



MACRO ECONOMICS

RBI's toolkit

Repo, SDF, MSF, CRR and SLR: what each one does and where each stands

Policy rates as on 7 October 2026; reserve ratios as published by RBI on 9 October 2026

For training and education only. Not investment advice.

RBI does not set your home loan rate. It sets the price of overnight money between banks.

Many other interest rates, from a one-year deposit to a ten-year government bond, take their cue from that overnight price.

The job, the committee and the lever

4%



The job

Keep consumer price inflation at 4%, within a band of 2% to 6%. The Government has set this target for 1 April 2026 to 31 March 2031.

6



The committee

The Monetary Policy Committee has six members and decides the repo rate by vote. It has six scheduled meetings in 2026-27.

5.50%

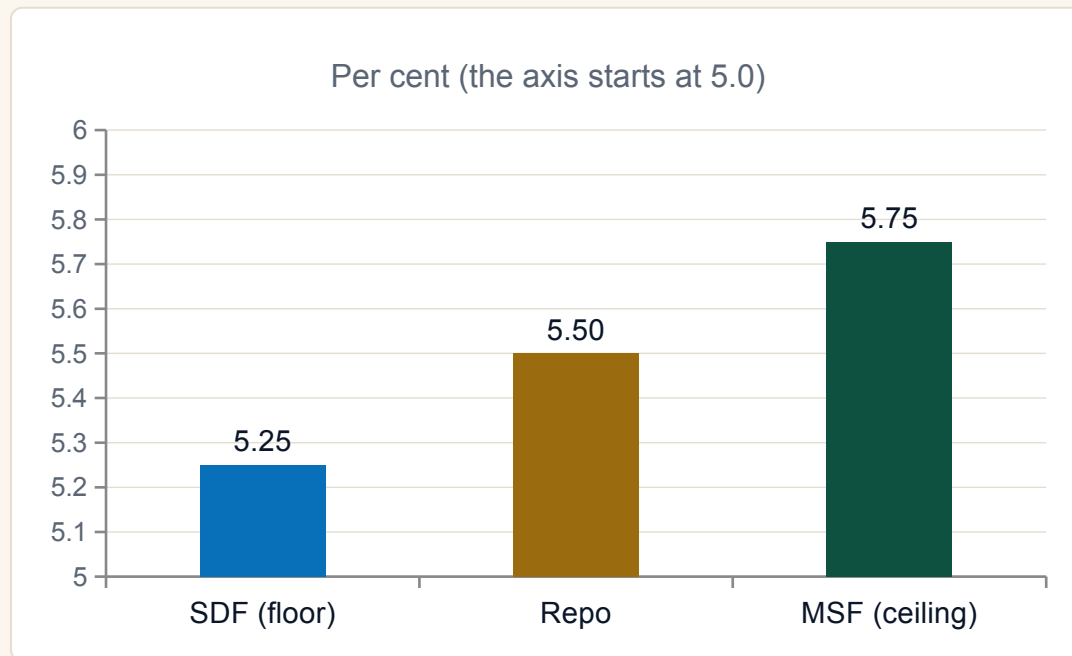


The lever

The policy repo rate. The committee raised it from 5.25% on 7 October 2026 and changed its stance to 'calibrated tightening'.

Sources: RBI Monetary Policy Statement, 7 Oct 2026; RBI press release on the MPC meeting schedule for 2026-27, 23 Mar 2026; Government notification of the inflation target, March 2026.

The corridor: floor, ceiling and repo



Read the chart

- The SDF rate is what RBI pays a bank that parks spare cash with it overnight. That is the floor RBI offers.
- The MSF rate is what a bank pays to borrow overnight from RBI, up to a limit. That is the ceiling.
- Overnight rates mostly trade inside this band. Lenders that cannot use the SDF, such as non-banks, can lend below the floor.

Source: RBI Monetary Policy Statement, 7 Oct 2026.

The rates, one by one

Rate	What it is	Now
Repo rate	The rate at which RBI lends to banks overnight against government securities. This is the policy rate.	5.50%
Standing Deposit Facility (SDF)	The rate RBI pays banks that park spare cash with it overnight, without RBI giving any security. The floor of the corridor since April 2022.	5.25%
Marginal Standing Facility (MSF)	The rate at which banks can borrow overnight from RBI against government securities, up to a limit. The ceiling of the corridor.	5.75%
Bank Rate	A reference rate, now used mainly to set the penalty when a bank falls short on CRR or SLR. Kept equal to the MSF rate.	5.75%
Fixed reverse repo	The old floor. RBI still publishes it, but the SDF replaced it as the floor on 8 April 2022.	3.35%

Sources: RBI Monetary Policy Statement, 7 Oct 2026; RBI Current Rates as published on 9 Oct 2026; RBI press release of 8 Apr 2022 introducing the SDF.

Two ratios that lock up part of every deposit

3.00%



Cash Reserve Ratio (CRR)

The share of its deposits a bank must keep as cash with RBI. A lower CRR leaves banks more money to lend. It was cut from 4% to 3% in four steps between September and November 2025.

18.00%



Statutory Liquidity Ratio (SLR)

The share of its deposits a bank must hold in government securities and other approved liquid assets, which include cash and gold. It keeps banks liquid and gives the government a steady buyer for its bonds.

