

RBI's BANKING BAZOOKA

- 50 BPS REPO RATE CUT
- 1% CRR CUT
- Implication On Economy And BFSI Sector



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ROLE OF RBI IN INDIA

- ▶ Controls Inflation, Money Supply, Interest Rates
- ▶ Regulates Banks And NBFCs
- ▶ Sole Issuer Of Indian Currency
- ▶ Manages Foreign Exchange
- ▶ Promotes Financial Inclusion
- ▶ Objective: Price Stability & Economic Growth (RBI Act 1934)

June 2025 Policy Decision

- ▶ - Repo Rate: 6.00% → 5.50% (-50 Bps)
- ▶ - CRR: 4% → 3% (₹2.5 Lakh Crore Liquidity)
- ▶ - Stance: Accommodative → Neutral

CRR Data and Liquidity Context (2015-2025)

Year	Year-End CRR (%)	Average CRR (%)	Liquidity Context / Notes
2015	4.00	4.00	Neutral stance; normal liquidity.
2016	4.00	4.00	Stable liquidity conditions.
2017	4.00	4.00	OMO operations balanced liquidity.
2018	4.00	4.00	Mild tightening due to inflation.
2019	4.00	4.00	Accommodative shift began.
2020	3.00	3.38	COVID-19: CRR cut 100 bps; ₹2.5 lakh cr injected.
2021	4.00	3.50	CRR restored; withdrawal of pandemic easing.
2022	4.50	4.25	Start of rate hikes; liquidity normalization.
2023	4.50	4.50	No change; managed via SDF, VRRR.
2024	4.00	4.25	Dec cut of 50 bps; ₹1.16 lakh cr infused.
2025*	3.00	3.50*	100 bps cut (Apr-Jun); ₹2.5 lakh cr injected.

CRR LOWEST IN RECENT HISTROY

- ▶ To Be Cut In Phased Manner 25 BPS Each On
 - ▶ 06/09/25
 - ▶ 04/10/25
 - ▶ 01/11/25
 - ▶ 29/11/25
- ▶ 2.5 Lakh Crore Of Liquidity Boost .
- ▶ Transition Into Net Surplus From Deficit In Recent Times.

Repo Rate Data and Liquidity Context (2015-2025)

Year	Year-End Repo (%)	Average Repo (%)	Liquidity & Policy Context
2015	7.25	7.45	Post-GFC easing; repo cut 3 times.
2016	6.50	6.65	Continued rate cuts to support growth.
2017	6.00	6.25	Mild easing; CPI under control.
2018	6.25	6.35	Mildly hawkish to neutral; inflation volatility.
2019	5.15	5.60	Multiple cuts due to growth slowdown.
2020	4.00	4.42	Emergency COVID-19 cut; deep easing.
2021	4.00	4.00	Pandemic support maintained.
2022	6.25	5.50	Aggressive tightening amid inflation surge.
2023	6.50	6.50	Stable high rates; inflation moderated.
2024	6.50	6.50	No change; inflation managed, liquidity stable.
2025*	5.50	5.83*	100 bps cut till June to support growth.

