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AN EMPIRICAL STUDY ON INDIAN MONEY MARKET

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ABSTRACT-

Foreign exchange trading plays an important role in economic development in India. However, it is less developed than the US and London foreign exchange markets. In this market, short-term money is borrowed and lent between participants authorized by the Reserve Bank of India. The financial market ensures that organizations with surpluses receive some compensation for the excess. Otherwise, these funds will not be used by the organization. Similarly, financial markets ensure that money reaches the poor at reasonable interest rates. In this way, financial transactions can be made safely. Now let's talk about the various financial markets in India. The money market in India is controlled by the Reserve Bank of India (RBI). Therefore, the intermediary and participants of the transaction need to be approved by the Reserve Bank of India. India's certification bodies have provided a transparent face to foreign investors, ensuring the stability of their long-term investments. These include a free and strong press, a judiciary that can change the government, complex legal and financial accounting systems, and good customer experience. India's strong and competitive private sector has long been the cornerstone of its economic activity. It accounts for more than 75% of GDP and provides huge resources for collaboration and cooperation Today, India is one of the most exciting markets in the world. Management skills and expertise that rival the best in the world and a middle class larger than those in the United States or the European Union give India a competitive advantage globally. The average turnover of the Indian foreign exchange market is over Rs. 40,000 crore per day. This accounts for more than 3% of the total revenue in the Indian economy and more than 6% of the total amount deposited by commercial banks into the system. This means that every year 2% of India's GDP is traded in the foreign exchange market in a day. Although the money market is much larger than the capital market, it accounts for less than a fraction of the daily market in the developed market.

KEYWORDS- Indian money market, GDP, Financial market, Commercial instruments

INTRODUCTION –

According to the Reserve Bank of India, "money market is the centre for dealing, mainly of short-term character, in money assets; it meets the short-term requirements of borrowings and provides liquidity or cash to the lenders. It is the place where short term surplus investible funds at the disposal of financial and other institutions and individuals are bid by borrowers' agents comprising institutions and individuals and the government itself."
Traditionally, the word "money market" refers to the short-term market and distribution of money. Financial instruments are instruments that are not more than one year old. The most important part of the foreign exchange market is the business of lending foreign currency at night and hour and lending between banks and financial institutions. Call money or repurchase agreements are two short-term financial products.

The following instruments are financial instruments:

Financial instruments in which tangible and short-term instruments are traded in the market are called commercial money. This is a general definition. People who like to play or trade for a short period of time, from a few days to a year. It is mostly used for short-term loans. Due to its efficiency and short-term safety, the money market is considered a safe place to close money (i.e. invest in the money market).
Participants of the financial market explain in great detail the differences between the capital market and the foreign exchange market.
Capital market refers to the stock market for business and the money market for advertising and marketing. This is in contrast to the financial market, which provides short-term loans and investments. In the money market, there are loans and advances with a maturity of one year or less. There are seven types of financial instruments:-
1) Certificate of Deposit (CD)
2) Commercial Paper (C.P)
3) Treasury Bill
4) Interbank Participation Certificate
5) Promissory Note Rediscount
6) Interbank forward currency

LITERATURE REVIEW –

Reuters (2009) article: Indian finance is flush with cash flow, close to reverse repo rate. India's overnight rate was reduced to 3.25% on Wednesday. This surplus money will help banks meet their needs easily. The availability of cheaper loans and mortgages (CBLOs) also contributed to the cash flow impact. On that day, banks were asked to report their activities to the Reserve Bank of India on a fortnightly basis. The change increased income expectations. Some analysts say the central bank may start increasing its revenues from December 2009 as it puts pressure on customers when it comes to simple finances, which could have a major impact on business. Interest rates can also be adjusted based on the daily exchange rate of the same central bank, as banks have a surplus.

Rastogi Nikhil (2008) Article: Financial integration in India: A time study shows that the Indian financial system has achieved a lot during the time management before the liberalization era. He noted that the main goal is to ensure efficiency, which is the basic element of economic development. This research paper evaluates the effectiveness and scope of financial integration of the market in the short term. Interest rates are often used to examine commercial interest rates, CD (certificate of deposit) interest rates, CP (commercial paper) interest rates, 91-day Treasury bill (financial cost) interest, and 3-month payment. . Results, although promising, are mixed. His research concluded that although businesses were already integrated in some of their activities, they still needed to be fully integrated. It has a positive impact on the monetary policy of the Reserve Bank of India. (Reserve Bank of India), because changes in one market (gilt market) can be used to control another market (foreign market).

