

**DEPARTMENT OF COMMERCE AND FINANCIAL STUDIES  
BHARATHIDASAN UNIVERSITY, TIRUCHIRAPPALLI – 620024  
MBA (Financial Management)**

**COURSE CODE: FMCC3/24**

**COURSE NAME: Financial Markets**

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# Scheme of Presentation Unit I

- Investment Meaning
- Interest Rates
- Factors determining Interest Rates
- Various Investment Avenues.
- Meaning of Securities
- Functions of Securities Market
- Regulators
- Role of SEBI
- Participants in the Securities Market  
Segments of Securities Market.

# Unit I

## Introduction (Investment Basics)

**Meaning of Investment:** Investment refers to the allocation of money or resources into assets or financial instruments with the aim of generating income, profits, or capital appreciation over time. It involves risk but also the potential for returns.

**Interest Rates:** Interest rates represent the cost of borrowing money or the return on savings. They are expressed as a percentage and can either be fixed or floating. Interest rates impact both investment returns and the cost of financing.

# Factors Determining Interest Rates:

- **Inflation:** Higher inflation often leads to higher interest rates.
- **Demand and Supply of Money:** When the supply of money is high, interest rates tend to fall.
- **Central Bank Policies (e.g., RBI):** Central banks set benchmark interest rates that influence the broader economy.
- **Economic Growth:** Strong economic growth tends to increase interest rates due to higher demand for loans.
- **Creditworthiness of Borrowers:** Higher risk borrowers generally face higher interest rates.
- **Global Economic Conditions:** International trends, such as global recessions or growth, can affect local interest rates.



## Various Investment Avenues

**Equities (Stocks):** Ownership shares in a company.

**Bonds (Debt Instruments):** Loans made to companies or governments with fixed interest payments.

**Mutual Funds:** Investment vehicles pooling money from various investors to invest in a diversified portfolio.

**Real Estate:** Investment in property for rental income or capital appreciation.

**Commodities:** Investment in physical goods like gold, silver, or oil.

**Fixed Deposits:** A financial instrument offering a fixed return over a specified period.

**Public Provident Fund (PPF):** A government-backed long-term savings option with tax benefits.

# Securities

**Meaning of Securities:** Securities are financial instruments that represent ownership (equities), creditor relationships (bonds), or rights to ownership (derivatives). They can be traded in financial markets which include stocks, bonds, mutual funds, options, and futures.

# Functions- Securities Market

## Functions of the Securities Market:

- **Liquidity:** Securities market provide liquidity, enabling investors to buy and sell assets easily.
- **Price Discovery:** Market helps in determining the fair value of securities based on supply and demand.
- **Capital Formation:** They facilitate the transfer of funds from investors to businesses, helping in economic development.
- **Risk Management:** Investors can diversify their portfolios or hedge risks using derivatives.
- **Efficient Allocation of Resources:** The market directs funds to the most productive sectors of the economy.



# Regulators

## Regulators:

- In India, the **Securities and Exchange Board of India (SEBI)** is the primary regulator of the securities market.
- Other regulators include the **Reserve Bank of India (RBI)**, which regulates the debt market, and **Ministry of Finance**, which oversees broader financial policies.



# Role of SEBI

**Protect Investors:** SEBI's primary mandate is to protect the interests of investors by ensuring fair practices and transparency.

**Regulate Market Intermediaries:** SEBI supervises stockbrokers, investment advisors, and other participants.

**Promote Transparency:** It ensures that companies disclose critical information to investors.

**Prevent Fraud:** SEBI takes steps to prevent insider trading and other market abuses.

**Development of Securities Markets:** SEBI works on innovations and enhancements to the functioning of the market.

## **Participants in the Securities Market:**

- Retail Investors:** Individual investors who buy and sell securities.
- Institutional Investors:** Entities like mutual funds, pension funds, and insurance companies that invest on a large scale.
- Brokers and Dealers:** Intermediaries who facilitate buying and selling in the market.
- Stock Exchanges:** Platforms like BSE and NSE where securities are traded.
- Regulators:** Authorities like SEBI and RBI that regulate the market.
- Issuers:** Companies that issue securities to raise capital.

## **Participants in the Securities Market**

# Segments of the Securities Market

- **Primary Market:** Where securities are issued for the first time through Initial Public Offerings (IPOs) or bonds. Funds flow from investors to the issuing company.
- **Secondary Market:** Where previously issued securities are traded among investors. Stock exchanges facilitate these transactions.
- **Equity Market:** A subset of the secondary market where shares of companies are traded.
- **Debt Market:** This includes government and corporate bonds where debt instruments are traded.
- **Derivatives Market:** Where derivative instruments like options and futures are traded, often used for hedging risks.

**THANK YOU**

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