counted bills of the bank can be rediscounted by the central bank and the latter offers money that stipulated on the instrument before the maturity date. It helped the financial institutions to mobilise money even before the maturity period of the instrument.

MONEY MARKET

Financial System Market

Economic growth and development of any country depends up on a well-knit financial system. Financial system comprises with a set of sub-systems of financial institutions, financial markets, financial instruments and financial services which help in the formation of capital. It provides a mechanism by which savings are transformed into investments. Thus, a financial system can be said to be play a significant role in the economic growth of a country by mobilizing the surplus funds and utilizing them effectively for productive purposes.

Financial market is one of the vital components of the financial system. The Money Market and the Capital Market are the two segments of the financial market. The following section is devoted to explain the meaning of both money market and capital market and also attempts to trace out major differences between the money and capital markets.

(i) Money Market

It is markets for short-term financial assets have a maturity period of less than one year. In the money market, borrowers and lenders of money and near money assets are joined together. It provides a venue for procuring additional funds required for meeting day to day requirements and to park surplus funds for short periods.

(ii) Capital Market

Capital market is a major segment of the financial system of a country. It is the media through which small savings of the society are being channeled into avenues of productive investment. Generally, securities having a maturity period exceeding one year are dealt with in the capital market. The financial intermediation between the suppliers and borrowers of capital is the major function of the capital market. The borrowers raise required funds through issue of securities. In short, it is the market for long term lending and borrowing.

Distinction between Capital Market and Money Market

The following are the major differences between money market and capital market:

Money Market	Capital Market
1. It is a market for short term instruments having a maturity period of less than one year	1. It is a market for medium and long term instruments having a maturity period of more than one year
2. It helps to meet working capital needs	2. It helps in meeting fixed capital needs
3. The instrument dealt with are bill of exchange, treasury bills, certificate of deposits, commercial papers etc	3. The instrument dealt with are equity shares, preference shares, debenture, bonds etc.
4. It is a wholesale market. The instruments have large face value.	4. It is a retail market. The instruments have large small face value.
5. The central bank, commercial banks and other financial institution take part in the market.	5. Stock exchange, merchant bankers, issue houses, and many financial intermediaries take part in the market.
6. Money market instrument do not have an active secondary market.	6. Capital market instrument have both primary and secondary market.
7. Money markets transaction normally takes place over telephone and other ways.	7. Capital markets transaction normally takes place at stock exchange.

8. The market regulator is the central bank of the country, RBI is the market regulator in India	8. There is a separate regulator in the capital market: In India SEBI is the market regulator

Meaning and the Concept of Money Market

Money market is a market for short term loans or financial assets. It is a market for the lending and borrowing of short term funds, that is, less than one year. The money market brings together the lenders who have surplus short term investible funds and the borrowers who are in need of short term funds.

Geoffrey Crowther in his book "An Outline of Money" has stated that "the money market is a collective name given to the various forms and institutions that deal with the various grades of near money".

The Reserve Bank of India (RBI) defines money market as "the centre for dealings, mainly of short term character, in monetary assets; it meets the short term requirements of borrowers and provides liquidity or cash to the lenders".

Money market is a common name given for all institutions and individuals engaged in the marketing of short term instruments. There is no definite place or location where money is borrowed and lent by the parties concerned, it is not necessary for the borrowers and the lenders to have a personal contact with each other. Negotiations between the parties may be carried through telephone, E-mail, internet, etc.

Money market deals with different types of relatively liquid securities of short term duration. The period of these credits ranges from few hours to maximum one year. It has different types of sub markets to conduct transactions. The renowned world money market includes London Money Market, New York Money Market, Bombay Money Market, Tokyo Money Market, etc.

