



***BANKERS HERALD***  

---

*CONNECT INTERACT LEARN*



# **Banking Awareness- Money and Capital market pdf download**

**Bankers herald team  
7/17/2015**

## Money and its Importance in banking sector:

- Money is a thing that is usually accepted as payment for goods and services as well as for the repayment of debts.
- Money originated as commodity money, but almost all contemporary money system are based on concept of Fiat money.
- Fiat Money is of no value as a physical commodity, and derives its value by being declared by the government to be a legal tender.
- It must be accepted as form of payment within the boundaries of the country. This applies for all debts, public as well as private generally accepted as a form of payment.

## Important point about Money Markets:

- The main definition of Money market is wholesale debt market for low risk, highly-liquid, short term instrument. Funds are available in this market for periods ranging from a single day up to a year. This market managed by government of India, bank and financial institution.

### Instrument of Money market:

Money market instruments: The money market can be defined as a market for short-term money and financial assets that are near substitutes for Money. The Short-term means generally a period Upto one year and near substitutes to Money is used to denote any financial assets which can be quickly converted into Money with minimum transaction cost.

Here we are going to discuss about Money market instruments in below:

- Call/Notice Money
- Treasury Bills
- Term Money
- Certificate of Deposit
- Commercial deposit

### Call/Notice Money market:

- It is the money borrowed or lent on demand for a very short period. When Money is borrowed or lent for a single day. It is also known as Call Overnight money.
- Borrowed on a day and repaid on the next working day, irrespective of the number of intervening holidays is “call money”.

### **Notice Money:**

- When money is borrowed or lent for more than a day and up to 14 days, its called notice money.
- No Collateral security is required to cover these transactions.

### **Inter-bank Term Money:**

- Inter-bank Market for deposit of maturity beyond 14 days is referred to as the term money market. The entry restrictions are the same as those for call/notice money except that, per existing regulations, the specified entities are not allowed to lend beyond 14 days.

### **Treasury bill:**

- Treasury bills are short term up to one year borrowing instruments of the union government. It is promise by the Government to pay stated sum after expiry of the stated period from the date of issue 14/91/182/364 days.

### **Certificate of deposits:**

- Receipt issued by the depository institution such as a bank, credit union, or a finance or insurance company to depositor who opens a certificate account or time deposit account.

It is issued in negotiable or non-negotiable form,

- Amount deposited
- Rate of Interest

Minimum period for which the deposit should be maintained without incurring early withdrawal penalties.

### **Commercial Papers:**

- An unsecured obligation issued by a corporation or bank to finance its short-term credit's needs, such as account receivable and inventory. Maturities typically range from 2 to 270 days. Commercial paper is available in wide range of denominations, can be either discount or interest. Commercial paper is usually issued by companies with high credit ratings, meaning that the investment is almost always relatively low risk.

### **Capital Market:**

- The Economy needs the availability of primary resources which is money and productive purpose for gainful investment. The growth for a vibrant economy is pushed by matching the funds availability with productive use.

## How is this objectives pursued?

Capital market is the mechanism by which the owners of capital or money supply their funds to users for values creation. The Industry and entrepreneurs seek to satisfy the suppliers of money with opportunities for increasing saving. Those who make the right choice gain from wealth generation. The capital market, through different institutions and players mobilize the funds and transfer them to the chosen entrepreneurs through a variety of financial instruments.

## How is the process of Raising capital carried out?

- There are two ways in which it is done:

Primary market: Where the users of capital issues new securities to raise capital either for fresh ventures or expansion. The Financial instruments or the security is directly issued to the investor at face value or at a discount/premium depending on the strength of the company and proposed offer.

Secondary market: That enables buyers and sellers of securities to trade in these securities. Stock exchange is an organization, where buyers and sellers of securities come together for trading in these securities. The Companies which raise money from the public area, required to list their securities on the stock exchange.

### DEMAT Account:

The Term "DEMAT" in India, refers to a dematerialized account for individual Indian citizens to trade in listed stocks or deb endures in electronics from rather than paper, as required for investor by the Securities and exchange board of India (SEBI). In DEMAT account, share and securities are held electronically instead of the investor taking physical possession of certificate. A DEMAT account by the investor while registration with an investment broker.

### INITIAL PUBLIC OFFERINGS IPOS:

When a company opens to investment from the public by offering shares for the first time it is known as initial public offer. The retail investors who participate in the offer are considered to have subscribed to the company's equity and thus qualify to become shareholders of the company along with the existing.

### Share market:

Funds raised by issuing share in return for cash or other considerations. The amount of share capital a company has can change overtime because each time a business sells new share to the public in exchange for cash, the amount of share capital will increase. Share capital can be composed of both common and perform shares.