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Cash Reserve Ratio

- Banks¹ need to maintain a certain percentage of their Net Demand and Time Liability (NDTL)² as cash with the RBI which is known as cash reserve ratio (CRR).
- CRR for banks are prescribed and regulated by RBI.
- Banks are required to maintain CRR prescribed by the RBI on an average daily basis during a reporting fortnight, with a minimum of 99%³ of the required CRR on a daily basis.
- For the purpose of maintaining CRR, banks maintain a principal account with the Deposit Accounts Department (DAD) of the Reserve Bank at the centre where the principal office of the bank is located.

CRR snap shot

What is CRR

- CRR refers to % of NDTL banks are required to maintain as cash with the RBI
- Current CRR is 4% which is the lowest since 1976
- No floor or ceiling on CRR
- No interest paid on the cash maintained by banks with RBI
- CRR is one of the monetary policy tool used by RBI

Importance of CRR as monetary policy tool used by RBI

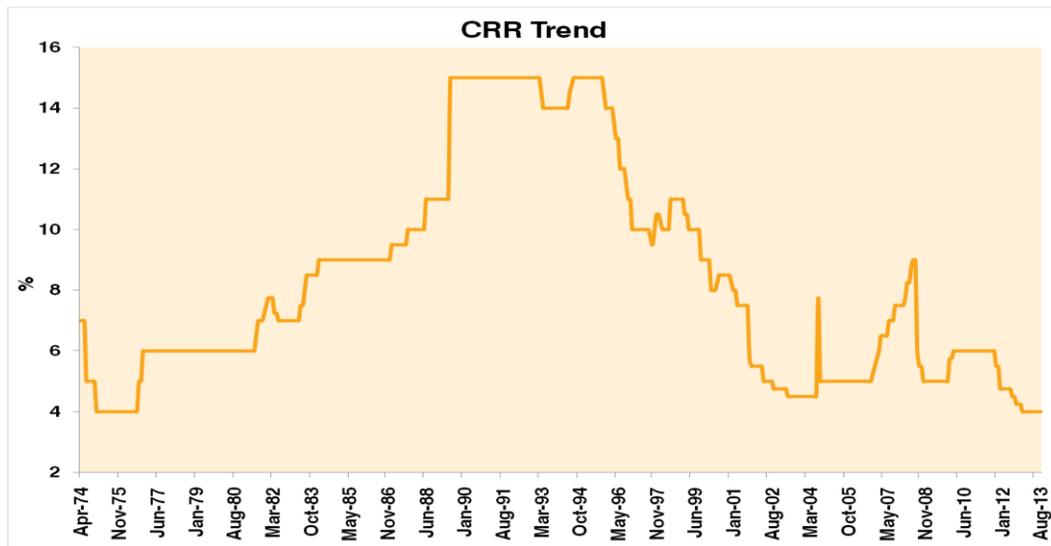
- Control money supply in the market
- Control Inflation
- Helps maintain banks solvency

¹ Banks refer to Scheduled Commercial banks

² NDTL computation for CRR is different as certain items are exempted for CRR maintenance

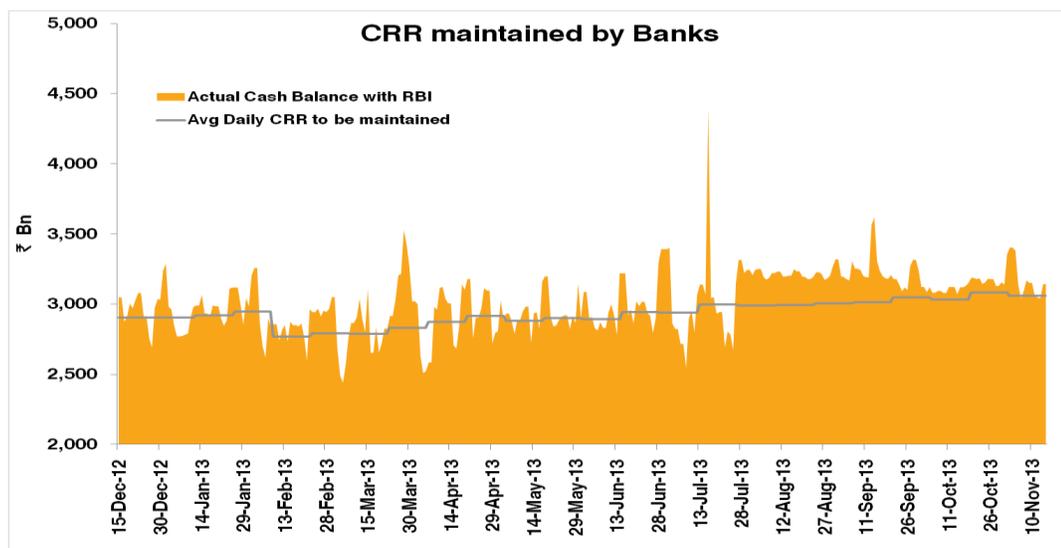
³ As per RBI notification dated 23rd July 2013. Earlier banks had to maintain minimum 70% of the required CRR on daily basis

- Chart below shows CRR trend over the years.



Source: RBI, Data till November 2013

- As seen from chart above, current CRR is lowest since 1976.
- Highest CRR has been 15%.
- Chart below shows daily CRR maintained by banks with RBI and average daily CRR required to be maintained by banks with RBI.



Source: RBI, Data till 15th November 2013

- It can be observed from above that banks generally maintain higher cash reserves with RBI.

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