RBI Eases Daily CRR Maintenance to 90% – Releasing Liquidity for Banks

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Why in News?

*The RBI reduced the minimum daily **Cash Reserve Ratio (CRR)** maintenance requirement from 99% to 90% of the prescribed CRR, effective the fortnight beginning December 1, 2026; the prescribed CRR stays at 3%.*

About CRR

- **Meaning** – The share of a bank's ***net demand and time liabilities (NDTL)*** kept with the RBI as cash, earning no interest.
- **RBI's role** – Under Section 42 of the ***RBI Act, 1934***, the RBI sets CRR for scheduled banks and levies penal interest on shortfalls.
- **If increased** – Banks lend less, liquidity drains, rates rise and inflation cools.
- **If reduced** – Funds are released, rates ease and lending expands.
- **Balance to maintain** – At least 90% of the required CRR on every day, while the fortnightly average must meet the full prescribed CRR.

Liquidity Adjustment Facility (LAF)

- The RBI's daily liquidity tool: repo (borrowing), the Standing Deposit Facility (parking surplus funds) and the ***Marginal Standing Facility (emergency borrowing).***
- The corridor is repo 5.5%, SDF 5.25% and MSF 5.75%.

CRR Trend, Last Five Years

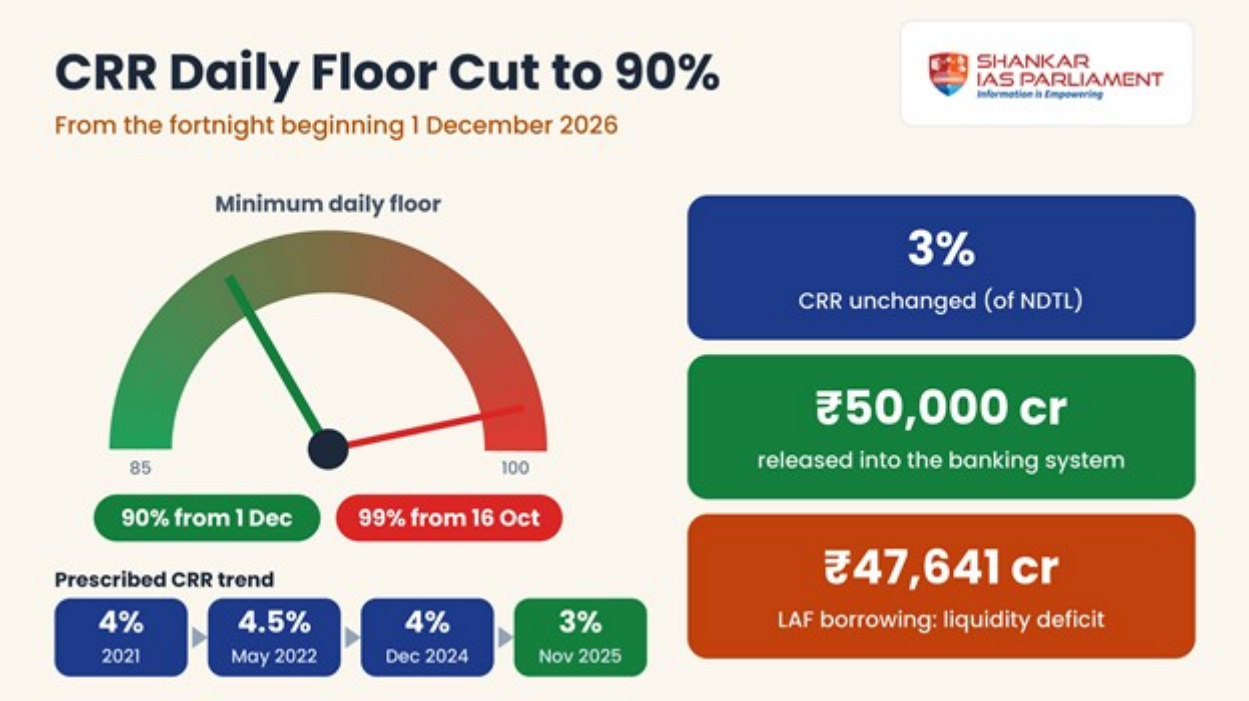
- **Prescribed CRR** – 4% (2021 to April 2022); 4.5% from May 2022; 4% from December 2024; cut in phases to 3% by November 29, 2025.
- **Daily maintenance** – Raised from 90% to 99% on October 16, 2026 to absorb surplus liquidity; restored to 90% from December 1.

Why the Reduction Now

- **Deficit** – Liquidity swung from a surplus of ₹3.88 lakh crore (October 8) to a deficit; banks borrowed ₹47,641 crore under the LAF on November 26.
- **Rates** – Call rates hovered near the MSF rate, above the 5.5% repo rate.
- **Relief** – The move releases about ₹50,000 crore.

Quick facts

SLR and CRR Compared
• **SLR** – Share of NDTL banks hold themselves in cash, gold or government securities; currently 18% (Section 24, Banking Regulation Act, 1949). • **Where held** – CRR: with the RBI, no interest. SLR: with the bank, earning interest. • **Purpose** – CRR controls liquidity; SLR ensures solvency and funds government borrowing.



Reference

Business Standard | RBI restores 90% daily CRR requirement for banks as liquidity tightens

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