

A STUDY OF STRUCTURE AND FUNCTIONS OF CAPITAL MARKETS

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ABSTRACT

Capital markets are venues where savings and investments are channeled between the suppliers who have capital and those who are in need of capital. The entities that have capital include retail and institutional investors while those who seek capital are businesses, governments, and people. It is a market in which money is lent for periods longer than a year. A nation's capital market includes such financial institutions as banks, insurance companies, and stock exchanges that channel long-term investment funds to commercial and industrial borrowers.

Keywords: Capital markets, stock exchanges, commercial and industrial borrowers

Employee execution evaluation, organization execution, Employee effectiveness, association development.

1. INTRODUCTION

CAPITAL MARKETS:

Capital markets in the United States provide the lifeblood of capitalism. Companies turn to them to raise funds needed to finance the building of factories, office buildings, airplanes, trains, ships, telephone lines, and other assets; to conduct research and development; and to support a host of other essential corporate activities. Much of the money comes from such major institutions as pension funds, insurance companies, banks, foundations, and colleges and universities. Increasingly, it comes from individuals as well. As noted in chapter 3, more than 40 percent of U.S. families owned common stock in the mid-1990s. Very few investors would be willing to buy shares in a company unless they knew they could sell them later if they needed the funds for some other purpose. The stock market and other capital markets allow investors to buy and sell stocks continuously. The markets play several other roles in the American economy as well. They are a source of income for investors. When stocks or other financial assets rise in value, investors become wealthier; often they spend some of this additional wealth, bolstering sales and promoting economic growth. Moreover, because investors buy and sell shares daily on the basis of their expectations for how profitable companies will be in the future, stock prices provide instant feedback to corporate executives about how investors judge their performance. Stock values reflect investor reactions to government policy as well.

If the government adopts policies that investors believe will hurt the economy and company profits, the market declines; if investors believe policies will help the economy, the market rises. Critics have sometimes suggested that American investors focus too much on short-term profits; often, these analysts say, companies or policy-makers are discouraged from taking steps that will prove beneficial in the long run because they may require short-term adjustments that will depress stock prices. Because the market reflects the sum of millions of decisions by millions of investors, there is no good way to test this theory. In any event, Americans pride themselves on the efficiency of their stock market and other capital markets, which enable vast numbers of sellers and buyers to engage in millions of transactions each day. These markets owe their success in part to computers, but they also depend on tradition and trust -- the trust of one broker for another and the trust of both in the good faith of the customers they represent to deliver securities after a sale or to pay for purchases. Occasionally, this trust is abused. But during the last half century, the federal government has played an increasingly important role in ensuring honest and equitable dealing. As a result, markets have thrived as continuing sources of investment funds that keep the economy growing and as devices for letting many Americans share in the nation's wealth.

2. REVIEW OF LITERATURE

ARTICLE FROM THE WALL STREET JOURNAL:

In order to be successful at the stock exchange you should be able first to understand how the trading process itself works. You are probably used to the traditional trading in which you go to the shop and pay the price that has been set by the seller. However, in the stock exchange both sellers and buyers set the prices at which they are willing and able to trade. This article will provide you with the foundations of the stock trading process as well as with information on trading orders. As it was mentioned above both buyers and sellers are the people who are responsible for the setting of the prices of stocks. As a result you will encounter two types of prices. The first one is the ask price, which is the price

at which the seller is willing and able to sell the stock. The second price is the bid price at which the buyer is willing and able to purchase the stock. As you can guess the bid and ask price are rarely the same. The difference between ask and bid price is referred to as the spread. This difference goes to the broker as his/her profit for selling you the particular stock. Specialists are in charge of the coordination between bids and ask, so that the amount of the spread is kept at a minimum.

BERMIN, H., "EXOTIC LOOK BACK OPTIONS: The case of Extreme Spread Options", Working Paper, Department of Economics, Lund University, Sweden (1996) Options which are based upon two or more assets are commonly generalized as rainbow options. Rainbow options which have their value determined by the difference between two or more correlated assets are known as spread options. The name extreme spread option might strike you as being a spread option which has some 'extreme' characteristic built in, but in fact, extreme spreads are more a variant of several combined look back options. Bermin (1996) introduced these exotics, which he describes as being similar to a fixed strike look back option, but that the strike is actually floating. That may seem to be a contradiction in its own right, but if you read through the look backs section, you'll understand that it is not simply a floating look back. These options have a payoff at maturity equal to the positive part of the difference between the highest observed price over a period of time near the end of the option period, and the highest price observed during the beginning portion of the option life. One can view the illustration below to see what we mean in the case of extreme spread call options.

