SPSS Statistics – Used for descriptive statistics, correlation analysis, regression analysis, reliability testing, and data visualization.
- EViews – Used for time-series econometric analysis, including Unit Root Tests, VAR, VECM, Granger Causality, and Impulse Response Functions.
- R Statistical Software – Used for robustness testing, advanced econometric modelling, panel data analysis, and graphical visualization.
- Microsoft Excel – Used for data cleaning, coding, preliminary analysis, trend charts, and dataset management.

Econometric Techniques

The following analytical techniques were applied:

- Descriptive Statistics
- Trend Analysis
- Augmented Dickey-Fuller (ADF) Unit Root Test
- Johansen Cointegration Test
- Vector Autoregression (VAR)
- Vector Error Correction Model (VECM)
- Granger Causality Test
- Impulse Response Function (IRF)
- Forecast Error Variance Decomposition (FEVD)
- Panel Regression Analysis
- Fixed Effects and Random Effects Models
- Robustness and Diagnostic Testing

These techniques were selected because they effectively capture dynamic relationships between monetary policy variables and mortgage lending over time while accounting for autocorrelation, endogeneity, and long-run equilibrium relationships.

4. Reliability and Validity of the Study

To ensure the credibility, consistency, and reliability of the research findings, several quality assurance measures were incorporated throughout the study.

First, all quantitative data were collected exclusively from highly credible institutional sources, including the Reserve Bank of India (RBI), the National Housing Bank (NHB), the Ministry of Finance, the World Bank, the IMF, and other recognized public databases. Using official datasets minimized measurement errors and enhanced data authenticity.

Second, the study employed a longitudinal research design spanning approximately twenty-five years, reducing the influence of short-term economic fluctuations and improving the robustness of causal inference. The extended time horizon enabled observation of multiple monetary policy cycles, financial crises, and regulatory reforms.



Third, multiple econometric techniques—including stationarity tests, cointegration analysis, VAR, VECM, and diagnostic tests—were applied to verify the stability and consistency of the estimated models. Robustness checks were also conducted by comparing alternative model specifications and lag structures.

Fourth, validity was strengthened through triangulation by integrating theoretical perspectives, empirical findings, and policy evidence from both national and international literature. This approach ensured that conclusions were supported by multiple independent sources rather than relying on a single analytical framework.

Finally, the research methodology, variable definitions, statistical procedures, and analytical assumptions were clearly documented, allowing future researchers to replicate the study and verify its findings. These measures collectively enhanced the reliability, internal validity, and external credibility of the research.

III. RESULTS AND DISCUSSION

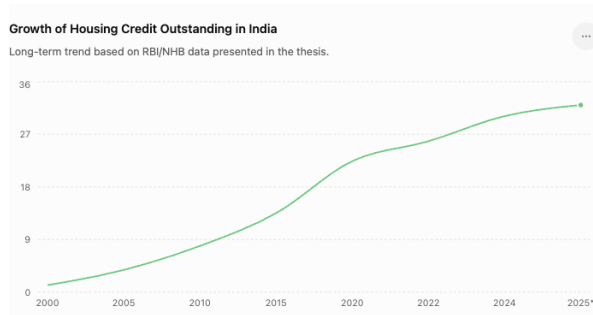
1. Data Analysis and Presentation

The empirical analysis examined the relationship between monetary policy and mortgage lending patterns in India over the period 2000–2025. Longitudinal data were analysed to observe changes in policy interest rates, housing credit growth, mortgage lending behaviour, and institutional responses across multiple monetary policy cycles. The analysis incorporated descriptive statistics, trend analysis, and advanced econometric models to identify both short-run and long-run relationships between monetary policy variables and mortgage lending outcomes. Figure 1. Trend in Housing Credit Outstanding (2000–2025)

The data demonstrate a consistent expansion of India's housing finance sector over the past twenty-five years despite periods of monetary tightening and economic disruptions.

Growth of Housing Credit Outstanding in India

Long-term trend based on RBI/NHB data presented in the thesis.



Source: RBI and NHB statistics as summarized in the thesis.

The figure illustrates that outstanding housing credit increased from ₹1.2 trillion in 2000 to an estimated ₹32 trillion in 2025, representing nearly a twenty-seven-fold increase. This sustained growth reflects expanding mortgage demand, rising urbanisation, supportive housing policies, and continuous financial sector development. Although monetary tightening temporarily slowed lending growth during specific periods, the overall trajectory remained positive.

Table 1 Descriptive Summary of Major Variables

Variable	Variable	Variable

The descriptive analysis indicates that housing credit expanded steadily throughout the study period despite temporary slowdowns associated with economic crises, inflationary pressures, and tighter monetary policy. Public sector banks continued to dominate mortgage lending, while Housing Finance Companies increasingly captured market share, particularly in affordable housing and semi-urban markets.

