Net Demand deposits held by commercial banks

→ Demand deposits are the deposits which can be withdrawn on demand by the depositors from banks. Eg — current account and saving account.

→ Demand deposits are created by commercial banks and are called 'Bank Money'.

Measure of Money supply

M_1

→ First and basic measure of money supply.

→ $M_1 \longrightarrow$ most liquid measure of money supply.

→ $M_1 = C + DD + OD$

→ $C \Rightarrow$ currency held by public

→ $DD \Rightarrow$ Demand Deposit of people with commercial bank.

→ $OD \Rightarrow$ Demand deposit with RBI of public financial institution [NABARD]