Rusty Sadananda (2007) Chapter: Entrepreneurship and Financial Markets in India, in his work examined the impact of financial reforms on the combination of participation of various segments of the Indian financial market during this period. Until March 2012. The main findings are: (I) Market efficiency has been achieved in all sectors of the Indian financial market,

(ii) The value of the 91-day Treasury bill is the appropriate 'value' for the Indian financial sector,

(iii) Financial Business is more profitable in the short run undergoes over-consolidation and

(iv) Long-term duplication of the economy with a short period of time to do business in the short-term. Based on the above points, monetary policy should rely more on interest rates and asset prices to control inflation.

OBJECTIVE OF THE STUDY –

- To study about INDIAN MONEY MARKET AND its related aspects like its types and the instruments.
- To study about the history, participant, organizational structure of INDIAN MONEY (MONETORY) MARKET.
- To find out the investors saving preferences.
- To study about overcoming the short-term deficit.
- To enable liquidity in the market.

RESEARCH METHADOLOGY –

Methodology is an essential part of research to find answer to the research objective that initiate the same. Therefore, it figures as an important part of the study. This chapter focuses on the design and research method utilized in the study. In addition, the procedure followed to collect, capture, process and analysed data is presented. The research approach used in the study is presented below: - my research is based on descriptive research. It helps to know qualitative and quantitative aspects of study. It studies the characteristics of Indian Money Market and see to it that how we can bring more agencies in India. The correct and appropriate sample size is said to give more accurate results. For example, in a census, data is collected from the entire population. Therefore, the sample size is equal to population of the country. Keeping in mind the rate of non-response and non-availability of respondents, the sample size was taken between 25 – 50 science students of Mumbai University. It was Random sampling method that was considered to decide the sample size.

Due to the sample size being small there may be slight inaccuracy of data that can be rectified by further study. (100 respondents)

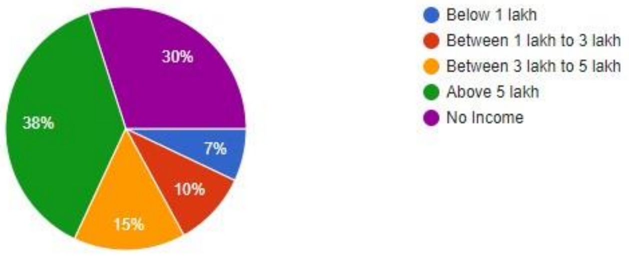
SAMPLE DESIGN: -

The sample design used to represent the survey data is in the form of Pie-Charts and BarCharts based on the 80 respondents of the survey. Probability sampling was used to collect responses.

Data Collection: -

Data for the study was collected from the primary as well as secondary sources.

DATA ANLYSIS & INTERPETATION –



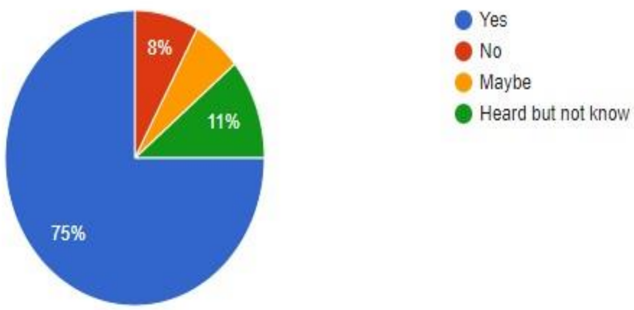
What is your annual income?

Interpretation: - There were total 100 responses out of which 7% respondents have annual income of below 1 lakh. 10% respondents have an annual income between 1 lakh to 3 lakhs, between 3 lakhs to 5 lakhs were of 15%, above five lakhs were 38% and for no income there are 30%

How do you invest in your saving?

