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6 Characteristics of Undeveloped Money Market | Money

Article shared by : **Smriti Chand**

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Some of the important characteristics of under development money market are as follows:

The money markets in the majority of underdeveloped countries are mostly undeveloped or unorganised. Intact, they are dualistic, both developed and undeveloped money markets exist side by side.

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The developed money market consists of the central bank, the commercial banks, bill broker; discount houses, acceptance houses, etc. On the other hand, the undeveloped money market consists of the moneylenders, the indigenous bankers, traders, merchants, landlords, pawnbrokers, etc.

Since the majorities of the people in underdeveloped countries lives in rural areas and are poor, the undeveloped market controls a major portion of the money market. The main characteristics of such a market are:

1. Personal Touch:

The lenders have a personal touch with the borrowers. The lender knows every borrower personally in the village because the latter sides there.

2. Flexibility in Loans:

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There is no rigidity in loan transactions. The borrower can have more or less amount of loan according to his requirements depending upon the nature of security or his goodwill with the moneylender.

3. Multiplicity of Lending Activities:

Mostly people do not specialise in money-lending with other economic activities. A merchant may in cash.

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rate depends on the need of the borrower, the amount of loan, the time for which it is required and the nature of security. The greater the urgency, the higher will be the interest rate.

5. Defective System of Accounting:

In the unorganised sector of the money market, the system of maintaining accounts is highly defecate. Proper accounts are never maintained. Formal receipts are not issued for interest and the principal repaid by the borrowers. Besides, there is utmost secrecy in maintaining accounts and lending procedures in the undeveloped money market. The accounts of the moneylenders are not liable to checking by any higher authority.

6. Absence of Link with the Developed Money Market:

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The undeveloped sector is not linked with the developed sector of the money market in such countries. The former works independently of the latter and is also not under the control of the developed market. This has the effect of reducing the volume of monetary transactions and savings, and prevents their use in productive investments.

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