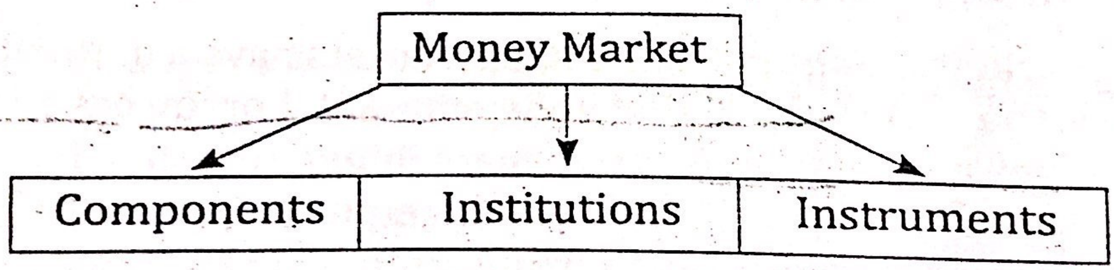
Significance / Functions of the Money Market

Money markets form an integral part of the financial markets. It renders various functions and services to both surplus units and deficit units in the system and thereby augments the capital formation. The money market performs the following functions:

1) The basic function of money market is to facilitate adjustment of liquidity position of commercial banks, business corporation and other non banking financial institutions.
2) It provides short time funds to the various borrowers such as business men, industrialists, traders and even governments.
3) The money market constitutes a highly efficient mechanism for credit control. It serves as a medium through which the Central Bank of the country exercises control on the creation of credit.
4) It enables banks and business men to invest their temporary surplus for a short period.
5) It plays a vital role in the flow of funds to the most important uses.
6) It ensures the socio-economic development of the country.

STRUCTURE OF MONEY MARKET/INDIAN MONEY MARKET

The structure of money market or the structure of Indian money market can be analyzed as follows:



The Components or Sub markets or Sectors of Money Market

The money market is not homogeneous in character. This is loosely organized institution with number of divisions and sub-divisions. Each particular division or sub-division deals with a particular type of credit operation. All the sub-markets deals in short term credit. The following are the important constituents or sectors of money market:

a) Call Money Market

Call money market refers to the market for very short period; say One day to fourteen days. These loans are given to brokers and dealers in stock exchange. **Similarly, banks with 'surplus funds' lend to others banks with 'deficit funds' in the call money market.** Moreover, commercial banks can quickly borrow from the call market to meet their statutory liquidity requirements.

Call money market is an important component of the money market. There is no demand of collateral securities against call money. They possess high liquidity; the borrowers are required to pay the loan as and when asked, that is, at a very short notice. It is on account of this reason that these loans are called 'call money' or 'call loan'. Rate of interest on call loans is much lower than the normal market rate.

b) Bankers Acceptance Market

The acceptance market refers to the market where short-term genuine trade bills are accepted by financial intermediaries. All trade bills cannot be discounted easily because the parties to the bills may not be financially sound. In case such bills are accepted by financial intermediaries like banks, the bills earn a good name and reputation and such bills can be readily discounted anywhere. Bankers acceptance originates from internal as well as external trade. More clearly, this market supplies short-term fund required by internal and external trade.

c) Commercial Bill Market / Bills of Exchange Market

Sale and purchase of short-term trade bills take place under this sector of money market. Trade bills are largely used in internal as well as external trade. When the holder of a bill requires money, there will be banks and other institutions prepared to discount the bill and advance money. Central Banks of various countries facilitate the re-discounting of bills once discounted by commercial banks. With the help of these facilities bills can be purchased and sold freely. A well developed bill market is an essential pre-requisite for the development of financial system in general and the money market in particular.

d) Treasury Bill Market

Treasury bill is an instrument issued by government to raise short-term loans from the public. It is a sub market where sale and purchase of treasury bill take place. The treasury bills are the promissory notes of the government to pay a specified sum after a specified period to the holder. These are sold by the central bank on behalf of government. As these are promissory notes issued by the government, all dealers in money market are enthusiastic to buy and sell the treasury bill. The market which deals promissory notes like treasury bill issued by government is called 'Gilt-edged Market'.

e) Commercial Paper Mar\ket

Commercial paper is a money market instrument issued by well known companies to raise short term funds from the money market. Recently, many companies in India raise their working capital by issuing commercial papers.

Commercial paper is an unsecured promissory note issued by rich and reputed companies for periods ranging between three months to six months. This is a negotiable instrument. The company issuing commercial paper sells in the money market for a price less than its face value. On maturity, the holder gets full value of the commercial paper.

