

Chapter-3 Money Market in India

What is Money market?

It is the market in which short term funds are borrowed and lent.

The lending institutions are:-

- Government and other sovereign bodies
- Banks and Development financial institutions
- PSUs- Public Sector undertakings
- Private Sector Organizations
- The Government and Quasi Government owned non corporate entities

Large numbers of instruments that are traded in the money market are issued by government of India, state governments and other statutory bodies. Instruments that are issued by the development financial institutions (DFIs) and banks carry highest credit ratings among non-government issuers mainly due to their connection with the Indian government.

Instruments of Money Market:

1. Call Money
2. Treasury Bills
3. Certificate of Deposits
4. Commercial Papers
5. Inter Corporate Deposits
6. Ready Forward Contracts
7. Commercial Bills
8. Pass Through Certificates
9. Dated Government Securities

Money Market concepts:

1. Issued Capital
2. Paid up Capital
3. Authorised Capital
4. Repo Operations
5. Fixed Rate Repos
6. Net Asset Value
7. Floating Rate Note
8. Stock Invest
9. Zero Coupon Bonds
10. Jumbo Lot
11. Book Building
12. Dabba Trading