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RBI conducts two VRR auctions to ease liquidity issue

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The sharp decline in liquidity surplus in the banking system amid advance tax instalments and monthly GST payments prompted the Reserve Bank of India to conduct two variable rate repo (VRR) auctions on Wednesday.

The central bank conducted two 2-day VRR auctions to infuse liquidity amounting to ₹72,300 crore into the banking system at a weighted average rate of 5.26 per cent. The banking system's liquidity surplus shrank to ₹23,881 crore as on June 16 from ₹1.61,636 crore on June 15, per latest RBI data. Amit Somani, Deputy Head-Fixed Income, Tata AMC, noted that over the last 3 to 6 months, banking system liquidity has fluctuated tightly between 0.5 per cent and 1 per cent of the NDTL (net demand and time liabilities).