

SES'S L.S.RAHEJA COLLEGE OF ARTS AND COMMERCE

Course: SYBCOM COMMERCE IV

Unit: III - A

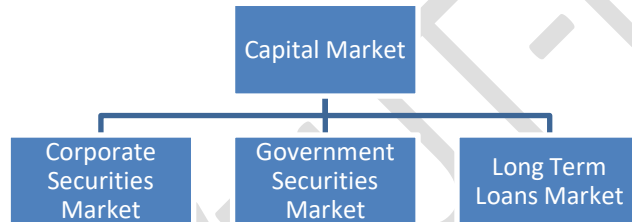
Prepared by: Ms. Dhvani Rathod

Organised Money Market

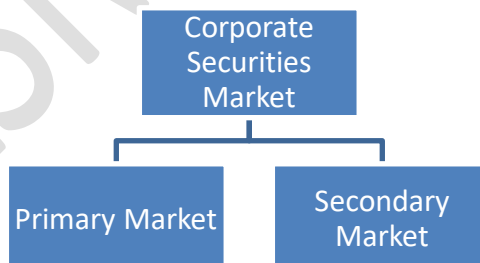
- Follows standardized rules and regulations.
- The participants consist of
 1. RBI
 2. Banks
 3. Corporates
 4. Non-Banking Finance Companies

Capital Market

- ▶ Deals with long term securities which have a maturity period of over 1 year.
- ▶ Long term securities enable the firms or issuers to purchase fixed assets.

**Corporate Securities Market**

- ▶ Provide long term funds to companies.



Primary Market

- ▶ It is a market for new issue of securities.
- ▶ Deals with the debt or equity backed securities which are issued to the public for the first time.
- ▶ So, also called New Issue Market.

Functions of Primary Market

- ▶ The main function is to facilitate the transfer of savings from investors to the users for productive activities.
- ▶ The following are the three service functions
 1. Origination: Refers to the investigation, analysis, and processing of new market proposals.
 2. Underwriting: The underwriters guarantee the minimum subscription.
 3. Distribution: The sale of securities to the ultimate investors is called as distribution.

Secondary Market

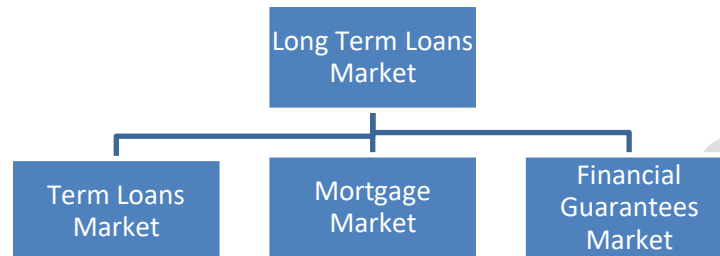
- ▶ It is the market in which the buying and selling takes place of the listed securities.
- ▶ The trading transactions is done through the medium of stock exchange.
- ▶ The main purpose of the secondary market is to create liquidity in securities.
- ▶ Main features of secondary market are as follows:
 1. Facilitates trading in securities
 2. Facilitates primary market
 3. A security can be traded a number of times

Government Securities Market

- ▶ Also called as 'Gilt Edged Securities Market.'
- ▶ 'Gilt Edged' means 'of the best quality.'
- ▶ Government securities are free from risk of default.
- ▶ Open market operations of RBI are conducted in this market.
- ▶ Securities are issued by Central government and state government.
- ▶ Normally have full backing of the government.
- ▶ Rate of interest is called as 'coupon rate'.

Long Term Loans Market

- ▶ Bank and Financial Institutions provide long term loans to firms.
- ▶ These loans can be utilized for fixed assets.
- ▶ The maturity period of long term loans is more than 1 year.



Note: These are just points which need to be explained with proper examples. Read book/s for detail explanation.

Important Questions

1. Explain the structure of the Indian Capital Market.
2. What is Primary Market? What are its functions?
3. Write short notes on:
 - i. Organised Money Market
 - ii. Secondary Market
 - iii. Government Securities Market
 - iv. Long Terms Loan Market