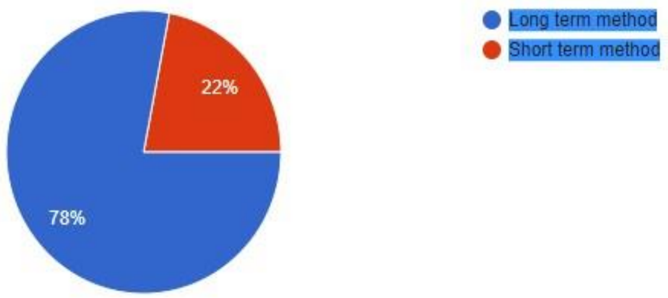
Interpretation: - From the above data we can see that 49% of the respondents invest in capital market, 54% of respondents invest in money market mutual fund, 60% invest in banks and 20 % invest in real estate.

Do you have any knowledge about money market instruments?



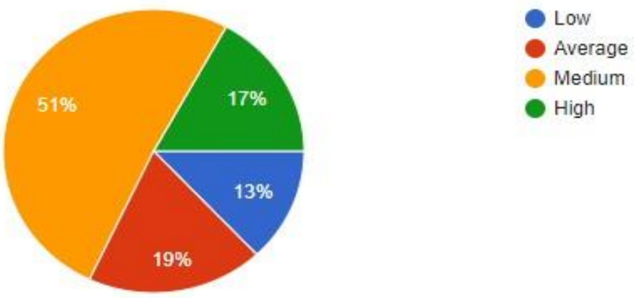
Interpretation: - From the above analysis we can see that 75% have heard about money market and knows about that, while there are 6% people who aren't sure about this, 11% people have heard about the term money market but have no knowledge about that and then about 8% of the respondents don't know anything about money market .

How long would you like to hold your money market instruments?



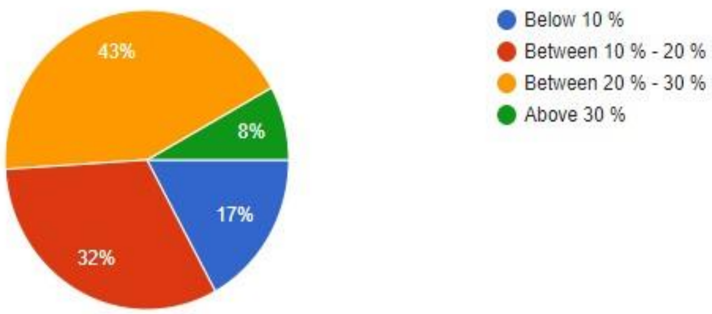
Interpretation: - From the above data 78% of the people like to keep money market instruments for long term method while other people which are about 22 % keep it for the short-term method. We can see that most of them are willing to keep their investment for long term.

How much risk will you be willing to take?



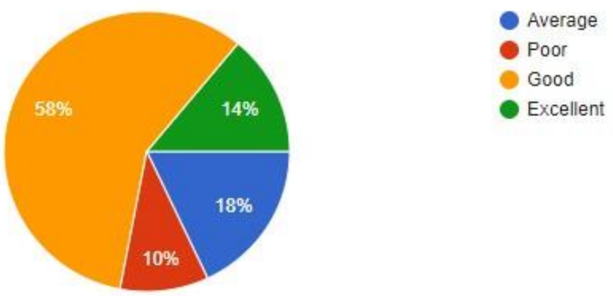
Interpretation: - From the above data we can see that 13% respondents will take low level of risk, while 17% of respondents will take high amount of risk. 19% of respondents will take risk at average level. Most of the respondents are willing to take average number of risks.

In your opinion what is your expected rate of return?



Interpretation: -From the above data we can see that 17% respondents expect returns below 10%. 32% respondents expect Returns between 10%-20%. 43% respondents expect returns between 20%-30%. 8% respondents expect returns above 30%.

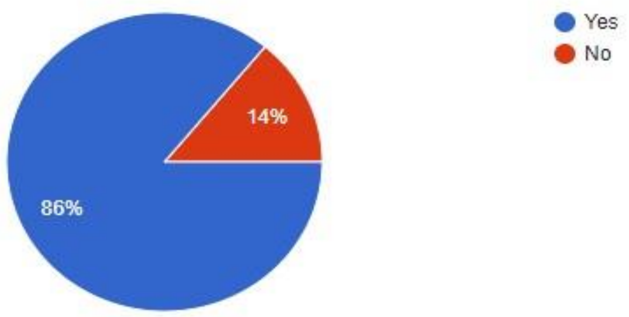
How would you rate your experience with Indian money market?



