RBI Drains Banking System Liquidity from Peak Surplus

The Reserve Bank of India rapidly drained banking system liquidity from a peak surplus of ₹11 lakh crore down to ₹48,303 crore within six weeks.

Liquidity management operations by the Reserve Bank of India to regulate money supply and interest rates in the banking system.

KEY EXAM POINTS

- **Reserve Bank of India** drained banking system liquidity from a peak surplus of **₹11 lakh crore** to **₹48,303 crore** in about six weeks.
- The sudden gush in liquidity occurred after banks attracted **$133 billion** from overseas Indians under the **FCNR(B) scheme**.
- Banks exchanged dollars with the **RBI** through a swap facility, receiving rupee funds in return.
- System liquidity surplus rose from about **₹3.5 lakh crore** in **August** to over ₹11 lakh crore in **September**.
- The **weighted average call rate** dropped as low as **4.93%** in mid-September, falling 30 bps below the repo rate.

DID YOU KNOW..!?

Reserve Bank of India was established on **April 1, 1935**, under the **Reserve Bank of India Act, 1934**.

RBI was nationalized on **January 1, 1949**, following independence.

The primary objective of **monetary policy** is to maintain price stability while keeping in mind the objective of growth.

Repo rate is the rate at which the central bank lends money to commercial banks in the event of any shortfall of funds.

Liquidity Adjustment Facility is used by the RBI to aid banks in managing their daily liquidity requirements.

FCNR(B) stands for Foreign Currency Non-Resident (Bank) deposits scheme operated in India.

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RBI drained banking system liquidity from a peak surplus of ₹11 lakh crore to ₹48,303 crore.

Syllabus Relevance: High relevance for questions related to RBI functions, monetary policy instruments, and banking sector updates in Unit 6.

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