INDIAN STREAMS RESEARCH JOURNAL

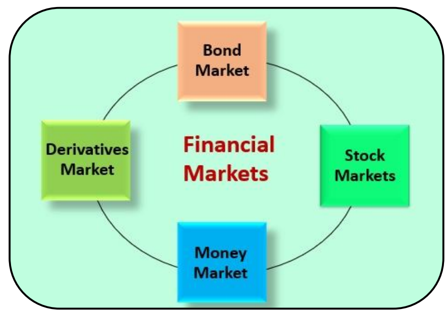
ISSN: 2230-7850
IMPACT FACTOR : 5.1651 (UIF)
VOLUME - 11 | ISSUE - 2 | MARCH– 2021

CONSTITUENTS OF FINANCIAL MARKETS

Prof. Savita P. Vaidya
Assistant Professor,
Prin. K.P. Mangalvedhekar Institute of Management,
Career Development & Research , Solapur.

ABSTRACT:

Indian Monetary Market helps in advancing the reserve funds of the economy - assisting with taking on a compelling channel to communicate different monetary strategies. Our paper is based on a descriptive study and discusses the meaning of financial markets, the characteristics and types of financial markets, the differences between capital and money market instruments, the differences between primary and secondary markets, and finally the functions of financial markets. A business structure known as a financial market is one in which different kinds of bonds and securities are traded at lower rates of transaction. It includes, among others, bonds, shares, derivatives, forex markets, and other financial securities. The Financial Market is very important for a capitalist economy because it helps allocate resources and provides businesses with liquidity.The proper mobilization of capital between investors and collectors is ensured by the Financial Market.



KEYWORDS : *Structure of Financial market, Financial Instruments, and Financial Market , Functions.*

INTRODUCTION:

Any market in which buyers and sellers trade assets like shares, bonds, currencies, and derivatives is referred to as a "Financial Market" in its broadest sense. Financial markets are typically distinguished by transparent pricing, fundamental trading regulations, costs and fees, and market forces that determine the prices of securities that are traded. The Indian financial market, which is currently more advanced than many other sectors, was organized in the 19th century by securities exchanges in Mumbai, Ahmedabad, and Kolkata. At the beginning of the 1960s, India had eight securities exchanges, with Mumbai, Ahmedabad, and Kolkata among them. In addition to these three, there were the Madras, Kanpur, Delhi, Bangalore, and Pune exchanges. In India, there are currently 23 provincial protections trades.

The Indian financial market encourages economic savings and contributes to the adoption of an effective medium for the dissemination of various financial policies. The Indian financial sector is well-developed, competitive, efficient, and integrated to withstand any shock. The various purchasers and venders that make up the Indian monetary market set the costs for different monetary items. The prices of financial products are also affected by demand and supply forces in the market. The various other kinds of Indian markets provide support for the extensive Indian financial sector.

OBJECTIVES OF THE STUDY

1. to appreciate the Monetary Market Idea
2. to have an understanding of the various financial markets
3. Understanding the Functions of the Financial Market

CONCEPT OF FINANCIAL MARKET

In simplest terms, a financial market is a location where individuals, businesses, governments, and households' savings are channeled toward those in need. This refers to lenders to borrowers.

People trade financial securities, commodities, and other fungible items of value in a financial market at prices that reflect supply and demand and low transaction costs. Commodities include precious metals or agricultural products, while securities include stocks and bonds.

STRUCTURE OF FINANCIAL MARKET

We are obsessed as investors with profit and loss, bulls and bears, and a variety of other investing-related technical and psychological aspects. We are typically familiar with the majority of well-known investment options, such as the Stock Market, bonds, and money market funds (MFs), as everyone talks about them. However, ignorance hinders our comprehension of the Indian financial market's workings. In this article, we will attempt to comprehend the financial market's technical and functional structure so that individual investors can take more

CAPITAL MARKET

Capital Market is a type of financial market in which government or company securities are created and traded to raise long-term financing to meet the capital requirement.

Stocks, bonds, debentures, euro issues, and other securities are among the securities traded. whose securities are sometimes irredeemable (no maturity) or whose maturity period is not limited to one year. The economy's capital circulation between money suppliers and consumers is revolutionized by the market. The Securities and Exchange Board has complete control over the Capital Market, which serves to safeguard investors' interests. The Capital Market incorporates both seller market and sale market. It can be roughly broken down into two main categories: Secondary Market and Primary Market

- Main Market: The term "Primary Market" refers to a market in which new securities are made available to the general public for subscription.
- Optional Market: The term "secondary market" refers to a market where investors trade securities that have already been issued.

USES AND IMPORTANCE OF CAPITAL MARKETS

- In order to promote capital formation throughout the nation, it is absolutely necessary to have an organized capital market. This will allow for the introduction of profitable investment opportunities as well as the mobilization of savings.
- The issuance of shares is a common method by which businesses raise fixed capital from the capital market.
- The capital market also lends long-term financing to the government and local authorities.
- Any economy's monetary policy relies heavily on the issuance of bonds and debentures, which are effectively carried out through capital markets.

MONEY MARKET

An unorganized marketplace of bill brokers, money dealers, and other financial institutions. Money Market is the location where short-term financial instrument trading is completed. These business sectors are likewise realized by the name discount market. Short-term debt instruments include certificates of deposit, trade credit, commercial paper, and Treasury bills. Their redemption period is limited to one year because they are highly liquid (cash equivalents). Despite their low return on investment, these trading instruments are quite safe.

