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RRR = Reverse Repo Rate

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A rate at which the RBI

↓
absorbs

↓
excessive liquidity
(of comm. banks)

Under it, banks can deposit their
excessive liquidity with the RBI

In this respect, the RBI is to give G-sec. as collaterals to the banks with the promise of repurchase.

Note : With the launch of the SDF rate, the RRR has lost its importance in a big way. This is the reason that the RBI has not been changing it since a long time. It is fixed at the level of 3.35%. It is also being known as FRRR.

↓
fixed Reverse Repo Rate

SDF Rate

↓
Standing Deposit Facility

It was introduced in April 2022
on the recommendations of -

The Nrajit Patel Committee, 2014

MSF Rate



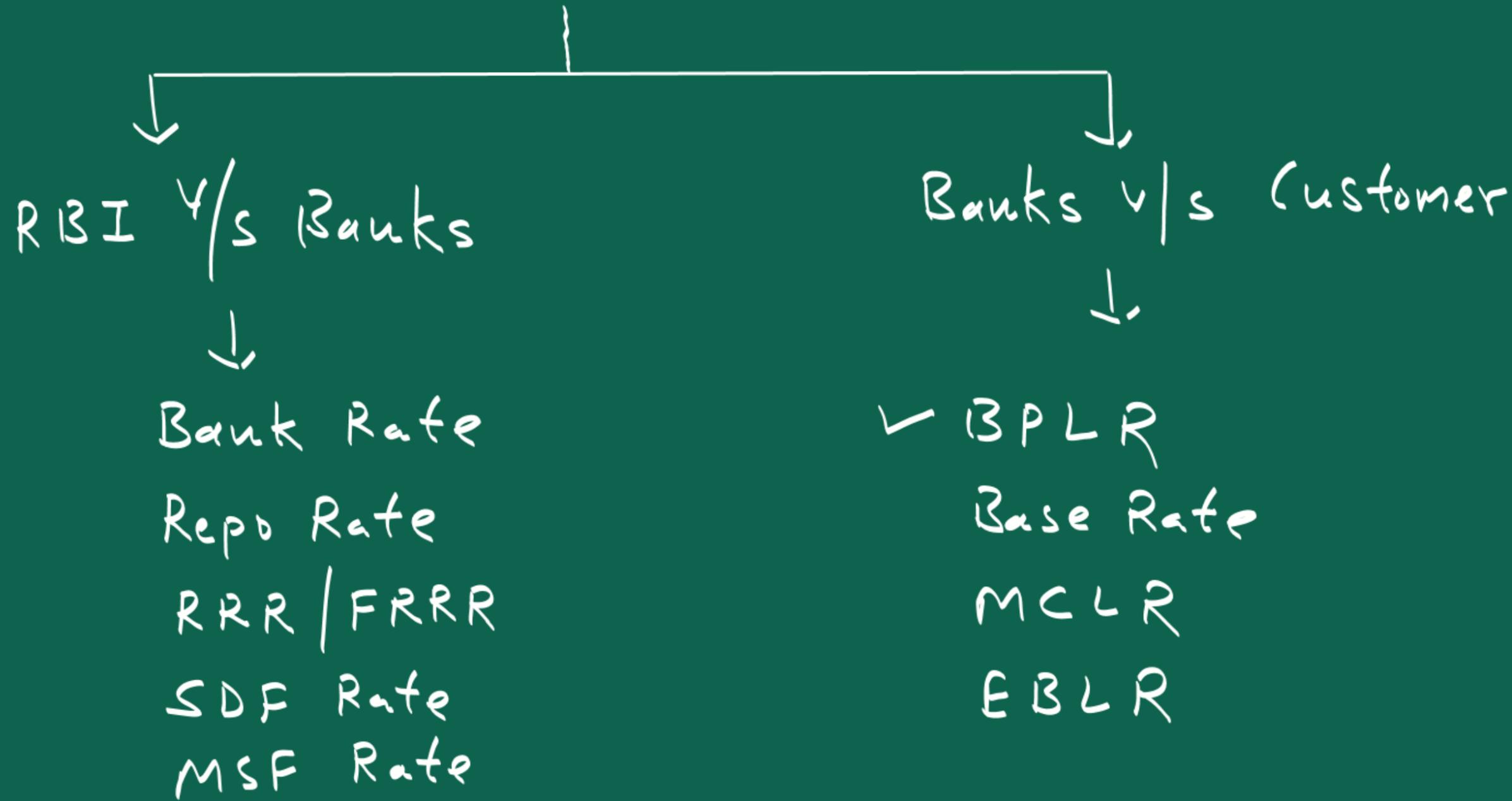
Marginal Standing Facility



↳ Overnight lending rate to be charged by the RBI from banks.

↳ Presently, banks can borrow under it to the extent of 2% of their NDTL.

Various Rates



BPLR

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Benchmark Prime Lending Rate

↓
a lending rate to be charged
by commercial banks from
good-borrowers.