On the recommendations of **Vaghul Working Group**, the RBI introduced the Commercial Paper in India from 1st January 1990. The step helped the companies to raise their working capital very easily by issuing commercial paper. A well developed commercial paper market is the sign of the developed money market.

f) Market for Certificate of Deposit

Certificate of Deposits are short term deposit instruments issued by banks and financial institutions to raise large sum of money; for a minimum period of three months and maximum period of one year. Technically, deposit certificate represents bank deposit account which is freely transferable from person to person. Banks sell these deposit certificates at a discount. On maturity, the holder of deposit certificate receives its face value from the bank. For the holder of this certificate is good as a bank deposit.

The RBI introduced the instrument of Certificate Deposit in the Indian money market in June 1989 on the recommendations of Vaghul Committee. The RBI has issued detailed guidelines for the issue of certificate of deposits and with the changes introduced subsequently, the scheme for certificate of deposits has been liberalized. In India, normally, banks issue certificate with a face value of Rupees 25 lakhs.

Conclusion

In short, the above mentioned sub markets are playing a decisive role in the development of the money market. Their operations augment the capital formation of the country. No country can attain the socio-economic development without a advanced money market.

The Institutions of Money Market / Indian Money Market

The institutions of money market are those which deal in lending and borrowing of short term funds. The institutions of money market are not the same in all the countries of the world; rather they differ from country to country. But there are certain institutions uniformly found in all money markets. The following are the important institutions commonly seen in the money market:

a) Banks

Banks are the backbone of money market. Among the institutions deal in short term funds, banks stand first. Banks mainly finance trade and commerce. They also extend short term credit to bill brokers and share brokers. Bills discounted by bank can be shifted to central bank for rediscount. Besides commercial banks, financial companies, co-operative banks and foreign banks are also included in the category of banks. Commercial banks are considered as the nucleus of money market.

b) Central Bank

The central bank plays a vital role in the money market. It is the monetary authority and is regarded as an apex institution. No money market can exist without the central bank. The central bank is the lender of last resort and controller and guardian of money market. Activities and decisions of central bank influence money market decisively. All institutions in money market come under the direct control of central bank. More clearly, central bank is the leader of the money market. But the central bank does not enter into direct transactions; it controls the money market through changes in the bank rate and open market operations.

c) Acceptance Houses

The acceptance Houses refers to the market where short-term genuine trade bills are accepted by financial intermediaries. All trade bills cannot be discounted easily because the parties to the bills may not be financially sound. In case such bills are accepted by financial intermediaries like banks, the bills earn a good name and reputation and such bills can be readily discounted anywhere. Bankers acceptance originates from internal as well as external trade. More clearly, the acceptance house supplies short-term fund required by internal and external trade and function as intermediaries between importers and exporters. Through this practice, acceptance houses make trade practice very smooth.

d) Non-banking Financial Intermediaries (NBFIs)

In addition to commercial banks, there are non-banking financial intermediaries who resort to lending and borrowing of short term funds in the money market. In NBFIs we include savings banks, investment houses, insurance companies, provident funds and other business corporations like chit funds.

e) Discount Houses and Bill Brokers

Discount houses and bill brokers are institutions and individuals specialize in buying and selling of bills of exchange. Discount houses specialize in discounting of bill of exchange. They discount bills and advance money to holders. They concentrate only in the business of discounting. Bill brokers are middlemen acting between persons selling bills and person having funds to invest in bills. They bring together the intending buyer and seller and help to strike a deal.

Conclusion

In short, the aforesaid institutions are the ingredients of the money market and helped to meet the various needs of the different strata of the society. The systematic operations of these institutions accelerated the trade and commerce and ensure the optimum utilization of the financial resources of the country.

