HINDU COLLEGE GUNTUR

(Re-accredited by NAAC as Grade „A‟ with CGPA 3.07)

DEPARTMENT OF ECONOMICS

ADD ON COURSE

ON

MONEY MARKET IN INDIA

1^{st} JULY - 11^{th} August 2017

Dr. P. Venugopal
Incharge

Dr.Y.Gowrisankar
Principal

Date: 30-06-2017

From
Head,
Department of
Economics,
Hindu College,
Guntur.

To
The Principal,
Hindu College,
Guntur.

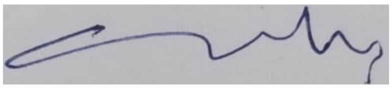
Sir,

Sub: Request to permit to conduct Add-on Course Certificate Course on "Money Market in India" to students – Regarding.

***

The department of Economics is planning to conduct Add-on Course on "Money Market in India" to students of UG. In this regard, we are requesting you to kindly permit us to conduct the course for the benefit students. Duration of the course is 30 days. We are planned to the programme to be started on 1-07-2017 to 11-08-2017.

Thanking you,



Dr. P. Venugopal
Incharge
Department of Economics

(Dr.Y.Gowri sankar)
Principal

HINDU COLLEGE, GUNTUR

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15-02-2022

NOTICE

DEPARTMENT OF ECONOMICS

Add-on Course

The department of Economics planning to conduct Add-on course on "Money Market In India" for the UG students. Interested students are directed to register on or before 17-02-2017. Classes will commence from 21-02-2017 to 13-04-2017. The classes will be held in the department of Economics from 4.00 pm to 5.30 pm.

Duration – 30 days

For details:

Dr. K. Kanakadurga - 9959127166

Dr. P. Venugopal - 9848414052

(Dr. P. Venugopal)
Incharge
Department of Economics

DEPARTMENT OF ECONOMICS

ADD-ON COURSE ON
“Money Market in India”

OBJECTIVES:

This programme is designed to educate our students about Money Market and shares debentures and securities transactions and insurance sector in India.

ADD-ON COURSE SYLLABUS

SYLLABUS

Module – 1 INDIAN MONEY MARKET

Organized Market - Unorganized Market - Banking Sector - Sub-Markets - Reserve Bank - Commercial Bank - Development Bank - Cooperative Banks - Public Sector Banks - Private Sector Banks – State, Regional, Nationalized Bank.

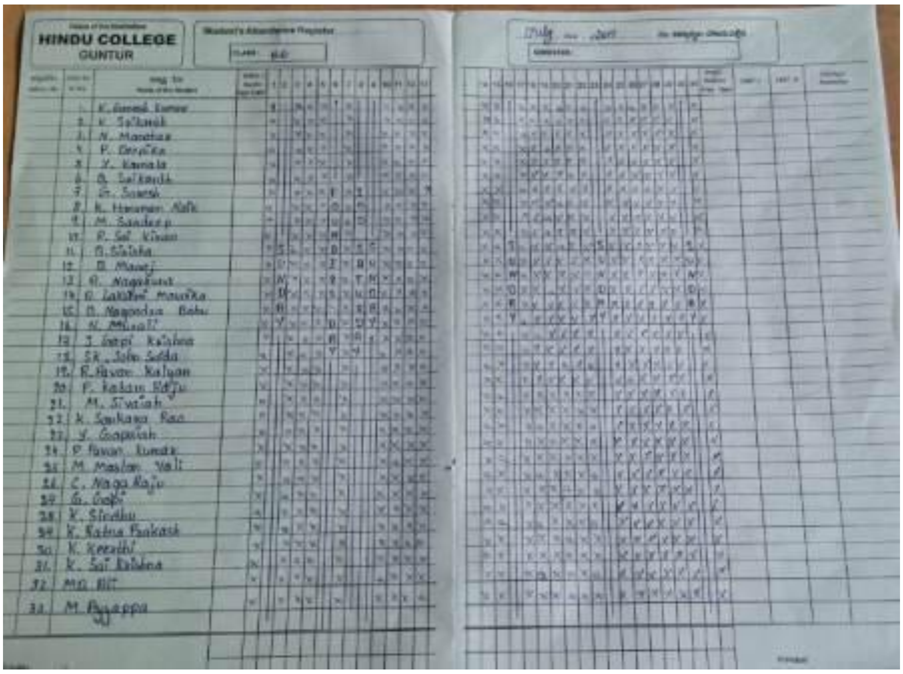
Module – 2 CAPITAL MARKET

Government Securities – Industrial Securities – Intermediary Institutions – Development Institutions – Primary and Secondary Markets – Shares, Debentures, Securities.

