A Study of Capital Markets

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Abstract: A capital market is a market for securities which can be either debt or equity, where business enterprises which includes companies and governments can raise long-term funds. In other words it is defined as a market in which money is provided for a period of more than a year. Capital market acts as an important link between savers and investors. The savers are lenders of funds while investors are borrowers of funds. In this paper we are studied about capital market, Indian Capital Markets and Significance of capital market.

Keywords: Indian Capital Markets, Primary capital market, Secondary capital market.

I. INTRODUCTION

Capital Market is one of the significant aspect of every financial market. Hence it is necessary to study its correct meaning. Broadly speaking the capital market is a market for financial assets which have a long or indefinite maturity. Modern capital markets are almost invariably hosted on computer-based electronic trading systems; most can be accessed only by entities within the financial sector or the treasury departments of governments and corporations, but some can be accessed directly by the public. There are many thousands of such systems, most serving only small parts of the overall capital markets. Entities hosting the systems include stock exchanges, investment banks, and government departments. Physically the systems are hosted all over the world, though they tend to be concentrated in financial centres like London, New York, and Hong Kong.

II. TYPE OF CAPITAL MARKET

There are two types of Capital Market, from where an investor can deal in securities, they are Primary Market and Secondary Market. The former is a market where securities are offered for the first time for receiving public subscription while the latter is a place where pre-issued securities are dealt between the investors.

The Capital Market consists of the primary capital market and secondary capital market.

Primary Capital Market
It is that part of capital market in which new stock or bond issues are sold to investors via a mechanism which is known as underwriting.

For example: Company A Limited requires funds. It issues shares in the primary market. When the company issues shares for the first time, it is called Initial Public Offering (IPO). Further issue of shares is known as Follow on Public Offer (FPO). Primary market comprises of both IPO and FPO.

Secondary Capital Market
The secondary market is where securities are traded after the company has sold all the stocks and bonds offered on the primary market.

For example: Trading in National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Calcutta Stock Exchange (CSE) etc.

The secondary market is further divided into two kinds of market.

A. Auction Market: Market in which, throughout the day, buyers enter competitive bids and sellers enter competitive orders, in contrast to over-the-counter market where trades are individually negotiated.

B. Dealer Market: A market in which transactions occur between principals acting as dealers buying and selling for their own accounts, rather than between brokers acting as agents for buyers and sellers.

The prices in the primary market are fixed while the prices vary in the secondary market depending upon the demand and supply of the securities traded. At the primary market, the investor can purchase shares directly from the company. Unlike Secondary Market, when investors buy and sell the stocks and bonds among themselves. Like the money market capital market is also very important. It plays a significant role in the national economy. A developed, dynamic and vibrant capital market can immensely contribute for speedy economic growth and development.

III. INDIAN CAPITAL MARKETS

The Indian capital market is the market for long term loanable funds as distinct from money market which deals in short-
term funds. The Indian economy bucked the trend in 2015 when most of the emerging market economies witnessed significant external vulnerabilities owing to positive external balance and a stable public policy. Although the rising NPAs in the banking system and strong headwinds in the global economy did have an impact on Indian economy, it was largely stable when compared to its peers. The year 2016 will be closely watched for the government’s ability to push critical reforms and apex banks’ monetary policy stance to support growth. Year 2016 could be the year for India with most macro factors in place and the result of the government’s push to increase investments likely to get fructified. Inflation, Index of Industrial Production, GDP, Non uniform Tax reforms, Population Foreign Policy, Education and Unemployment are the Challenges of the Indian Capital Market.

IV. CONCLUSION

Indian market is a booming market; it has scope of development in sectors like Pharmaceuticals, Retail industry, Automobiles, Education, etc. FDI should be allowed in sectors to attract the foreign investors though keeping our own economy stable of its own and not mostly dependent on global market. Primary Market encourages direct interaction between the company and the investor while the secondary market is opposite where brokers help out the investors to buy and sell the stocks among other investors. The capital market plays an important role immobilising saving and channel is in them into productive investments for the development of commerce and industry.

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