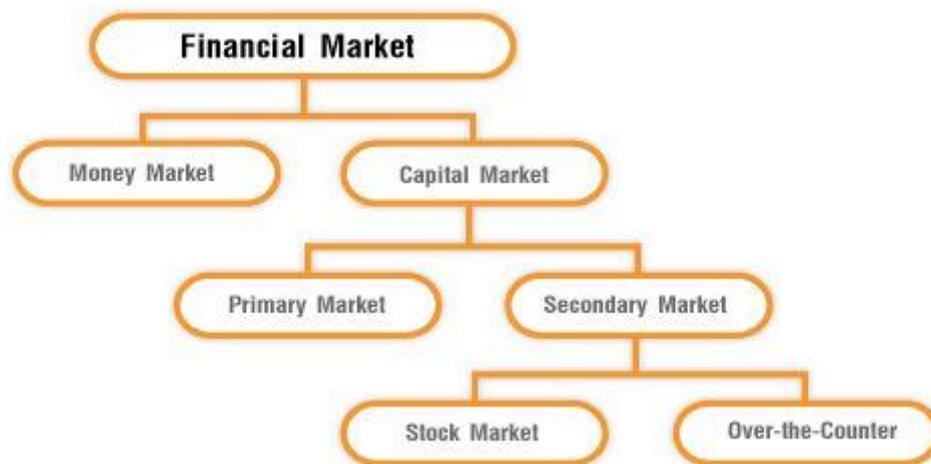


UNIT 4- Financial Markets in India - Types and Working



Everyone in this world has glutton for when it comes to making money or raking in money. Answer to all our woes lies in one aspect of our life and that is making huge amount of money. But sometimes this answer can be a big question, if we don't have the skills and knowledge about generating an income when we foray into a high-risk revenue segment.



Nobel laureate **William Faulkner** has rightly said that **“You cannot swim for new horizons until you have courage to lose sight of the shore.”**

Financial market, in a nutshell, is a treasure for those gutsy people who have the acumen and guts to put everything at risk. But that's again a foolhardy idea for one to have such

idea in India with monumental population where people more or less think about leapfrogging. It sounds weird but it's true to a long stretch of imagination.

What actually is a financial market?

One must be thinking about stocks and shares upon reading this. Well, yes it has a covert relation with stocks and shares as far as a layman is concerned. It's actually a board term. And it's a vast area with brimful of subtleties.

Although the below definition is a layman definition yet technical in nature. **Financial market** is a place where buyers and sellers engage themselves in a trade of assets which comprise stocks, bonds, currencies, derivatives etc. via a middleman called **broker**. Here a pictorial representation of financial Market

Capital Market: -

Before that one needs to know, what is equity? **Equities** are the value of shares issued by companies.

Capital Market is the market for companies and individuals who want to grow in tandem. It's a platform where public and private sectors often sell their stakes to raise fund in order to feed their projects in hand. The assets under this market don't have any fixed maturity time. However, one can book one's profit at any point in time if the prices are volatile.

Capital market has been split into two clusters:-

Primary Market: - New issues called as IPOs (Initial Public Offerings) are made in primary market. An initial public offering (IPO) refers to the first time a company publicly sells shares of its stock in the open market. It is also known as "going public."

Secondary Market: - Sometimes referred as aftermarket. It is a financial market where the previously issued stocks, bonds, and futures to name a few are bought and sold.

When a company wishes to raise capital by issuing securities, it goes out to the primary market and raises fund by issuing financial securities. The secondary market consists of stock exchange where actual trading takes place. SEBI, **Securities and Exchange Board of India**, headquartered in Mumbai, has been empowered to monitor the functioning of securities market and the operation of intermediaries. So, it's equivalent to SEC (**Securities Exchange Commission**) of USA which is a regulator cum watchdog.

Security

One must be wondering what the hell that word security is. A security, in a financial context, is a certificate or other financial instrument that has monetary value and can be traded. Understanding a term after reading the whole definition is really a solace to the heart.

Money Market:-

A major platform in financial market where securities and financial instruments with short-term maturities are traded is called the money market. Financial assets like treasury bills, certificates of deposits, commercial paper and bankers' acceptance are some of the short-term debt securities traded in the money market.

Indian Financial Market-

The financial market in India at present is more advanced than many other sectors as it became organized as early as the 19th century with the securities exchanges in Mumbai, Ahmedabad and Kolkata. In the early 1960s, the number of securities exchanges in India became eight - including Mumbai, Ahmedabad and Kolkata.

Apart from these three exchanges, there was the Madras, Kanpur, Delhi, Bangalore and Pune exchanges as well. Today there are 23 regional securities exchanges in India.

The Indian stock markets till date have remained stagnant due to the rigid economic controls. It was only in 1991, after the liberalization process that the India securities market witnessed a flurry of IPOs serially. The market saw many new companies spanning across different industry segments and business began to flourish. Features of Indian “Capital Market” are herein.

India Financial Indices - BSE 30 Index, various sector indexes, stock quotes, Sensex charts, bond prices, foreign exchange, Rupee & Dollar Chart

Indian Financial market news

◀ **Stock News** - Bombay Stock Exchange, NSE, BSE Sensex (Sensitive Index) 30 index, S&P CNX-Nifty, company information, issues on market capitalization, corporate earnings statements, CNBC news channel etc.

Fixed Income - Corporate Bond Prices, Corporate Debt details, and Debt trading activities, Interest Rates, Money Market, Government Securities,

Public Sector Debt, and External Debt Service. (Safest Investing Instruments with low returns)

Foreign Investment - Foreign Debt Database composed by BIS, IMF, OECD, & World Bank, Investments in India & Abroad

Global Equity Indexes - Dow Jones Global indexes, Morgan Stanley Equity Indexes

Currency Indexes - FX & Gold Chart Plotter, J. P. Morgan Currency Indexes

- National and Global Market Relations
- Mutual Funds (Low risk Category)
- Insurance
- Loans (A burden for a borrower and a headache for a banker)
- Forex and Bullion (Gold or silver in the form of bars)

The definitive decision of an investor always lies on one factor and that is risk. An investor has to seize of all the risks involved in the financial instruments in which he or she is going to invest. You need to read all the documents prudently pertinent to an asset segment before venturing into it as all your hard earn money are subject to market risk.