Module – 3 INSURANCE

Concept of insurance – Life insurance- general insurance – types of life and general insurance – regulation of insurance business in India

ADD-ON COURSE ATTENDANCE



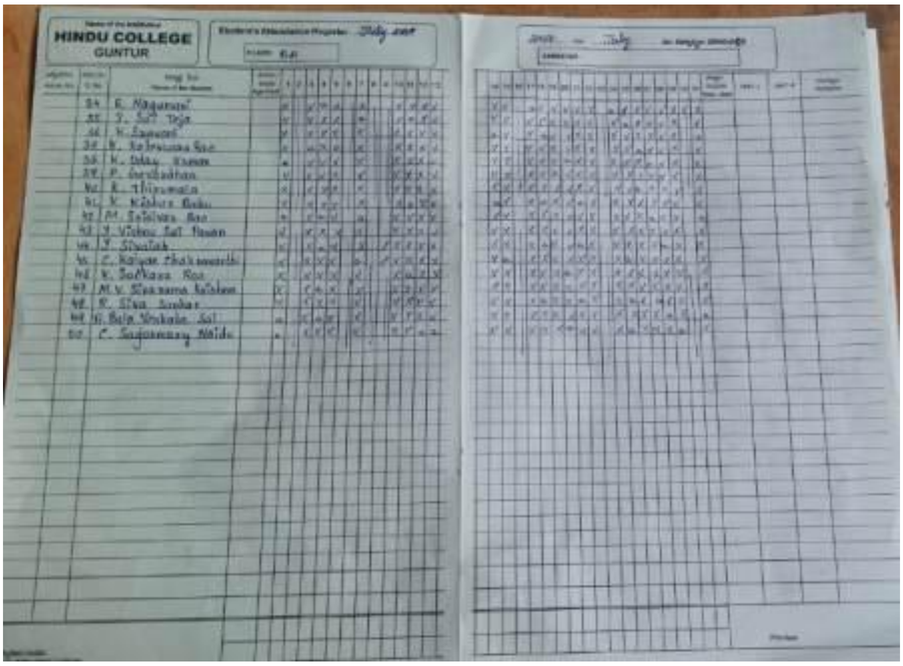
HINDU COLLEGE
GUNTUR

Student's Attendance Register

CLASS: B.C

July 2019

1. K. Ganesh Kumar
2. K. Saikanth
3. N. Manohar
4. P. Devika
5. Y. Kamala
6. B. Saikanth
7. G. Suresh
8. K. Hanuman Naik
9. M. Sandeep
10. R. Sai Kiran
11. B. Sirisha
12. B. Manoj
13. R. Nagakumar
14. G. Lakshmi Mounika
15. B. Nagendra Babu
16. N. Murali
17. J. Gopi Krishna
18. SK. John Saida
19. R. Pavan Kalyan
20. P. Kalasu Raju
21. M. Siviah
22. K. Srikanth Rao
23. Y. Gopaiah
24. P. Pavan Kumar
25. M. Mastan Vali
26. C. Naga Raju
27. G. Gopi
28. K. Sindhu
29. K. Ratna Prakash
30. K. Keerthi
31. K. Sai Krishna
32. MD. Rit
33. M. Ayyappa



HINDU COLLEGE
GUNTUR

Student's Attendance Register July 2019

CLASS: B.C

34. E. Nagamani
35. T. Sai Teja
36. K. Eswari
37. B. Kotiswara Rao
38. K. Uday Kumar
39. P. Gowardhan
40. K. Thirumala
41. K. Kishore Babu
42. M. Srinivas Rao
43. J. Vishnu Sai Pavan
44. T. Sivaiah
45. C. Kalyan Chakravarthi
46. K. Sudhakar Rao
47. M.V. Sitarama Krishna
48. R. Siva Sankar
49. N. Bala Venkata Sai
50. C. Sujankumar Naidu


