

# A Study on Money Market

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**Abstract:** Money markets offer monetary services and short-term finances in the capital market with the credit support of institutional sponsors. Investors finance money market instruments at low interest because their saleability on short notice confers an implicit monetary services yield. A brief summary of the research its purpose and key findings.

**Keywords:** Money, markets, monetary, services

## I. INTRODUCTION

One of the attractions of money market accounts is that they offer higher interest rates than savings accounts. For example, the average interest rate for an MMA in May 2022 was 0.08% while the average savings account paid about 0.07%.<sup>6</sup>

When overall interest rates are higher, as they were during the 1980s, 1990s, and much of the 2000s, the gap between the two types of accounts will be wider. Money market accounts can offer higher interest rates because they're permitted to invest in certificates of deposit (CDs), government securities, and commercial paper, which savings accounts cannot do.

The interest rates on money market accounts are variable, so they rise or fall with inflation. How that interest is compounded—yearly, monthly or daily, for example—can have a substantial impact on the depositor's return, especially if they maintain a high balance in their account.

Unlike savings accounts, many money market accounts offer some check-writing privileges and also provide a debit card with the account, much like a regular checking account.

The lines between high-yield savings accounts and money market accounts are increasingly blurred, and you may want to compare both money market accounts and savings account rates to ensure you're picking the best product for you.



## OBJECTIVES OF MONEY MARKET & SAVING ACCOUNTS

Short-term financing: Facilitating borrowing and lending for immediate funding needs.

Liquidity management: Providing a platform for efficient management of cash positions.

Low-risk investments: Offering secure investment options with stable returns.  
Benchmark interest rates: Establishing reference rates for pricing other financial instruments.  
Monetary policy implementation: Supporting central banks in managing liquidity and interest rates.  
Market stability and transparency: Ensuring a stable and transparent marketplace through regulations and oversight.  
Providing short term funds at reasonable prices to individual investors, government, etc.  
Enabling lenders to turn their idle funds into a productive investment, benefitting both the lender and the borrower.  
As the Reserve Bank of India regulates the money market, it in turn helps in regulating the levels of liquidity in the economy.  
Providing necessary funds to organizations that are short on working capital requirements.  
Financing the government sector for both national and foreign trade.  
Estimate market size each of these products in terms of volume and revenue.  
To estimate the current market shares of each of the five competitors vis-à-vis.

### III. LITERATURE REVIEW

Introduction Money market is a set of institutions, conventions and practices. It is aim of which is to facilitate the lending and borrowing of money on a short-term basis (Robert Vincent Roosa, 1-20-2015). Money market is a short term loans and its maturity is one year or less than one year. Example of money market is Treasury bills, certificates of deposit (CDs), bankers' acceptances, commercial paper, federal funds and Eurocurrencies.

The key issue from the source that had been found is to estimate the effects monetary policy has on interest rates in the private money market using market microstructure variables. Besides that, it also examines the impact of policy announcements on these rates.

Derek Leith analyse that the certificate of deposit (CD) fixed volumes and the total volume reduce volatility in the inter-bank money market rate. Besides that, variable rate CD is insignificant suggesting that it does not have an impact on money market rates. This is because the volatility persistence has increased when CD introduced but decreased with Central Bank (CB) deposits, volume total and the Bank of Jamaica (BOJ) Open Market Operation (OMO)'s. In policy announcements, BOJ OMO rate change provided increase in volatility persistence and its volatility. Presence of Government of Jamaica (GOJ) also increases the volatility of interest rates. As a conclusion, the announcement of fixed rate GOJ instrument and Cash Reserve Ratio (CRR) are insignificant implying that these announcements have no impact on rates in the inter-bank segment of the private money. After the observation, Mr. Derek Leith proved that thirty-day market is more directly affected by monetary policy tools but overnight market is more directly affected by GOJ's presence in the market. Finally, the segment that has the highest volatility is thirty-day segment while the segment that has the lowest volatility is inter-bank segment. There is no impact in the overnight money market.

#### 2.1 OBJECTIVES OF THE RESEARCH

- To study the concept of money market.
- To understand the instruments of money market.

### III. FINDINGS

1. Determine Your Financial Goals: Clarify your objectives. Are you looking to save for short-term or long-term goals? This will influence the type of money market account you need.
2. Research Financial Institutions: Look for reputable banks and credit unions that offer money market savings accounts. Check their interest rates, fees, and account features.
3. Compare Interest Rates: Compare the annual percentage yields (APYs) offered by different institutions. A higher APY will help your savings grow faster.
4. Fees and Minimum Balance: Review any fees associated with the account, such as monthly maintenance fees or excessive withdrawal fees. Also, check if there is a minimum balance requirement.
5. Access and Convenience: Consider the ease of accessing your funds. Some accounts may offer check-writing privileges or ATM access, while others might be more restrictive.

**IV. CONCLUSION**

Liquidity and Interest: Money market savings accounts provide a combination of liquidity and interest. They offer higher interest rates compared to regular savings accounts, while still allowing you to access your funds without significant penalties or time restrictions.

Safety: Money market savings accounts are typically offered by reputable financial institutions, many of which are insured by the FDIC (for banks) or the NCUA (for credit unions), providing a level of safety for your deposits.

**REFERENCES**

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