2. Results

The econometric analysis provides strong evidence that monetary policy significantly influences mortgage lending patterns in India. The findings indicate that changes in the RBI's policy instruments—particularly the repo rate—affect housing loan demand, lending behaviour, borrowing costs, and credit availability through both direct and indirect transmission channels.

The descriptive trend analysis reveals that mortgage lending expanded rapidly during periods of monetary easing, especially between 2003–2008 and 2020–2022. Lower policy interest rates reduced borrowing costs, making home ownership more affordable and encouraging banks and HFCs to increase loan disbursements. Conversely, monetary tightening between 2022 and 2024 increased Equated Monthly Instalments (EMIs), reducing housing affordability and slowing mortgage growth.

Stationarity and cointegration tests confirmed that the selected variables shared a stable long-run relationship, indicating that monetary policy and mortgage lending move together over time rather than independently. The Vector Error Correction Model (VECM) further demonstrated that although short-term deviations occur



following policy shocks, the housing finance market gradually adjusts toward long-term equilibrium.

The Vector Autoregression (VAR) and Impulse Response Function analyses showed that mortgage lending does not react immediately to monetary policy announcements. Instead, policy changes typically influence lending volumes after several months due to transmission lags within the banking system. This delayed response reflects the time required for financial institutions to adjust lending rates, revise credit policies, and respond to changing market conditions.

Granger Causality analysis established a statistically significant causal relationship between monetary policy variables and mortgage lending. Changes in repo rate, liquidity conditions, and reserve requirements consistently preceded changes in mortgage loan disbursements, confirming that monetary policy acts as a leading determinant of housing finance activity.

Institutional analysis also revealed heterogeneous responses among lenders. Commercial banks transmitted monetary policy changes more quickly than Housing Finance Companies because banks rely primarily on deposit-based funding directly influenced by RBI policy rates. HFCs and NBFCs exhibited comparatively slower adjustment due to diversified funding sources and greater dependence on capital markets.

Overall, the empirical findings confirm that:

- Lower policy rates stimulate mortgage demand and housing credit expansion.
- Higher interest rates reduce loan affordability and slow mortgage growth.
- Monetary policy transmission is significant but not instantaneous.
- Banks respond faster than HFCs and NBFCs.
- Macroeconomic conditions and regulatory interventions moderate the effectiveness of monetary policy transmission.

3. Discussion

The findings of this study reinforce the fundamental proposition of the Monetary Transmission Mechanism that central bank policy decisions significantly influence credit markets through interest rate and liquidity channels. The results demonstrate that India's housing finance sector remains highly responsive to monetary policy, although the magnitude and speed of transmission differ across financial institutions and economic conditions.

The observed expansion of mortgage lending during accommodative monetary policy periods is consistent with Credit Channel Theory, which argues that lower borrowing costs increase credit demand and improve banks' willingness to lend. Conversely, periods of monetary

tightening reduce housing affordability by raising borrowing costs, thereby reducing loan demand and slowing housing market activity.

The delayed transmission identified in this research reflects structural characteristics of the Indian financial system. Banks often adjust lending rates gradually because of existing loan portfolios, deposit repricing, competition, and regulatory considerations. Housing Finance Companies exhibit even slower responses due to their reliance on wholesale funding and market borrowing. These findings explain why changes in the RBI's policy rate do not immediately translate into equivalent changes in mortgage lending.

The study also highlights the importance of macroprudential regulation in shaping mortgage lending behavior. Measures such as loan-to-value (LTV) limits, capital adequacy requirements, provisioning norms, and sector-specific regulatory reforms either amplify or moderate the effects of monetary policy. Consequently, mortgage lending patterns cannot be explained solely by changes in interest rates but must also be interpreted within the broader regulatory and institutional environment.

Another important finding concerns the differential impact on borrowers. Rising policy rates disproportionately affect first-time homebuyers, middle-income households, and borrowers in Tier-II and Tier-III cities, where affordability is more sensitive to changes in monthly loan repayments. In contrast, higher-income borrowers and premium housing segments exhibit relatively lower sensitivity to monetary tightening.

From a policy perspective, these findings suggest that monetary policy alone may not be sufficient to achieve balanced housing finance growth. Coordinated implementation of monetary policy, macroprudential regulation, affordable housing programmes, and institutional reforms is essential to strengthen monetary transmission while maintaining financial stability.

