

Liquidity returns to banking system, interbank call rates softening

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Illustration by Binay Sinha

Liquidity has started returning to the banking system, bringing down interbank call rates. The Reserve Bank of India (RBI) absorbed Rs 6.64 trillion as of January 3, the data released on Monday showed. This indicates that the liquidity deficit witnessed after December 15 was mainly because of advance tax outflow, and

not because of any extra effort by the central bank to drain out liquidity. The advance tax collected is now being spent by the government, rectifying the liquidity condition. According to CARE Ratings, the banking system has a liquidity surplus for the past 19 ...