

Rising issuance of CPs, CDs may keep money market rates elevated

ANJALI KUMARI

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Increased issuances of commercial papers (CPs) and certificates of deposit (CDs) are likely to keep money market rates moderately elevated, following a decline of 40-60 basis points (bps) over the three months ending August, India Ratings said in a report.

Money market rates have remained stable this month, with moderate fluctuations of 5-10 bps, due to system liquidity volatility caused by quarterly advance corporate tax payments and GST payments.

According to the report, fundraising by State-owned banks through CDs has gone up significantly, with these banks issuing ₹97,900 crore worth of CDs in September (as of Sep 24), up from ₹56,400 crore in August. Even private sector banks have shown strong momentum in issuing such instruments. These banks have issued ₹27,000 crore worth of CDs, compared to ₹23,900 crore in August.

This surge in CD issuances is driven by quarter-end reporting, as funds raised through

ON THE RISE

■ Issuances of commercial paper (CP) have gained traction ahead of festival season

■ As on September 24, corporates issued ₹34,800 crore, against ₹52,400 crore in August

■ NBFCs and housing finance firms issued ₹61,200 crore, up from ₹53,700 crore in August

CDs are included under aggregate deposits, the report highlighted. Additionally, banks are increasingly taking the CD route to raise funds to support their credit growth since deposit growth has been sluggish, with the Reserve Bank of India repeatedly asking the banks to adopt innovative ways to mobilise deposits so that the gap gets narrower.

Concurrently, CP issuances have gained traction ahead of the festive season, with non-banking financial companies (NBFCs) issuing CPs due to favourable financing conditions and increased demand

CERTIFICATE OF DEPOSIT ISSUANCES

Amount (in ₹ crore)

Jan	87,500
Feb	1,49,214
Mar	1,27,430
Apr	32,860
May	82,580
Jun	1,48,775
Jul	67,160
Aug	82,020
Sep*	1,35,065

*As on September 25
Source: PRIME database

for liability funding.

Total CP issuances remained stable, with corporates issuing CPs worth ₹34,800 crore as on September 24, compared to ₹52,400 crore in August, while NBFCs and housing finance companies (HFCs) issued papers worth ₹61,200 crore, up from ₹53,700 crore.

Meanwhile, domestic banking system liquidity remained in surplus mode through September 2024 (up to 24th), except for a few days due to quarterly advance corporate tax payments followed by monthly GST payments in the third week of the month.