Money Market Instruments

Financial instruments are the integral part of the financial system. Sufficient financial instruments are capable to meet the requirements of the various sections of the society. Availability of ample financial instruments is the sign of the developed financial system of the nation. The following are the major financial instruments are available in the money market or Indian money market:

1) **Commercial Bills**
2) **Treasury Bills**
3) **Call and Short Notice Money Market**
4) **Certificate of Deposits (CDs)**
5) **Commercial Paper**
6) **ADRs / GDRs**

These are briefly explained below:

a) Commercial Bill / Bills of Exchange

Commercial bill or the bill of exchange, popularly known as bill is an instrument containing an unconditional order. A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only or to the order of a certain person or to the bearer of the instrument. Bill of exchange is a very important document in commercial transactions. Trade bills are largely used in internal as well as external trade. When the holder of a bill requires money, there will be banks and other institutions prepared to discount the bill and advance money. Central Banks of various countries facilitate the re-discounting of bills once discounted by commercial banks. With the help of these facilities bills can be purchased and sold freely. A well developed bill market is an essential pre-requisite for the development of financial system in general and the money market in particular.

b) Treasury Bills (TBs)

Treasury bill is an instrument issued by government to raise short-term loans from the public. The treasury bills are the promissory notes of the government to pay a specified sum after a specified period to the holder. These are sold by the central bank on behalf of government. As these are promissory notes issued by the government, all dealers in money market are enthusiastic to buy and sell the treasury bill. The promissory notes like treasury bill issued by government is called 'Gilt-edged Securities'. Treasury bills are highly secured and liquid because of guarantee of repayment assured by the RBI who is always willing to purchase or discount them. Treasury bills are government sector instruments and do not require any grading or further endorsement or acceptance.

c) Call and Short Notice Money

Call money refers to the money for a very short period; say One day to fourteen days. These loans are given to brokers and dealers in stock exchange. Similarly, banks with 'surplus funds' lend to others banks with 'deficit funds' in the call money market. Moreover, commercial banks can quickly borrow from the call market to meet their statutory liquidity requirements or Cash Reserve Ratio (CRR). There is no demand of collateral securities against call money. They possess high liquidity; the borrowers are required to pay the loan as and when asked, that is, at a very short notice. It is on account of this reason that these loans are called 'call money' or 'call loan'. Rate of interest on call loans is much lower than the normal market rate.

d) Certificate of Deposits (CDs)

Certificate of Deposits are short term deposit instruments issued by banks and financial institutions to raise large sum of money; for a minimum period of three months and maximum period of one year. Technically, deposit certificate represents bank deposit account which is freely transferable from person to person. Banks sell these deposit certificates at a discount. On maturity, the holder of deposit certificate receives its face value from the bank. For the holder of this certificate is good as a bank deposit. The RBI introduced the instrument of Certificate Deposit in the Indian money market in June 1989 on the recommendations of **Vaghul Committee.**

e) Commercial Papers (CPs)

Commercial paper is a money market instrument issued by well known companies to raise short term funds from the money market. CPs are short-term promissory notes issued by reputed companies with good credit standing having sufficient tangible assets. Recently, many companies in India raise their working capital by issuing commercial papers. Commercial paper is an unsecured promissory note issued by rich and reputed companies for periods ranging between three months to six months. This is a negotiable instrument. The company issuing commercial paper sells in the money market for a price less than its face value. On maturity, the holder gets full value of the commercial paper. On the recommendations of **Vaghul Working Group**, the RBI introduced the Commercial Paper in India from 1st January 1990.

f) ADRs / GDRs

American Depository Receipts (ADRs) are the forerunners of Global Depository Receipts (GDR). These are the instruments in the nature of depository receipt or certificate. These instruments are negotiable and represent publicly traded, local currency equity shares issued by non-American company. Non-resident Indians (NRIs) like to invest in these instruments. ADRs are listed on American Stock Exchange where as GDRs are listed in a stock exchange other than American Stock Exchange, say London or Tokyo.

Conclusion

In nutshell, the aforesaid money market instruments are vital part of the financial system of the nation. Its operations ensure the smooth transactions of trade and commerce. The ample availability of all these financial instruments is the sign of the developed money market.

Characteristics / Features of a Developed Money Market

A well developed money market is an essential condition for any developed or developing economy. The nature and the extent of the development of the money markets varies from country to country. Some money markets are developed where as others are underdeveloped or less developed money market. If the essential features of any developed money market do not exist in any economy, it is called as undeveloped money market. A developed money market is one which is comparatively efficient and more systematic in their operations. London Money Market, New York Money Market and Tokyo Money Market are the best examples for developed money market globally. The following are the characteristics of developed money market:

1) A developed commercial banking mechanism

2) Presence of a strong Central Bank

3) Existence of a well coordinated and systematic sub markets

4) Abundant near money assets like bills of exchange, treasury bills, promissory notes, commercial paper, etc.

