

Home ▶ News ▶ Business

Banking System Liquidity Narrows

By [Sunil Fernandes](#) | Published: Tuesday, April 27, 2021, 8:26 [IST]



The banking system liquidity surplus has narrowed to Rs 4.8 lakh crs for the week ended April 23, 2021, Rs 74,529 crs lower than April 16, 2021, CARE Ratings has stated in a report.

The rating agency has noted that liquidity surplus has registered a notable moderation from Rs. 6.1 lakh crs from the start of the month.

"The moderation in liquidity surplus during the week ended April 23, 2021 can be ascribed to outflows towards statutory dues (GST payments), higher CRR requirements for the banks (from 3% to 3.5% from March 27, 2021 onwards), foreign portfolio outflows and consequent lower deposit growth in the April 2021 so far. Despite the moderation, the liquidity surplus in the banking system continues to remain sizeable," CARE Ratings has stated.

The sustained period of liquidity surplus in the banking system (since June 2019) can be ascribed to deposit growth outpacing credit growth, the rating agency has noted.

"The bank deposits grew by 11.4% in FY21 compared with growth in bank credit at 5.6%. During the week ended April 9, 2021, the incremental deposit growth was 0.7% as against contraction of 0.6% in incremental bank credit growth. In order to normalise the liquidity surplus in the banking system, the RBI undertook 14-day variable reverse repo auction of Rs 2 lakh crs on April 23, 2021. This is the second 14-day variable repo auction undertaken by RBI in April 2021, both auctions having been undertaken for an amount of Rs 2 lakh crs each. Increased US dollar purchases by the RBI along with the various liquidity infusion measures being undertaken by the central bank viz. OMO purchases, LTRO and TLTRO has been adding to the liquidity surplus," CARE Ratings has stated.