Therefore, it is paid in the form of

Therefore, it is called Inter-Bank Call Money Market. A few other financial institutions like UTI, LIC, GIC are also allowed to operate in this market. The call loans are generally made without security and therefore the lending banks should be very careful in judging the ability of borrower to repay the loans at call. The rate of interest in these markets is highly variable. It fluctuates at the pressure of excess demand and excess supply.

2.

Treasury Bill Market:

Treasury bills are issued by the central government for short period loans (91 days). These bills are sold by the Reserve Banks on behalf of the government. These bills are purchased by Reserve Bank, Commercial Banks, non-banking financial intermediaries, the LIC, UTI and GIC. Treasury bills are highly liquid because Reserve Bank of India is always willing to purchase or discount them.

Treasury Bills are bought and sold on discounted basis. It means that the amount of interest due on it is paid in the form of discount in the price charged for the bill. The price is thus lower than its face value by the amount of interest due on the bill. The interest rate on the Treasury bill is very low.

3. Commercial Bill Market:

Commercial bills are those bills which are issued by businessmen or firms in exchange of the goods purchased or sold. The buyer using promissory notes promises to pay to the seller a specified amount at a particular date. On the other hand, the sellers issue commercial bills directly to the buyers to pay a specified amount at a particular date for the goods received.

The buyer shows his acceptance by countersigning the bill. These are generally of three month’s duration. They are like post dated cheques drawn by sellers of goods on the buyers of goods for value received. The bill holder can get it discounted in the bill market if he wants the amount of the bill before maturity. The bill market is not very developed in India.