HINDU COLLEGE
GUNTUR
Student's Attendance Register
August 2017
CLASS: BA
1. K. Ganesh Kumar
2. K. Srikanth
3. M. Manohar
4. P. Deepika
5. Y. Kavitha
6. B. Srikanth
7. G. Suresh
8. K. Hanuman Naik
9. M. Sandeep
10. P. Sai Kiran
11. B. Sirisha
12. B. Manoj
13. A. Nagarjuna
14. A. Lakshmi Mounika
15. K. Nagendra Babu
16. N. Murali
17. T. Gopi Krishna
18. Sk. John Saida
19. K. Pavan Kalyan
20. P. Kishore Babu
21. M. Sivaiah
22. K. Sankara Rao
23. Y. Gopaiah
24. P. Pavan Kumar
25. M. Madan Mali
26. C. Naga Raju
27. G. Gopi
28. K. Sridhar
29. K. Ratna Prakash
30. K. Keerthi
31. K. Sai Krishna
32. MD. Ali


HINDU COLLEGE
GUNTUR

ADD-ON COURSE CERTIFICATE

HINDU COLLEGE, GUNTUR

(Re-accredited by NAAC as Grade 'A' with CGPA 3.07)

DEPARTMENT OF ECONOMICS

Certificate of Participation

This is to certify that Mr. / Miss ________________________________

________________ Class. Group ________________ has participated in

"Money Market in India" programme organised from 01-07-2017 to 11-08-2017.

HEAD OF THE DEPARTMENT PRINCIPAL

DEPARTMENT OF ECONOMICS

ADD-ON COURSE CLASSES

ADD-ON COURSE MATERIAL

MODULE – I

Money Market

Money Market is a financial market where short-term financial assets having liquidity of one year or less are traded on stock exchanges. The securities or trading bills are highly liquid. Also, these facilitate the participant's short-term borrowing needs through trading bills. The participants in this financial market are usually banks, large institutional investors, and individual investors.

There are a variety of instruments traded in the money market in both the stock exchanges, NSE and BSE. These include treasury bills, certificates of deposit, commercial paper, repurchase agreements, etc. Since the securities being traded are highly liquid in nature, the money market is considered as a safe place for investment.

The Reserve Bank controls the interest rate of various instruments in the money market. The degree of risk is smaller in the money market. This is because most of the instruments have a maturity of one year or less.

Hence, this gives minimal time for any default to occur. The money market thus can be defined as a market for financial assets that are near substitutes for money.

Objectives of Money Market

Below are the main objectives of the money market:

1. Providing borrowers such as individual investors, government, etc. with short-term funds at a reasonable price. Lenders will also have the advantage of liquidity as the securities in the money market are short-term.
2. It also enables lenders to turn their idle funds into an effective investment. In this way, both the lender and borrower are at a benefit.
3. RBI regulates the money market. Therefore, in turn, helps to regulate the level of liquidity in the economy.
4. Since most organizations are short on their working capital requirements. The money market helps such organizations to have the necessary funds to meet their working capital requirements.
5. It is an important source of finance for the government sector for both national and international trade. And hence, provides an opportunity for the banks to park their surplus funds.

Importance of the Money Market

The money market is a market for short term transactions. Hence it is responsible for the liquidity in the market. Following are the reasons why the money market is essential:

- It maintains a balance between the supply of and demand for the monetary transactions done in the market within a period of 6 months to one year..
- It enables funds for businesses to grow and hence is responsible for the growth and development of the economy.
- It aids in the implementation of monetary policies.
- It helps develop trade and industry in the country. Through various money market instruments, it finances working capital requirements. It helps develop the trade in and out of the country.
- The short term interest rates influence long term interest rates. The money market mobilises the resources to the capital markets by way of interest rate control.
- It helps in the functioning of the banks. It sets the cash reserve ratio and statutory liquid ratio for the banks. It also engages their surplus funds towards short term assets to maintain money supply in the market.

Types of Money Market Instruments in India

1. Treasury Bills

Treasury Bills are one of the most popular money market instruments. They have varying short-term maturities. The Government of India issues it at a discount for 14 days to 364 days.

These instruments are issued at a discount and repaid at par at the time of maturity. Also, a company, firm, or person can purchase TB's. And are issued in lots of Rs. 25,000 for 14 days & 91 days and Rs. 1,00,000 for 364 days.