5) Availability of ample resources and easy access to financial resources from both within and outside the country.

6) Integrated interest rate structure and homogenous rate of interest

7) Other factors or contributory factors for the developed money market are the volume of international trade, industrial development, stable political condition, economic fluctuations like boom, depression, etc.

Conclusion

Thus from the above discussion, it is clear that a developed money market is the market where the above mentioned features are existed in the system and implement them in a systematic manner. Any characteristic missing from the above would be regarded as symbol of a less developed money market.

INDIAN MONEY MARKET

In the Indian money market, Reserve Bank of India (RBI) occupies the pivotal position. Indian money market can be divided into two categories; namely:

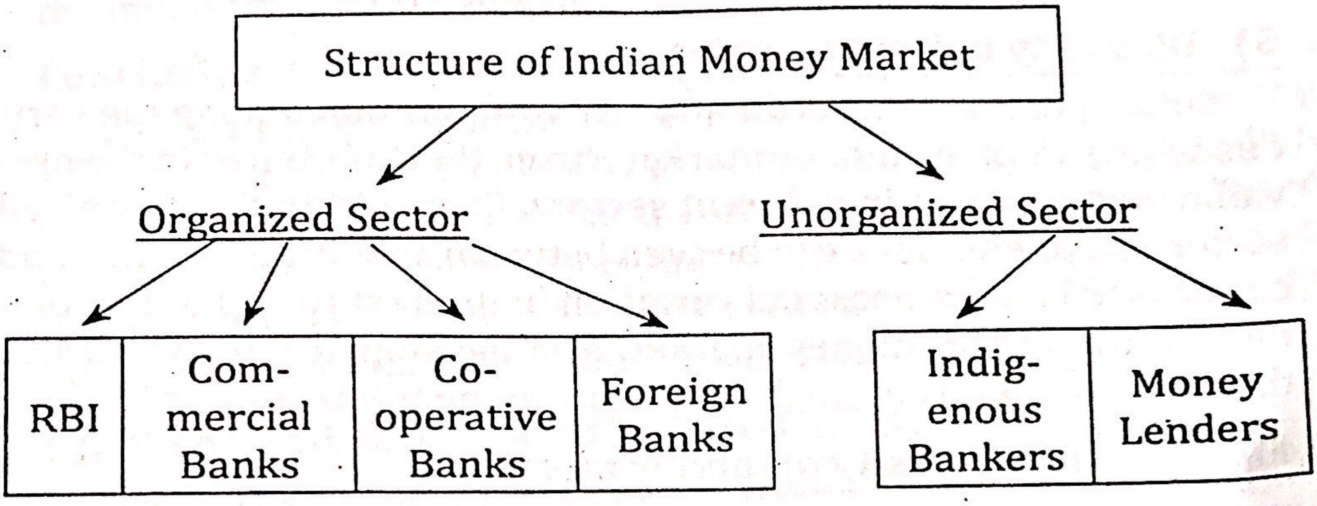
a) Organized Sector

RBI, State Bank of India (SBI), Nationalized scheduled banks, private commercial banks, foreign exchange banks and co-operative banks are the institutions came under the organized sector. Organized sector is fully controlled and regulated by the RBI. Reserve Bank of India is responsible to formulate policies and programs of this sector.

b) Unorganized Sector

Indigenous bankers and money lenders are the constituents of an unorganized sector. They are outside the purview of all controls of the RBI and work independently. There is no uniformity in their working. They charge different rates of interest on loans. Presence of the unorganized sector is the sole reason for the failure of credit control instruments initiated by the RBI. Credit control measures never generate the desired result as they are not applicable to the unorganized sector.