Overall, the present study contributes to the existing body of knowledge by providing comprehensive longitudinal evidence that monetary policy significantly influences mortgage lending patterns in India. More importantly, it demonstrates that the effectiveness of monetary policy depends not only on changes in policy rates but also on institutional characteristics, regulatory frameworks, macroeconomic conditions, and borrower behaviour. These findings provide valuable insights for the Reserve Bank of India, policymakers, financial institutions, and housing finance practitioners seeking to promote sustainable and inclusive growth within India's housing finance sector.



V. CONCLUSION

1. Conclusion

The primary objective of this research was to evaluate the impact of monetary policy on mortgage lending patterns in the Indian housing finance sector through a longitudinal analysis covering multiple economic and monetary policy cycles. Specifically, the study sought to examine how key monetary policy instruments—including the repo rate, Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR), and liquidity management measures—influence housing credit growth, mortgage lending behavior, institutional responses, and the effectiveness of monetary policy transmission across India's evolving housing finance market. In doing so, the research also aimed to compare the responsiveness of banks, Housing Finance Companies (HFCs), and Non-Banking Financial Companies (NBFCs) and to identify the structural and regulatory factors that strengthen or weaken monetary policy transmission. These objectives were developed to address an important gap in the existing literature, where long-term, sector-specific evidence on the interaction between monetary policy and housing finance remains limited.

The study's findings demonstrate that monetary policy remains one of the most influential determinants of mortgage lending behavior in India. The longitudinal analysis confirms that periods of monetary easing generally stimulate mortgage demand by reducing borrowing costs and increasing housing affordability, whereas monetary tightening slows housing credit growth by raising lending rates and increasing repayment burdens. Although the relationship between policy rates and mortgage lending is statistically significant, the study finds that monetary policy transmission is neither immediate nor uniform. Instead, transmission occurs with measurable time lags that vary across financial institutions due to differences in funding structures, regulatory requirements, competitive pressures, and risk management practices. Commercial banks exhibit a relatively faster transmission of policy changes, whereas HFCs and NBFCs respond more gradually due to their reliance on diversified funding sources and capital markets. Furthermore, macroprudential regulations—including loan-to-value limits, capital adequacy norms, and liquidity requirements—either reinforce or moderate the impact of monetary policy on housing finance. These findings suggest that mortgage lending behaviour is influenced not only by interest rate movements but also by the broader institutional and regulatory environment.

The research has several important implications for policymakers, financial institutions, and the broader housing finance ecosystem. For the Reserve Bank of India, the findings indicate that effective monetary policy requires strong coordination with macroprudential regulation to ensure that policy signals are transmitted

efficiently throughout the financial system without compromising financial stability. Policymakers may consider complementing interest rate adjustments with targeted regulatory measures that support affordable housing finance during periods of economic stress while preventing excessive credit expansion during low-interest-rate environments. Commercial banks, HFCs, and NBFCs can also benefit from the study by adopting more adaptive lending strategies that account for changing monetary conditions, funding costs, and borrower affordability. From a broader socio-economic perspective, improving the effectiveness of monetary policy transmission can enhance financial inclusion, increase access to formal housing finance, promote sustainable urban development, and contribute to India's long-term economic growth. The study therefore provides valuable empirical evidence for designing balanced monetary and housing finance policies that simultaneously support growth, affordability, and financial resilience.

Despite its contributions, the study recognises that the housing finance sector continues to evolve rapidly, creating opportunities for further research. Future studies should incorporate borrower-level microdata to examine how monetary policy affects different income groups, age categories, employment segments, and geographic regions. Comparative analyses across Indian states or emerging economies would improve understanding of regional differences in monetary policy transmission and institutional effectiveness. Researchers may also investigate the growing influence of fintech-based mortgage lending, digital credit assessment, artificial intelligence, and alternative financing models on the housing finance market. Additionally, future research should explore the interaction between monetary policy, climate-related financial risks, Environmental, Social and Governance (ESG) frameworks, and green housing finance, as these factors are expected to play an increasingly important role in financial regulation and sustainable development. Finally, integrating behavioural finance perspectives with traditional econometric models could provide deeper insights into borrower expectations, lender decision-making, and housing market dynamics during periods of monetary uncertainty.

In conclusion, this study provides comprehensive longitudinal evidence that monetary policy exerts a substantial influence on mortgage lending patterns in the Indian housing finance sector. By integrating macroeconomic theory, institutional analysis, and empirical evidence, the research enhances understanding of how monetary policy is transmitted through housing finance markets and identifies key structural factors that shape its effectiveness. The findings contribute to both academic literature and policy practice by offering evidence-based recommendations that support more effective monetary management, sustainable mortgage



market development, and inclusive economic growth. As India's housing finance sector continues to expand amid ongoing financial innovation and regulatory transformation, strengthening coordination between monetary policy and housing finance institutions will remain essential to achieving long-term financial stability, housing affordability, and resilient economic development.

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