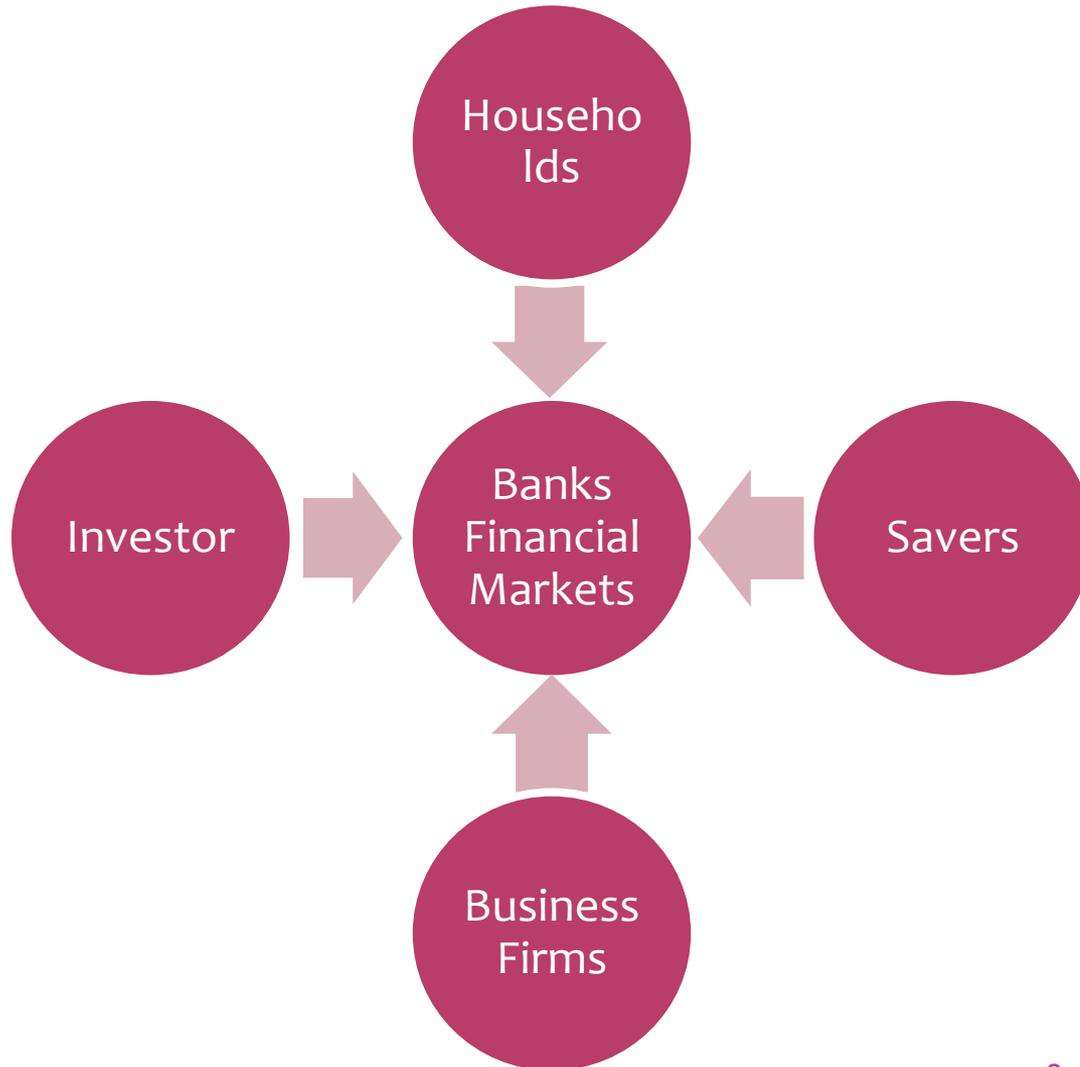


# FINANCIAL MARKET

Ram Kumar Kakani

XLRI Jamshedpur

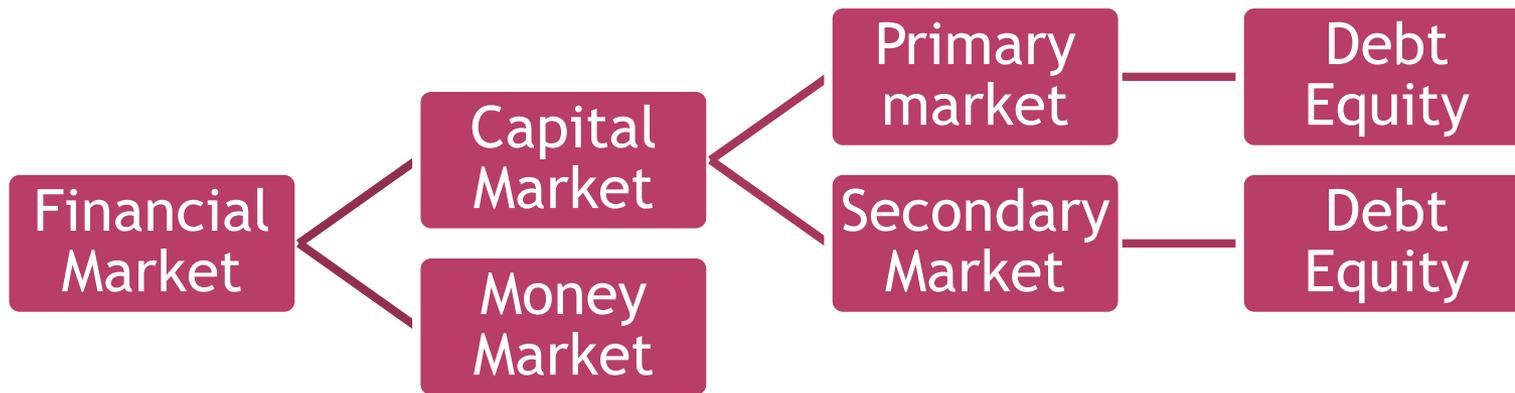
# CONCEPT OF FINANCIAL MARKET



# FUNCTIONS OF FINANCIAL MARKET

- ⦿ Mobilization of savings and channeling them into the most productive uses
- ⦿ Facilitate price discovery
- ⦿ Provide liquidity to financial assets
- ⦿ Reduce the cost of transactions

# CLASSIFICATION OF FINANCIAL MARKETS



# MONEY MARKET INSTRUMENTS

- ◉ Treasury bill
- ◉ Commercial paper
- ◉ Call money
- ◉ Certificate of deposit
- ◉ Commercial bill

# CAPITAL MARKET

- Primary Market
- Secondary

# METHODS OF FLOATING

- ◉ Offer through prospectus
- ◉ Offer for sale
- ◉ Private placement
- ◉ Right issue
- ◉ e-IPOs

# STOCK EXCHANGE

- According to securities contracts (Regulation) Act 1956, stock exchange means any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities.

# FUNCTION OF A STOCK EXCHANGE

- ◉ Providing liquidity and market ability to existing securities
- ◉ Pricing of securities
- ◉ Safety of transaction
- ◉ Contributes to economic growth
- ◉ Spreading of equity cult
- ◉ Providing scope for speculation

# STOCK MARKET INDEX

- ◉ It is a barometer of market behavior
- ◉ It reflect market direction and indicates day to day fluctuations in stock price
- ◉ An Ideal index must represent change in the prices of securities and reflect price movements
- ◉ BSE, SENSEX and NSE, NIFTY are important indices in Indian market