Out of every ₹100 of deposits (broadly), ₹3 sits with RBI as cash and ₹18 is held in approved liquid assets.

Sources: RBI Current Rates as published on 9 Oct 2026 (CRR 3.00%, SLR 18.00%); RBI circular of 6 Jun 2025 on the phased CRR reduction.

Adding and draining cash: the liquidity tools

The corridor sets the price. These tools change the quantity of cash in the banking system.

1

Open market operations

RBI buys government bonds to add cash or sells them to drain it. It sold ₹1.0 lakh crore of bonds between the August and October 2026 meetings.

2

Variable rate auctions

Short auctions that lend cash to banks (VRR) or absorb it (VRRR). The 7-day auction is the main one. RBI held 55 VRRR auctions in that period.

3

Dollar-rupee swaps

RBI buys dollars from banks and sells them back later, adding rupees for that period. It announced a USD 5 billion, 3-year swap in May 2026.

4

CRR changes

The bluntest tool. A cut releases cash to every bank at once; a rise locks it up.

Sources: RBI Governor's Statement, 7 Oct 2026; RBI liquidity management framework, 30 Sep 2025; RBI press release of 20 May 2026 (USD/INR swap).

Where things stand

As on 7 October 2026. These change at every policy meeting; check the date before you quote them.

REPO RATE

5.50%

Raised 0.25 percentage point on 7 Oct 2026. All members voted for the increase.

STANCE

Calibrated tightening

RBI's term. Changed from 'neutral' by four votes to two.

CPI INFLATION

4.82%

August 2026, provisional. Target 4%, band 2% to 6%. RBI's own projection for 2026-27 is 5.2%.

NEXT MEETING

2-4 Dec

2 to 4 December 2026, then 3 to 5 February 2027.

Sources: RBI Monetary Policy Statement, 7 Oct 2026; MoSPI CPI press release for August 2026 (base 2024=100).

How a repo change reaches a household

1

Overnight rates move first

The call rate and other overnight rates shift almost at once, because the whole corridor moves with the repo rate.

2

Banks' cost of funds changes

Borrowing from RBI and from each other costs more or less, and deposit rates are reset over the following months.

3

Loan rates follow

Floating-rate loans follow, each on its own basis and reset date. Loans linked to an external benchmark such as the repo rate reset at least every three months.

4

Bond yields adjust

Yields on short-term paper move closely with the repo rate. Longer bonds also weigh inflation and government borrowing.

5

Spending and prices last

Borrowing and spending decisions change slowly, so the effect on inflation takes several quarters.

If you learnt this from older material

What older decks say

- The RBI Governor decides the rate.
- There is no inflation target in law.
- The corridor runs from reverse repo to MSF.
- A 14-day auction is the main liquidity operation.

What holds now

- A six-member committee votes, since 2016.
- The Government notifies a 4% target with a 2% to 6% band under the RBI Act, since 2016.
- The floor is the SDF, since 8 April 2022.
- The 7-day auction is the main operation, since 30 September 2025.

The rates change at every meeting. The framework changes rarely, but it has changed.

Sources: RBI Act, sections 45ZA and 45ZB; RBI press releases of 8 Apr 2022 (SDF) and 30 Sep 2025 (liquidity framework).

Four things people get wrong



'Repo changed, so my EMI changes tomorrow.'

Floating-rate loans follow, each on its own reset date; those linked to an external benchmark reset at least every three months. Fixed-rate loans stay as they are.



'CRR and SLR are the same thing.'

CRR is cash kept with RBI. SLR is held by the bank itself in approved securities.



'Reverse repo is the floor.'

It was. Since 8 April 2022 the floor is the SDF rate.



'A rate rise hurts every debt fund equally.'

The fall in price is larger for longer-maturity bonds. Funds holding short-maturity paper reinvest sooner at the new rates.

Check yourself

Q1 Name the floor and the ceiling of the corridor, and say where the repo rate sits.

Q2 A bank has ₹1,000 crore of deposits. Roughly how much must it keep as cash with RBI and how much in approved securities?

Q3 RBI wants to take surplus cash out of the banking system. Name two tools it can use.

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Repo 5.50%, SDF 5.25%, MSF and Bank Rate 5.75%, stance and vote: RBI Monetary Policy Statement, Press Release 2026-2027/1264, 7 Oct 2026.
- CRR 3.00%, SLR 18.00%, fixed reverse repo 3.35%: RBI Current Rates, rbi.org.in, as published on 9 Oct 2026. Phased CRR cut: RBI circular dated 6 Jun 2025.
- Liquidity operations and surplus: RBI Governor's Statement, 7 Oct 2026. USD/INR swap: RBI Press Release 2026-2027/297, 20 May 2026.
- SDF introduced 8 Apr 2022: RBI Press Release 2022-2023/41. Liquidity framework: RBI Press Release 2025-2026/1201, 30 Sep 2025.
- MPC schedule 2026-27: RBI Press Release 2025-2026/2306, 23 Mar 2026. CPI August 2026: MoSPI press release, 14 Sep 2026.
- Monetary Policy Committee and inflation target: Reserve Bank of India Act, sections 45ZA and 45ZB; Government notification of March 2026.

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