2. Commercial Bills

Commercial bills, also a money market instrument, works more like the bill of exchange. Businesses issue them to meet their short-term money requirements.

These instruments provide much better liquidity. As the same can be transferred from one person to another in case of immediate cash requirements.

3. Certificate of Deposit

Certificate of Deposit (CD's) is a negotiable term deposit accepted by commercial banks. It is usually issued through a promissory note.

CD's can be issued to individuals, corporations, trusts, etc. Also, the CD's can be issued by scheduled commercial banks at a discount. And the duration of these varies between 3 months to 1 year. The same, when issued by a financial institution, is issued for a minimum of 1 year and a maximum of 3 years.

4. Commercial Paper

Corporates issue CP's to meet their short-term working capital requirements. Hence serves as an alternative to borrowing from a bank. Also, the period of commercial paper ranges from 15 days to 1 year.

The Reserve Bank of India lays down the policies related to the issue of CP's. As a result, a company requires RBI's prior approval to issue a CP in the market. Also, CP has to be issued at a discount to face value. And the market decides the discount rate.

Denomination and the size of CP:

Minimum size – Rs. 25 lakhs

Maximum size – 100% of the issuer's working capital

5. Call Money

It is a segment of the market where scheduled commercial banks lend or borrow on short notice (say a period of 14 days). In order to manage day-to-day cash flows.

The interest rates in the market are market-driven and hence highly sensitive to demand and supply. Also, the interest rates have been known to fluctuate by a large % at certain times.

Features of Money Market

- It can be called as a collection of the market. Its main feature is liquidity. All the submarkets, such as call money, notice money, etc. have close interrelation with each other. This helps in the movement of funds from one sub-market to another.
- The volume of traded assets is generally very high.
- It enables the short-term financial needs of the borrowers. Also, it deals with investments that have a maturity period of 1 year or less.
- It is still evolving. There is always a possibility of adding new instrument.

MODULE – II

Introduction of Capital Market

A capital market is a financial market in which investors buy and sell financial securities, such as stocks and bonds. These transactions take place through various exchanges. A stock market, for example, is an exchange where stock brokers and traders buy and sell stocks of public companies. A bond market is an exchange where traders buy and sell bonds issued by corporations, governments, or other entities.

The primary function of the capital market is to bring together investors who buy securities with those who sell them. The three main participants of the capital markets are savers (also known as investors), borrowers, and stockholders.

The term capital market includes the stock market, bond market, and related markets. The term is frequently used with reference to banks and banking in both a narrow and broad sense. In the United States, the term is sometimes used to include markets for saving and loans as well as bonds. The units invested may be of any country.

Characteristics of Capital Market

As the capital market is the primary source where the finance is raised for financing the activities of any business, the following characteristics must be present in the capital market to make it effective.

The various characteristics of capital market are as follows:

Some of the important characteristics of a capital market are following:

Security is the basic requirement for any kind of investment to make a profit. Securities are the financial instruments that carry all the information about the underlying assets, liabilities, income, and expenses.

Brokers and dealers play an important role in the capital market. They act as middlemen, that is, they buy and sell securities for their customers. The brokers and dealers make their profit by collecting the brokerage fees, which is a small percentage of the overall transaction value.

Competition among the market players is a key factor in the capital market.

An active and competitive market is very important as it ensures that the buyers and sellers get the best price for their investment. There must be a proper system of transfer of ownership of securities so that they can easily change hands.

What are the Different Instruments of the Capital Market

The types of capital market instruments are broadly classified into two types -

1. **Equity Security**

   a. **Equity Shares**

   These shares are the prime source of finance for a public limited or joint-stock company. When individuals or institutions purchase them, shareholders have the right to vote and also benefit from dividends when such an organization makes profits. Shareholders, in such cases, are regarded as the owners of a company since they hold its shares.

   b. **Preference Shares**

   These are the secondary sources of finance for a public limited company. As the name suggests, holders of such shares enjoy exclusive rights or preferential treatment by that company in specific aspects. They are likely to receive their dividend before equity shareholders. However, they do not typically have any voting rights.