- ◉ Some global market indices are: S&P 500, FTSE100, and Dow Jones Industrial Average

# SOME COMMON STOCK MARKET TERMS

- ◎ BOURSES
- ◎ BULLS and BEARS
- ◎ PENNY STOCK

# FUNCTIONS OF SEBI

- SEBI was entrusted with the twin task of both regulation and development of the securities market.

# REFERENCES

- ⦿ Business Studies Text Book of Class XI & XII by NCERT, <http://ncert.nic.in/>
- ⦿ Ramachandran, N and Ram Kumar Kakani. *Financial Accounting for Management*. 4<sup>th</sup> Edition, McGraw Hill Series, Tata McGraw Hill Education, 2016 [ISBN: 978-93-85965-66-1 ].

# CHECK YOUR KNOWLEDGE

- ◎ Primary and secondary markets
  - a) Compete with each other
  - b) Complement each other
  - c) Function independency
  - d) Control each other

# CHECK YOUR KNOWLEDGE

- The settlement cycle in NSE is
  - a) T+5
  - b) T+3
  - c) T+2
  - d) T+1

# CHECK YOUR KNOWLEDGE

- ⦿ National Stock Exchange of India was recognized as stock exchange in the year
  - a) 1992
  - b) 1993
  - c) 1994
  - d) 1995

# CHECK YOUR KNOWLEDGE

- Clearing and settlement operations of NSE is carried out by
  - a) NSDL
  - b) NSCCL
  - c) SBI
  - d) CDSL

# CHECK YOUR KNOWLEDGE

- ◎ OTCEI was started on the lines of
  - a) NASDAQ
  - b) NYSE
  - c) NASDAQ
  - d) NSE

# CHECK YOUR KNOWLEDGE

- Treasury bills are basically
  - a) An instrument to borrow short term funds
  - b) An instrument to borrow long term funds
  - c) An instrument of capital market
  - d) None of the above

THANK YOU