The structure of Indian Money Market can be summarized in the following chart:



PECULIARITIES / CHARECTERISTICS / FEATURES OF THE INDIAN MONEY MARKET OR DEFECTS OF INDIAN MONEY MARKET

In the Indian money market RBI occupies the pivotal position and played a strategic role. The features or the deficiencies of the Indian money market are the following:

1) Existence of unorganized money market

The most important defect of the Indian money market is the existence of the unorganized segment. In India, there is unorganized money market because of indigenous bankers, say money lenders in rural areas and Marwari and Multani in urban areas. This segment undermines the role of the RBI as a leader and regulator in the money market. The existence of financial dualism; that is, the co-existence of organized and unorganized money market in the economy, is commonly seen in the Indian money market. Efforts of RBI to bring indigenous bankers within statutory frame work have not yielded much result.

2) Lack of integration

Another important deficiency is lack of integration of different segments or functionaries. However, with the enactment of the Banking Companies Regulation Act, 1949, the position has changed considerably. The RBI is now almost fully effective in this area under various Acts and the Banking Regulation Acts.

3) Disparity in interest rates

Since there is no co-ordination or co-operation among the various segments of the money market we see the differences in the prevailing interest rate in different sectors. Even within the organized sector this phenomena can be seen between cooperativc banks and commercial banks. Seasonal variation in interest rate is quite common in the Indian money market. In a developed money market, there could not be any such variations in the interest rates.

4) Seasonal Diversity of money market

A notable characteristic is the seasonal diversity. There are very wide fluctuations in the rates of interest in the money market from one period to another in the year, that is, from busy season to dormant season. The RBI attempts to lessen the seasonal volatility in the money market.

5) Lack of proper bill market

Indian bill market is an under developed one. Even after many efforts initiated by the RBI, a bill market in its real sense had not developed in India. For the healthy development of money market there must be ample facilities for the buying, selling and discounting of bills.

6) Limited secondary market

Another most important feature of Indian money market is the limited secondary market. In India, the secondary market is very limited in the case of money market instruments.

7) Limited participants

The participants in Indian money market are also limited. Entry in to the market is strictly regulated. In fact there are a larger number of borrowers but a few lenders. Hence the market is not very active, broad and vibrant. However, with launching of New Economic Policy (NEP) such as Liberalization, Privatizations and Globalization (LPG) make drastic changes in the Indian money market.

8) Little contact with foreign money market

The Indian money market is an insular one with little contact with money market in other countries. The Indian money market does not attract significant foreign funds and participants as developed money market do.

Conclusion

In short, it can be said that Indian money market is relatively under developed. There are number of factors responsible for it in addition to the above discussed features of the Indian money market. For instance, lack of continuous supply of bills, a developed acceptance market, commercial bill market, etc. In no case it can be compared with London Money market or New York Money Market. However, RBI has taken number of steps to modernize and coordinate Indian money market.

SUGGESTON S TO ELIMINATE THE DEFECTS OF INDIAN MONEY MARKET

Since its inception, particularly after independence, the Reserve Bank of India has been making efforts to remove the defects of the Indian money market. **Vaghul Committee on Money Market, Sukhmoy Chakravarty Committee** on the Review of the Working of the Monetary System, **Narasimham Committee** on the Working of Financial System and **Raghuram Committee on Financial** System have made some important recommendations on the Indian money market. Certain suggestions to eliminate the defects of Indian money market are discussed below:

1) Control over unorganized sector

If we are able to integrate the unorganized sector with the organized sector money market and bring the institutions in the unorganized sector within the orbit of control and regulation exercised by the RBI, we may able to eliminate the defect of the Indian money market. Another option to control the unorganized sector is to expand the network of commercial bank branches in rural and semi urban areas. This has enlarged the 'monetized sector' in the economy by restricting the activities of the unorganized sector and thereby achieve the financial inclusion by removing financial dualism.

2) Development of bill market or promotion of bill culture

To a certain extent, development of money market depends on the development bill market. The central bank of the country should take appropriate steps to popularize the bill market and cultivate the bill culture or habits among the public.

3) Increase in the number of clearing houses

For the smooth working of the money market there must be the presence of large number of clearing houses. It is suggested that if we are able to increase the number of clearing houses and reorganize their working, it will definitely contribute to the growth of money market. The systematic operations of the clearing houses enhance the confidence among the public up on the money market.

4) Elimination of different interest rates

In order to achieve the desired growth in money market there must be uniform interest rates in all sectors. The dichotomy or heterogeneous interest rates should be checked in the Indian money market through effective monetary policies of the RBI.

