Financial market

Introduction

A financial market is a marketplace which facilitates buyers and sellers to participate in the trading of financial assets such as bonds, currencies, equities, derivatives and other financial instruments.

It provides a mechanism between the investors/lenders and the borrowers/users for the transfer of funds.

In the financial markets, the individual investors, Financial Institutions and other financial intermediaries are linked by trading rules and communication networks for the trading of various financial instruments and financial assets.

Major function of Financial Market

It provides facilities for interaction between the investors and the borrowers.

To provide security in the dealings and operations in the financial instruments and assets.

Provide liquidity to various financial assets and financial instruments.

Ensures lower transaction costs and also saves effort and time.

It helps in the mobilisation of savings and ensures their utilisation in more productive financial assets.

Classification of Financial Market

Financial markets are categorised as organised market and unorganised market.

Unorganised market are those which are not governed and controlled by the central bank, and it mainly consists of money lenders, indigenous bankers etc who provide credit facilities to the public.

Organised market which work according to the laws, rules, and regulations made by the government and supervised by the central bank of the country (RBI) or any other regulatory body are known as organised financial markets.

Organised financial markets are further classified as - Money market and Capital market.