2. **Debt Security**

   It is a fixed income instrument, primarily issued by sovereign and state governments, municipalities, and even companies to finance infrastructural development and other types of projects. It can be viewed as a loaning instrument, where a bond’s issuer is the borrower.

   a. **Bonds**

   Bondholders are considered as creditors concerning such an entity and are entitled to periodic interest payment. Furthermore, bonds carry a fixed lock-in period. Therefore, issuers of bonds are mandated to repay the principal amount on the maturity date to bondholders.

b. **Debentures**

Unlike bonds, debentures are unsecured investment options. Consequently, they are not backed by any asset or collateral. Here, lending is entirely based on mutual trust, and, herein, investors act as potential creditors of an issuing institution or company.

All these four instruments are parts of the capital market. Since each is unique and has distinguishing features, they are useful in different ways for a company. Therefore, it is crucial to understand the different types of capital market instruments so that you can acknowledge their purposes.

What are the Functions of the Capital Market?

Irrespective of the capital market and its types, their functions are similar. These are listed below -

- Enhance trading of securities
- Provides a common platform to both investors and savers
- Accumulation of capital for companies that need them
- Stimulates economic growth
- It improves the process of allocation of capital
- Prepares for continuity of funds availability
- It reduces information and transaction charges significantly.
- Faster valuation of securities.
- Provides proper channeling of funds to be used productively.

Therefore, the capital market is an effective medium for mobilizing funds between investors and sellers. With the functions listed above, it is evident that the capital market is not only a platform for fund transfer but also has its long-term advantages.

It is useful in boosting national incomes, thereby enhancing the overall economic growth of a nation as a whole. As a result, you will need to understand the concepts from the grassroots to get an in-depth idea of a capital market meaning and types, functions, and significance.

What are the Types of Capital Market?

The types of the capital market – primary and secondary are essential to understand for Commerce students. Additionally, there are other divisions of the capital market based on the traded security type - bond market and the stock market.

Herein, we will focus on the former division of capital market types - primary and secondary markets.

- **Primary Market**

  Herein, the trading takes place for new securities. Companies go public for the first time in this market allows entities outside the locus of an organization to purchase their shares. This phenomenon is called Initial Public Offering or IPO.

- **Secondary Market**

  Between the types of capital markets, it deals with securities that have already been traded in the primary market. New York Stock Exchange (NYSE), Bombay Stock Exchange (BSE), National Stock Exchange (NSE), etc. are secondary markets.

MODULE – III

Insurance is a legal contract between a person and an insurance business in which the insurer promises to provide financial protection (Sum guaranteed) against unforeseen events for a certain price (premium). The many types of insurance plans available today may be grouped into two groups :

- Life Insurance
- General Insurance

1. General Insurance

Some of the kinds of general insurance offered in India are as follows :

- Health Care Coverage
- Automobile Insurance
- Homeowners' Insurance
- Insurance against fire
- Insurance for Travel

2. Life Insurance

Life insurance comes in a variety of forms. The most prevalent types of life insurance policies offered in India are as follows :

- Term Life Insurance
- Unit-Linked Insurance Plans
- Whole Life Insurance
- Endowment Plans
- Child Plans for Educations
- Retirement Plans

Let's take a closer look at the many kinds of insurance policies :

General Insurance

General insurance plans are one of the types of policies that provide coverage in the form of sum assured against damages besides the policyholder's demise. In general, general insurance refers to a variety of insurance plans that provide financial protection against losses caused as a result of liabilities such as a bike, automobile, house, or health. The following are examples of several types of general insurance policies :

Health Care Coverage

Health insurance is a form of insurance policy that covers the costs of medical treatment. Health insurance policies either cover or repay the cost of treatment for any included disease or injury. Various forms of health insurance cover a wide range of medical bills.

It typically provides defence against :

- Inpatient care
- Critical illness treatment
- post-hospitalization medical bills
- Procedures for day-care

A few types of health insurance policies also cover resident care and pre-hospitalization costs. The following are some of the several types of health insurance policies available in India :

1) Individual Health Insurance

Provides coverage to a single person.

2) Family Floater Insurance

This type of insurance allows your complete family to be covered under one policy, which often includes the husband, wife, and two children.

3) Critical Illness Coverage

A sort of health insurance that covers a variety of life-threatening illnesses such as stroke, heart attack, renal failure, cancer, and other comparable conditions. When a policyholder is diagnosed with a serious illness, they get a lump sum payment.

4) Senior Citizen Health Insurance:

These insurance policies are designed for people over the age of 60.

5) Group Health Insurance

This is a type of insurance that a business provides to its employees.