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

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