5) Adoption of suitable monetary policy

It is an hour to take appropriate policies and programs by RBI to increase the resources in the money market and make it more attractive. RBI should strengthen its timely intervention as leader of the money market by chalking out sagacious monetary policies.

6) Introduction of innovative instruments

In order to popularize the Indian money market, the concerned authority should focus on alternative and more attractive instruments in the system and enlarge the participants. The RBI should ensure that every segments of the society is capable to deal with the money market through ample money market instruments.

Conclusion

We can summed up the above discussion by expecting that the Reserve Bank of India (RBI) can eliminate the defects of Indian money market and transform it from nascent stage to developed one in the world. We can hope that in the recent future, the Indian money market can stand par with the developed money market like London Money Market or New York Money Market.

CAPITAL MARKET: AN INTRODUCTION

The second semester banking university examination frequently asked questions related capital market and its operations. The subsequent sections incorporated with capital market which comprises both primary market and secondary market or stock exchanges. The students can refer third semester banking book for detailed explanation. The regulator of Indian capital market is **Securities Exchange Board of India (SEBI).**

Meaning of Capital Market

Capital market is a major segment of the financial system of a country. It is the media through which small savings of the society are being channeled into avenues of productive investment. Generally, securities having a maturity period exceeding one year are dealt with in the capital market. The financial intermediation between the suppliers and borrowers of capital is the major function of the capital market. The borrowers raise required funds through issue of securities. Capital market consists of two major segments; namely:

(i) Primary market

(ii) Secondary market

The Primary Market

Primary market is the segment of capital market where corporate bodies and other issuers of capital offer fresh securities to investors. Its main function is to facilitate transfer of capital from the investors to the entrepreneurs for investment in commercially feasible projects. As new securities are offered to investors, it is also known as New Issue Market (NIM). In the NIM, new companies as well as existing companies issue securities. The securities are offered are equity shares, preference shares, debentures, bonds etc. The investors in primary market are individual investors, institutional investors, mutual funds and foreign institutional investors.

The Secondary Market

Once the securities are floated in the primary market, they are subsequently traded in the secondary market. Secondary market is the market for old or existing securities. As it is generally confined the stock exchange, there is a definite area of operation with market intermediaries playing according to the rules and regulation of the market. In India, Bombay Stock Exchange (BSE), the National Stock Exchange (NSE), , Over the Counter Exchange of India (OTCEI), regional stock exchanges, etc are the major components of the stock exchanges.

Comparison between Primary Market and Secondary Market

Primary Market	Secondary Market
1. It deals with new securities	1. It deals with existing securities
2. Securities are sold only once	2. It provide regular and continuous market
3. It links the issuing company and investors	3. Transaction are made between investors
4. Investors can only purchase securities	4. Investors can purchase and sell securities from stock exchange

Fixed deposits

Fixed deposits are accepted by banks for a fixed period. Generally, they are repayable after the expiry of the fixed deposits. The period of such deposits varies between 46 days to 7 years or more. They are alternatively called as time deposits. This form of deposits constitute more than half of the total bank deposits and most popular in India. Fixed deposits carry high rate of interest when compared to other forms deposits. Fixed deposits made by people who expect a fixed and steady income at regular intervals.

Saving deposits

The saving deposits mainly intended to promote the saving habit and there by banking habit among ordinary and average earning people. Banks pay a moderate rate of interest on savings deposits. When compared to fixed deposits interest is paid at a lower rate on savings deposits. Banks may impose certain restrictions on the number of withdrawals, the amount of withdrawal... on the operations of the savings bank account. A minimum initial deposit is required to be paid to the bank for opening a savings bank account.

Current deposit

Current deposit account is intended for business people. No restrictions are imposed on the operations of this account. It is repayable on demand and withdrawable by means of cheque and ATMs (Automated Teller Machine / Any Time Money). Normally, no interest is paid on current deposit. A minimum initial deposit is required to open a current account. The current deposit is a great assistance to business people, traders, industrialists, etc, who require frequent banking transactions.

Recurring or cumulative deposit

Under this deposit, a fixed amount is deposited at regular intervals for an agreed period. At the end of the agreed period, the deposit is repaid with interest accrued there on. If a person makes