



UNIT II

4

CHAPTER

FINANCIAL MARKETS - I



INTRODUCTION TO FINANCIAL MARKETS

வாரி பெருக்கி வளம்படுத்து உற்றவை
ஆராய்வான் செய்க வினை.

—குறள் 512

COUPLET

Let him do (the king's) work who can enlarge the sources
(of revenue), increase wealth and considerably prevent the
accidents (which would destroy it).



Learning Objectives

To enable the students to understand the

- Meaning and definition of financial market
- Scope of Indian Financial Market
- Types of Financial market
- Role of financial market
- Functions of financial market
- New Issue Market Vs Secondary Market

Chapter Synopsis

- 4.01 Meaning and Definition of Financial Market
- 4.02 Scope of Indian Financial Market
- 4.03 Types of Financial Markets
- 4.04 Role of Financial Market
- 4.05 Functions of Financial Market
- 4.06 New Issue Market (NIM) Vs. Secondary Market

Business firms need large funds to undertake a desired project. Accumulation of these funds may be beyond their capacity in a reasonable period of time. Governments need funds to provide goods and services to the people. Financial market facilitates business firms as well as governments to raise the needed funds by issuing and selling different instruments. Financial market also helps investors to facilitate them to invest surplus funds and earn a return. With the help of financial market, all kinds of business, Government and the financial institutions can get financial assistance in terms of both short term finance and long term finance.

Before going into the details, let us have an understanding of the Indian financial system. The Indian financial system can be broadly classified into organized sector and unorganized sector. Organized sector consist of Regulators, Financial Institutions, Financial Markets and Financial Services. The unorganized sector consists of Money Lenders, Indigenous Bankers etc. The financial system facilitates the flow of funds from