

Focus shifts to growth-inflation balancing

Term money mkt opened up for NBFCs, firms

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THE RESERVE BANK of India (RBI) on Wednesday expanded the participant base of the term money market to include non-bank entities such as non-banking financial companies (NBFCs) and corporates. It also enhanced the borrowing limits for standalone primary dealers in the same.

Currently, banks and standalone primary dealers can only participate in the term money market with certain prudential limits. In the term money market, participants can borrow for periods longer than 14 days, up to 1 year.

"An active-term money market, apart from providing an alternative funding avenue to the market participants, also helps in enhancing monetary policy transmission by creating a link between the overnight money market and longer-term interest rates," the RBI said in a statement.

"The daily traded volumes in the term money market are a fraction of the volumes in the overnight money market as participants were limited only to banks and primary dealers (PDs) in the term money market. With the inclusion of more participants, we expect the overall volumes, liquidity and funding for broader market participants to improve," said Karthik Srinivasan, senior vice-president and group head financial sector ratings, Icr.

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■ Term money market is a segment where funds are borrowed for more than 14 days, up to 1 year

■ Earlier, only banks and standalone primary dealers could participate in the term money market

■ Now, RBI has expanded access to include non-bank lenders, corporates

■ RBI has also increased borrowing limits for primary dealers



■ Avg daily volume in the term money market stood at **₹1,463 cr** during April 2025-January 2026

■ It was at ₹952 cr during the corresponding period a year ago

■ Daily average volume in overnight call money was ₹27,427 cr during April 2025-January 2026

The average daily volume in the term money market stood at ₹1,463 crore during April 2025-January 2026 compared with ₹952 crore during the corresponding period a year ago, data from RBI show. Meanwhile, daily average volume in overnight call money was ₹27,427 crore during April 2025-January 2026 compared with ₹17,799 crore a year ago.

Srinivasan added that as the borrowing limits of PDs is proposed to be enhanced for borrowings in the term

money market, this would improve their financial flexibility to participate in the non-statutory liquidity ratio (SLR) market.

Market participants expect the move to enhance liquidity and participation in the term money market.

"It will help us deploy excess funds in the call market, which were previously parked with mutual funds, and margins available were quite restricted. Overall, this diversification slightly enhances

returns from a yield perspective," said Tribhuwan Adhikari, MD & CEO, LIC Housing Finance.

Kapish Jain, chief financial officer, IIFL Finance, said that it will help them diversify funding options for NBFCs, steering them away from brittle sources. In times of market stress when liquidity dries up, it provides a strong backup for borrowing, ultimately strengthening the overall liquidity management in the event of any market exigency.