Interpretation: -

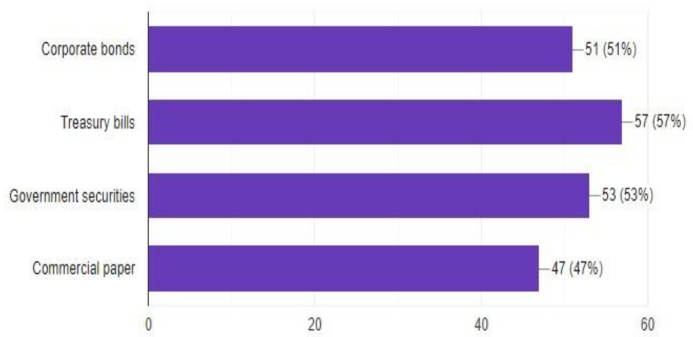
From the above analysis we can see that 10% respondents didn't have a good experience with Indian market while 14% respondents had excellent experience with Indian Market.

Is recession had affected your investment decision?



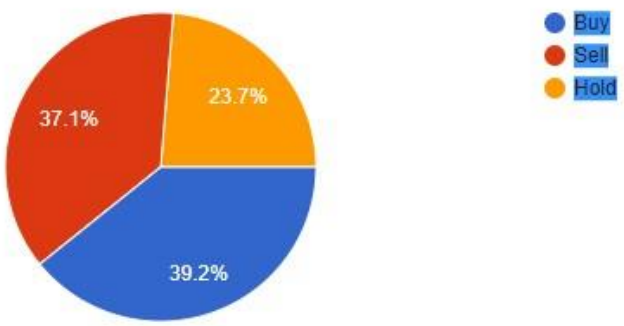
Interpretation: -From the above data we can see that 86% respondents experienced that recession has affected their Investment decision while 14% respondents were not affected by recession

For fixed income what type of instrument would prefer?



Interpretation: - From the above data we can see that 51% of respondent invest in corporate bonds, 57% in treasury bills, 53% in government securities and 47% of respondents invest in commercial paper.

What will be your course of action during recession?



Interpretation; - From the above analysis we can see that 39.2% of the respondents buy the instruments at the time of recession,37.1% of the respondents sells the instruments, and 23.7% of the respondents hold the instruments

FINDINGS-

1) Do past prices affect current prices?

o Prices may change due to changes in demand or changes in the market, as prices may increase or decrease as demand changes, or prices may not change even if demand changes.

2) Is there any change in the growth of the economy?

o Yes, the economy will change, and as mentioned above, changes in the economy will change prices, so economic growth can change for better, for worse, or not at all. o Bankruptcy can be good or bad for the business

3) How to manage a short-term business?

o Short term can be overcome by managing money

o Managing money means that one can invest money in securities trading, or,

o nothing can be done, for example (a short-term deficit occurs).

4. Will the economic recession hurt financial markets?

o Based on the above question, in the event of a recession investors can obtain their capital by trading, buying property or something else (holding).

o Economic crises have an impact on liquidity.

5) Is the instrument used for market risk?

o Commercial instruments, for example, carry the least or no risk in the market because they are short-term (one year or less).

o The property is classified as high risk, high risk, low risk or no risk.

CONCLUSION-

Finance is a powerful business branch that affects our daily lives. Since it is a short-term, for-profit business where currency changes hands in a short period of time, market participants need to be aware of changes, follow the new nature and create new ideas and products.

The withdrawal of non-bank institutions from the banking sector is related to the development of solutions.

The all-time unlimited free interbank/call money transaction plan will not be used until the issue is easily resolved.

First, various policy measures of the Central Bank have facilitated the development of various instruments such as commercial repos, interest rate swaps, certificates of deposit and business cards.

These developments in the financial market enable the Bank to better manage its income. Financial markets focus on debt securities that grow in less than a year.

Financial securities are highly liquid and considered Very safe. Therefore, their returns are lower than other securities. The easiest way for people to enter the financial market is the financial market.

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AUTHOR

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Prasanna Chandra

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