Because the Money Market is a non-systematic market, trading takes place off exchange, also known as Over The Counter (OTC), between two parties via phone, email, fax, online, and other methods. It plays a crucial role in the economy's movement of short-term funds. It helps industries meet their need for working capital.

USES AND IMPOETANCE OF MONEY MARKET

Probably the most well-known utilizations of currency market are:

- A money market meets the short-term needs of borrowers and provides lenders with a well-organized location for dealing in financial assets.
- A means for banks to redistribute loan-able funds is a short-term money market.
- The government can also get the short-term financing it needs from the money market.
- Call-loans are loans made by specialized financial institutions using a portion of their surplus funds.

DIFFERENCES BETWEEN CAPITAL AND MONEY MARKET

1. Period of Maturity: The lending and borrowing of long-term finance (for more than one year) is the business of the capital market. While short-term financing (i.e., financing for less than one year) is the focus of the money market, Financial Instruments: Stocks, shares, debentures, bonds, and government securities are the most frequently utilized instruments in the capital market. In contrast, the money market's primary credit instruments are acceptances, bills of exchange, call money, and collateral loans.

3. The Types of Credit Available: The capital market's credit instruments are more diverse than those in the money market. For financial markets to function, credit instruments need to be standardized in some way. Investors face difficulties as a result of excessive diversity.

4. Institutions: Stock exchanges, commercial banks, and non-bank financial institutions like insurance companies, mortgage banks, and building societies are important players in the capital market. In the money market, central banks, commercial banks, acceptance houses, non-bank financial institutions, and bill brokers are also important players.

5. Scope of the Loan: Industrialists' long-term credit requirements are met by the capital market, which provides fixed capital for land, machinery, and other purchases. On the other hand, businesses can get the short-term credit they need from the money market; It provides industrialists with working capital.

6. Risk:. The gamble is a lot more noteworthy in capital market. The risk is minimized because a maturity of one year or less leaves little time for a default. In the capital market, there is a wide range of risk, both in magnitude and nature. In the money market, there is little risk.

7. Main Function: The primary function of the capital market is to put capital to use, ideally in long-term, secure, and productive employment. The money market's primary function is to adjust liquidity.

8. Connections with the Central Bank: The money market is the primary channel through which the capital market experiences the central bank's influence. The nation's central bank is in close proximity to the money market.

9. Market Control: Institutions are not heavily regulated in the capital market. Commercial banks are closely regulated in the money market.

MAJOR MARKET PARTICIPANTS

Broker: tasked with acting as a mediator between buyers and sellers of goods, services, or securities.

Dealer: makes it easier to match the seller and the buyer.

Banks that invest: involved in selling securities that have just been issued.

Intermediary Financial Firms: when trading securities, intermediaries between investors and businesses.

FUNCTIONS OF FINANCIAL MARKET

Financial market has emerged as one of the biggest markets in the world. It is engaged in a wide range of activities that cater to a large group of people with diverse needs. key functions of Financial Market are –

1. **Mobilization of Savings and their Channelization into more Productive Uses:** Financial People's savings are encouraged by the market. This market moves cash, which is a wasteful, sly lie, to places where it is really needed. For the purpose of transferring funds from one party to the other, numerous financial instruments are made available. The investors can put money into any of these instruments they want.
2. **Determination of Prices**: The forces of demand and supply determine the price of any good or service. Investors also attempt to determine the price of their securities, like goods and services. Investors can rely on the financial market to provide them with a fair price. Financial markets determine the prices of the new assets and stocks of financial assets. The financial market's primary function is price determination.
3. **Assimilation and Co-ordination of Information:** It gathers and co-ordinates information regarding the value of financial assets and flow of funds in the economy.
4. **Provides Liquidity to Financial Assets:** In this market, everyone who wants to buy or sell securities is always available. It does this by providing securities with liquidity. This means that investors can use the financial market to put their money into securities whenever they want. Additionally, they have the option of converting their investment into cash at any time.
5. **Risk Sharing:** It distributes the risk associated in any transaction among several participants in an enterprise.
6. **Efficiency:** It lowers transaction and information acquisition costs. It help to increment proficiency. When buying and selling securities, a variety of information is required. Much time and cash is spent in acquiring something similar. Every kind of information is made available for free on the financial market. The financial market lowers transaction costs in this way.

CONCLUSION

The country's economy relies heavily on the two financial markets to raise funds. In contrast to secondary market, where brokers assist investors in buying and selling stocks alongside other investors, primary market encourages direct interaction between the company and investor. The secondary market encourages bulk purchasing of securities, whereas the primary market does not. Money Market and Capital Market assist in this effort by transferring surplus funds from lenders to borrowers who require them. This is the primary goal of the financial market. Every day, millions of transactions take place worldwide. They both strive to improve the global economy. They meet the short- and long-term capital requirements of individuals, businesses, corporations, and the government. They offer attractive returns, which encourage

REFERENCES:

1. www.financial markets.com
2. www.investment pedia.
3. www.finanacial markets issues and challenges
4. Financial markets issues and challenges google search
5. *"Understanding Derivatives: Markets and Infrastructure - Federal Reserve Bank of Chicago".*
6. Robert E. Wright and Vincenzo Quadrini. Money and Banking: “
7. *Khader Shaik Managing Derivatives Contracts: A Guide to Derivatives Market Structure, Contract Life Cycle, Operations, and Systems).*
8. Steven Valdez, *An Introduction To Global Financial Markets.*