

COMMERCIAL BILL MARKET IN INDIA

SUBMITTED BY:-
MRS. KAJAL PURI
(ASSISTANT
PROFESSOR IN
COMMERCE)

INTRODUCTION

Commercial bills are the bill of exchange issued by a commercial organization to raise money for short term needs. It is an asset with high degree of liquidity and a low degree of risk.

Commercial bill market is a market for short term trade Bill

MEANING

Commercial bills are issued by the seller (drawer) on the buyer (drawee) for the value of goods delivered by him. The buyer accepts the bill & promises to make the payment on the due date. He may also approach his bank to accept the bill. The bank charges a commission for the acceptance of bill & promises to make the payment if buyer defaults.

FEATURES OF COMMERCIAL BILL MARKET IN INDIA

1. Must be in writing
2. It must contain an order to pay
3. The order of payment is unconditional
4. Must be signed by drawer
5. Legally stamped
6. Always drawn for a short period

ADVANTAGES OF COMMERCIAL BILL

MARKET

- ✓ Liquidity
- ✓ The certainty of payment
- ✓ Ideal investment
- ✓ Simple legal remedy
- ✓ High & quick yield
- ✓ Easy central bank control
- ✓ Credit facility
- ✓ Facilities the foreign trade

DISADVANTAGES

1. Presence of cash credit
2. Stamp duty
3. Absence of secondary market
4. The absence of rediscounting among banks
5. Limited foreign trade
6. Absence of acceptance services
7. The attitude of Banks

OPERATIONS IN BILL MARKET

```
graph TD; A[OPERATIONS IN BILL MARKET] --> B[Discount market]; A --> C[Acceptance market];
```

Discount market

Acceptance
market

CHARACTERISTICS

There is a practice of borrowing against commercial bills in the country. There is continuous and quite large supply of bills in such a market. Commercial bank provide credit to their customers on discounting of these bills. The market offers facilities to rediscount that bills. The central bank of the country is willing to rediscount these bills readily throughout the year.

Bill market provides facilities for acceptance of bills at a low cost. A large number of brokers and dealers in bills function to help the smooth functioning of the bill market.

TYPES OF BILL MARKET

According to time

- Demand bill
- Usance bill

According to place

- Inland bill
- Foreign bill

According to objective or
usage

- Accommodation bill
- Supply bill
- Trade bill

Clean & documentary bill

From the view point of payment or
according to receiver

- Bearer bill
- Order bill

STEPS TAKEN TO PROMOTE BILL MARKET IN INDIA

- 1.The bill market scheme,1952
- 2.The new Bills market scheme 1970
- 3.Working group on cash credit system
- 4.Discount &finance house of India

CONTINUED....

5. Rediscounting of bills
6. Derivative usance promissory note
7. Remission of stamp duty
8. Delinking interest rates

Thank You

