

# OpenVoiceNews India

Transparent. Unbiased. Yours.

## RBI's ₹2 Lakh Crore VRRR Auction Falls on Low Response Again

July 18, 2025

– Categories: Finance



DOWNLOAD IPFS

The Reserve Bank of India's (RBI) latest three-day Variable Rate Reverse Repo (VRRR) auction, conducted on July 12, 2025, saw only partial participation, drawing ₹1.18 lakh crore against a notified amount of ₹2 lakh crore. This marks the second consecutive auction where the central bank was unable to absorb the full amount it offered, pointing to tightening liquidity conditions in the banking system.

The VRRR auction is a tool used by the RBI to manage excess liquidity by allowing banks to park surplus funds with the central bank at a variable interest rate. The latest auction received bids totaling just over 59% of the total amount on offer, indicating that banks had limited funds available for reverse repo operations.

According to *The Economic Times*, the cut-off rate for the three-day VRRR was set at 6.50%, aligning with the prevailing policy repo rate. This suggests that the RBI is maintaining a tight grip on short-term liquidity to manage inflation and currency stability, even as market participants express concerns over reduced fund availability.

This shortfall comes on the heels of a similar underwhelming response in the RBI's earlier VRRR auction held on July 10, where the central bank also received bids significantly below the notified amount. Experts believe that this continued trend reflects mounting pressures in the system, driven by advanced tax outflows, higher currency leakage, and subdued deposit growth.

“The demand-supply mismatch in liquidity is becoming evident through these auctions. The RBI appears to be allowing the system to stay tight to rein in inflationary expectations,” said a senior treasury official at a private bank, speaking on condition of anonymity.

Market watchers are closely observing how the central bank will respond in the upcoming Monetary Policy Committee (MPC) meeting. While no immediate rate change is expected, analysts predict that the RBI will maintain its cautious stance amid global uncertainties and persistent inflation risks.

This persistent shortfall in VRRR auctions indicates a shift in liquidity dynamics and could impact short-term borrowing costs for banks. Businesses and retail borrowers may feel the pinch if liquidity tightness leads to higher lending rates in the near term.