

[Debt Series]

Session 2: Classification of Indian Debt Markets

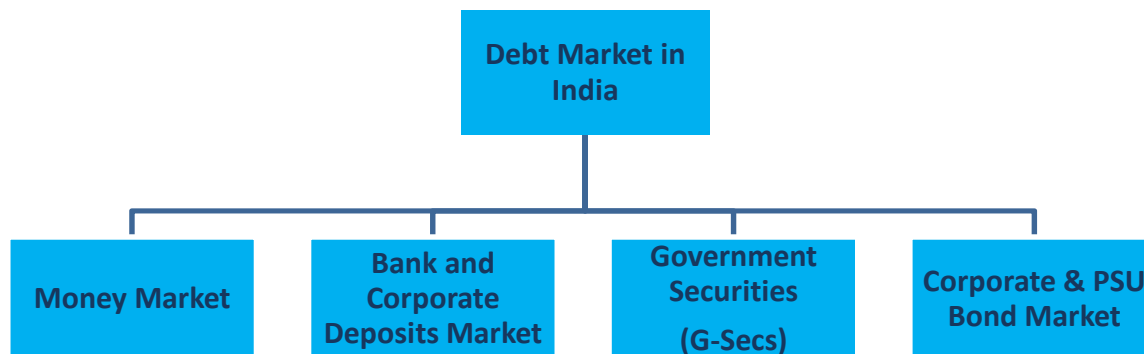
We are glad to have you with us for our 2nd Session on Debt – (...and that is...) **Classification of Indian Debt Markets**

Alright so let's get started...

Just like the equity markets where stocks or shares of companies are bought and sold; debt market is a place where debt securities are bought and sold. India's debt market is one of the largest debt markets in Asia, and serves as a useful source for banking channels to meet their financial requirements.

Let us now probe more into the functioning of this asset class to get a deeper insight.

Debt Market in India



The Indian debt market can be broadly classified into...

Money Market, Bank and Corporate Deposits market, Government Securities (G-Secs) market and Corporate & PSU Bond Market.



Let us now understand each of these segments in brief:

- ◆ **Money Market:** Money market refers to the market where the requirement or arrangement of funds is for a period of less than one year. Calls and Inter Bank Term Money, repo transactions (i.e. banks' borrowing window from the RBI), Certificate of Deposits, Commercial Papers, Treasury Bills, Bill Rediscounting, etc. are some of the money market instruments through which short term requirement of funds are met by banks, institutions and the State and Central Government.
- ◆ **Bank and Corporate Deposits:** While bank fixed deposits (FDs) are very common amongst the investors as a traditional investment avenue for decades, corporate deposits are nothing but fixed deposits where the issuer is a company or an institution other than a bank.
- ◆ **Government Securities:** G-Secs or Government Securities are Sovereign rated debt papers issued by the Government with a face value of a fixed denomination. In India, G-secs are issued by Government of India and State Government at face value of Rupees One Hundred in lieu of their borrowings from the market.
- ◆ **Corporate & PSU Bond Market:** Corporate Bonds are issued by Public Sector Undertakings (PSUs) and private corporations. These bonds are issued for a wide range of tenor normally; say for a period of 1 year to 15 years or even more. As compared to Government Securities which are nearly free of default risk; corporate bonds may turn out to be risky.

So to end our today's learning exercise **we now invite you to test your learning by taking up this simple quiz**

Just Click on the link below

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