Base Rate: 2010; Deepak Mohanty
Committee

floor ↓
a rate below which banks
can not fix their BPLR.

Introduced → To ensure
↓
Healthy competition
among banks.

Note -

Apart from various other factors, the average cost of funds is the most important factor to be used in the calculation of the base rate.

The concept of the base rate was replaced by the concept of MCLR in 2016.

MCLR : Introduced → 2016

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Marginal Cost of funds based

Lending Rate.

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Under it, the BPLR is determined in such a manner that it does not go below the marginal cost of funds collected by the banks.

In the calculation of the marginal cost of funds, interest rates of only new deposits are taken into account after the change in the repo rate.

EBLR : Introduced → Oct. 2019

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External Benchmark-based Lending Rate

↓
The Janakraj Committee (2017)

↓
Floating Rate Loans

- ↓ Retail
- ↓ Auto
- ↓ Housing
- ↓ Personal
- ↓ MSMEs

Under it, any of the following external benchmarks can be used to fix the BPLR-

(i) Repo Rate. → RLLR

(ii) Yield Rate of the TBS of 91-days.

(iii) Yield Rate of the TBS of 182 days.

Production

Total cost

Average cost

Marginal cost

1.

₹ 10

₹ 10

—

2.

₹ 18

₹ 9

₹ 8

3.

₹ 24

₹ 8

₹ 6

Extreme

Cost + Mark-up

Price

Loan

Price

Interest rate

↳ Presently, the RBI is maintaining the policy of keeping the MSF rate higher than the Repo Rate by 25 basis points (0.25%).

Presently, the MSF Rate

↓
6.75%

(Repo Rate → 6.50%)

Under it, the RBI can deposit
excessive liquidity of banks without submit-
ting collaterals. This is the reason that
it is also called as the UDF.

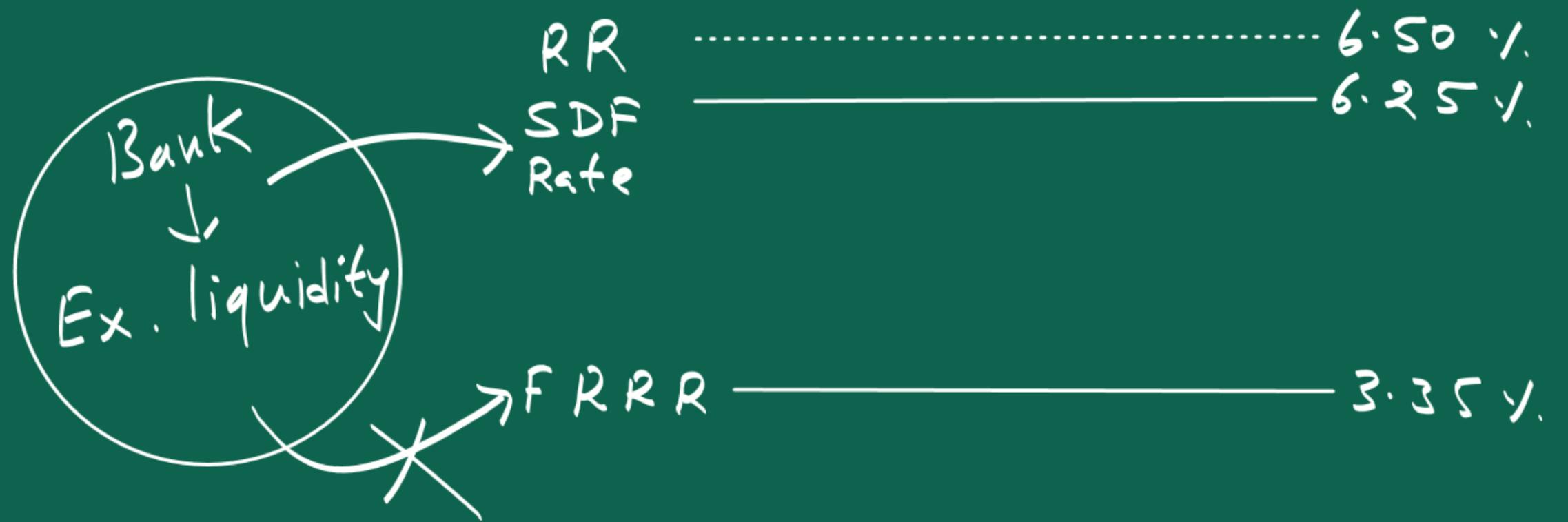
Uncollateralised Deposit facility

Note -

Under the SDF rate, banks can deposit money with the RBI for overnight by using e-kuber, an electronic trading platform run by the RBI.

According to the present policy of the RBI →

The SDF Rate is kept 25 basis points (0.25%) lower than the



Since, the present Repo Rate
is 6.50%, therefore -

The present SDF Rate

↓
6.25%