

I-CRR will cease to exist

In the first week of September, the RBI reached a major conclusion of suspending its I-CRR measure post-October. The incremental cash reserve ratio (I-CRR) was formed in August (MPC meeting) with the aim of absorbing excess money supply created due to the return of ₹2,000 banknotes. During this period, it was noted that the RBI was retaining close to ₹1.8 lakh crores per day as part of its daily absorption targets. The surplus transfers made by the central bank to the union government also resulted in higher capital spending by the latter thereby creating concerns for the emergence of risks to price and financial stabilities. The CRR also remained unchanged at 4.5% during this time.

After the August MPC meeting, the RBI approach focused on a tightened liquidity period that aimed at subsuming over ₹1 lakh crore from the banking industry. Discharges from GST accounts and the sale of dollar reserves to curb the fall of the rupee also supported the existing tightened nature of liquidity. By September 8th, RBI had assimilated approximately ₹77,000 crores of additional surplus from the banking industry. Therefore, as per the newer reviews from September (9-23), 50% of reserve funds held by the RBI from various banks would be first released and the remaining 50% would be released on October 7. This type of move will help in bolstering the rapid credit demand of banks during major festivities and national celebrations.