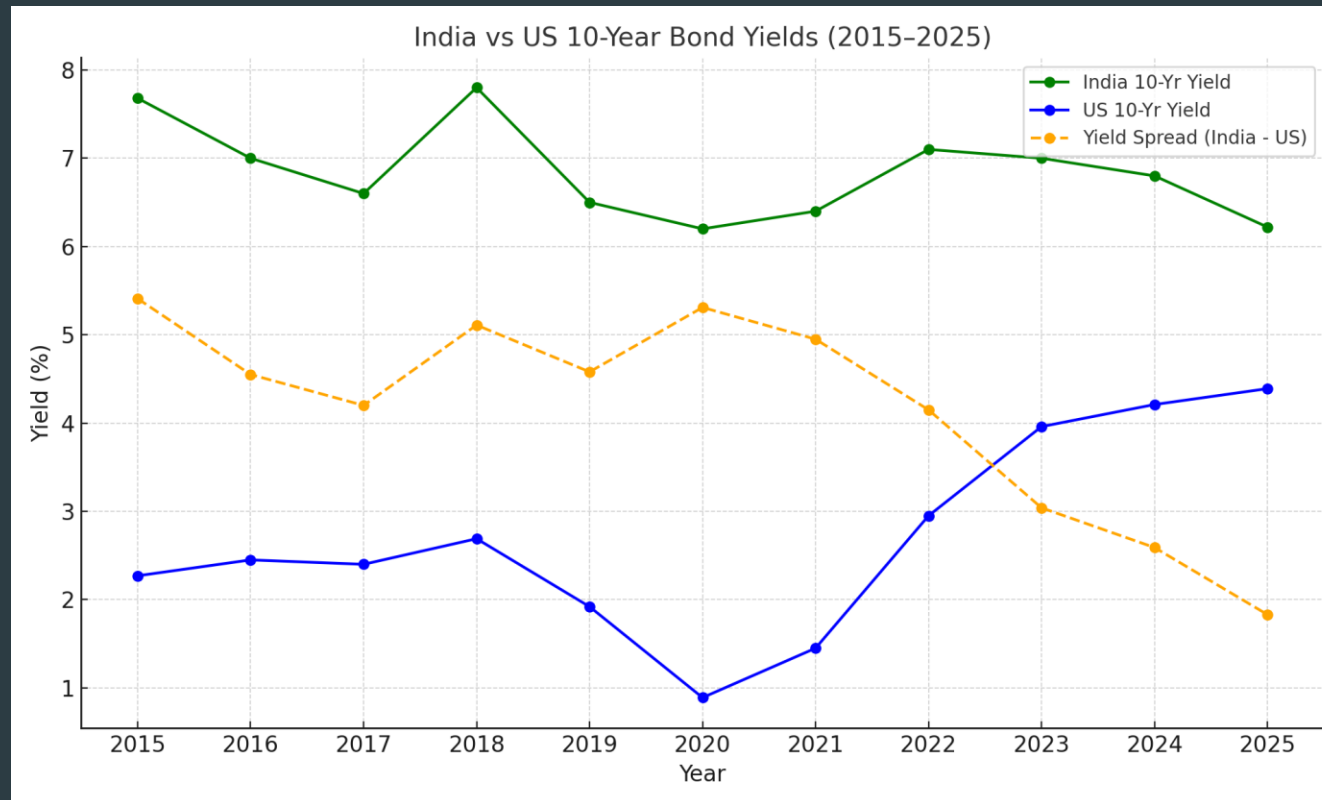
LAG IN TRANSMISSION

- ▶ Impact Is Seen With Some Lag 3-6 Months
- ▶ Repricing Of Loans And Deposits
- ▶ Change In EMI Schedule
- ▶ Surplus Generated Gets Spend Or Saved
- ▶ Markets Tend To Price In This In A Hurry ,Could Lead To Some Volatility And Loss Of Expectations

WHY THE FRONT LOADING

- ▶ Majority Of Analyst Were Factoring 25 BPS Cut
- ▶ Some Were Factoring Two 25 BPS In Back To Back Meetings
- ▶ RBI's Move Came As A Surprise With 50 BPS
- ▶ Reasons For This
 - ▶ Eliminate Time Lag
 - ▶ Stable Macros
 - ▶ Controlled Inflation
 - ▶ Dollar Index Below 100
 - ▶ Slowing Consumption And Industrial Activity













DIFFERENCE WITH US YEILD AT LOWEST



STANCE OF RBI

- ▶ Changed From Accommodative To Neutral
- ▶ Big Rate Cut , Will Wait And Watch
- ▶ Volatile Externals Due To Global Tensions
- ▶ Bigger Than Expected Dividend Of 2.68 Lk Crore
- ▶ **Contingent Risk Buffer (CRB)** (Up To 7.5% Of Balance Sheet)
- ▶ Last Year CRB Was At 6.5% , 7.5% Is The Highest Caping Limit
- ▶ Expect Another 25-50 BPS By Dec , Immediate Stall

A LOOK INTO MACROS

Macro Indicator	Current Status	Support For Rate Cut?
 Inflation (CPI)	2.8% May ; Core At 4%	 Yes
 Crude Oil	Brent ~\$76; Indian Basket ~\$75	 Yes
 USD/INR	Stable At ~85.8; DXY Softening	 Yes
 Fiscal Deficit	Target 4.4% Of GDP; RBI Dividend ₹2.7L Cr	 Yes
 External Balance	CAD <2%; Forex >\$640B	 Yes
 Growth Context	GDP ~7%; Credit Growth 14%	 Yes

BFSI IMPACT

► Banks

- Initial Contraction In NIM
- Lower Cost Of Deposits
- Improved Credit Growth Due To Better Demand
- Likely NPA Fall, Cheaper Loans And Emi
- CRR Cut Improves Liquidity
- Treasury Gains
- Improved Sentiment (Real Estate And Auto)

BFSI IMPACT

▶ NBFC

- ▶ Better Ability To Cut Deposits Than Banks
- ▶ RBI In Easing Regulations (Gold Loan And Provisioning)
- ▶ Credit Growth Better , Rural Demand Revival
- ▶ Housing Demand Pickup

▶ Insurance

- ▶ Rate Cut Helps In Treasury Gain
- ▶ More Savings In The System Might Find Place Here
- ▶ Gains In Investment Portfolio (Listed)

BFSI IMPACT

- ▶ Capital Markets
 - ▶ Lowest SA Rate , Investors Looking Outside Banks
 - ▶ Equity , Debt And Arbitrage Funds Alternative
 - ▶ Improved Sentiment
 - ▶ Flows Coming Back To India
 - ▶ Formalisation Of Economy With Parallel Credit Slowing
 - ▶ Improving Macros
 - ▶ Post Tax Returns Most Attractive

ALTERNATIVE OF FD FOR SENIOR CITIZENS

- ▶ New Scheme Till 12 Lakhs No Tax Can Use That Limit And Enjoy Tax Free Interest Income From Debt (FD ,Bonds And Debt Instruments)
- ▶ Higher Rate Offered To Senior Citizens
- ▶ Under Old Scheme 50,000 Exempt Under 80 TTA
- ▶ Post That Limit Credit Risk Funds , BAF , Multi Asset Funds (Moderate Risk)
- ▶ Gilt Funds , Arbitrage Funds , Debt Funds (A Rated) (Growth)
- ▶ Arbitrage Funds Offer Equity Taxation Most Efficient
- ▶ Debt Funds With Growth Option Optimize Taxation

RISKS AND LIMITATIONS

- ▶ Rising Inflation Risk
- ▶ No Further Rate Cuts Assured
- ▶ US Fed Still Holding Tight
- ▶ Crude Spiking
- ▶ Global Tension
- ▶ Bad Monsoon
- ▶ Lacklustre Private Capex
- ▶ Flight To Safe Assets (Gold And USD)
- ▶ Earnings Disappoitment

CONCLUSION

- ▶ Growth-supportive Cut
- ▶ BFSI Sector To Benefit
- ▶ Effectiveness Depends On Transmission
- ▶ Neutral Stance → Watch Inflation
- ▶ Best Indian Macros
- ▶ Earnings To Support Growth With Capex
- ▶ Most Loans In Single Digit Boost Consumption
- ▶ Another Rate Cut Not Very Soon

Thank You