OBJECTIVES:

- To study about the capital market.
- To analyze the selected stocks and their price movement.
- To analyze the earning price per share for selected securities.
- To know how the companies listed in the stock exchanges.
- To know how trading activity is to be done.
- To know the complete awareness of secondary market (stock exchanges like NSE, BSE).

3. RESEARCH METHODOLOGY

RESEARCH GAP ANALYSIS

This study focuses on the This difference goes to the broker as his/her profit for selling you the particular stock. Specialists are in charge of the coordination between bids and ask, so that the amount of the spread is kept at a minimum.

Need For The Study

The present study on spreads helps the investors to take right decision when to purchase and when to sell a particular stocks and gain out of it. The study would explain the speculators the way to minimize the loss and maximize the profits. It also helps in assessing the market strength of the company. In this context the researcher felt to focus light on spreads and it relevance to traders in investing and gaining than the situation with his intent the proposed study planned.

Scope Of The Study:

The scope of the study is confined to opening and closing prices of the stocks of 10 companies from 5 different sectors of BSE Sensex. The comparisons for this study are carried out over a time span of 30days taking the prices of the shares twice in a week

Methodology

The data collection methods include Secondary Collection method.

Secondary Collection Methods:

The Secondary Collection Methods includes the lectures of the superintendent of the Department of Market Operations, EDP etc, and also the data collected from the News, Magazines of the NSE and different books issues of this study. This method includes the data collected from the personal discussions with the authorized clerks and members of the Exchange.

TOOL USED

CALCULATION OF SPREAD:

$$\text{SPREAD} = \text{CLOSING PRICE} - \text{OPENING PRICE}$$

Limitations Of The Study

- The primary data influence through personal interaction with the employees may have an element of bias from the point of view of employee's individual perspective.
- Though the data so collected could be relied upon, due to differences in sample size, the conclusions may not be generalized as a whole.
- The study was restricted to 50-sample size only.

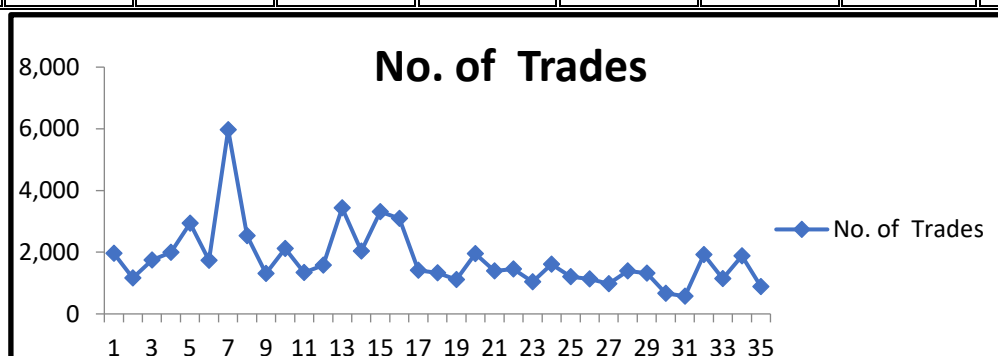
4. DATA ANALYSIS & INTERPRETATION

Company :HERO MOTOCORP LTD. 500182

STOCK MARKET

Date	Open	High	Low	Close	WAP	No. of Shares	No. of Trades	Total Turnover
2/12/22	2,055.05	2,090.00	2,030.95	2,062.90	2,070.19	24,767	1,961	5,12,70,809
3/12/22	2,058.00	2,079.30	2,033.70	2,048.19	2,053.12	27,874	1,203	5,72,28,643
4/12/22	2,047.00	2,090.00	1,996.00	2,030.95	2,043.94	20,331	1,740	3,33,79,599
5/12/22	2,042.00	2,068.25	2,042.00	2,050.95	2,054.95	19,635	1,996	3,21,29,090
6/12/22	2,057.00	2,120.55	2,057.00	2,098.70	2,098.67	27,320	2,943	5,73,27,365
9/12/22	2,190.00	2,205.00	2,102.20	2,121.75	2,125.63	19,700	1,735	4,18,74,951
10/12/22	2,190.00	2,220.70	2,119.75	2,203.10	2,205.23	42,866	5,968	9,28,20,784
11/12/22	2,200.00	2,210.00	2,192.30	2,209.75	2,179.08	21,821	2,530	4,75,49,720
12/12/22	2,195.00	2,200.00	2,122.40	2,128.30	2,200.31	11,197	1,305	2,38,79,443
19/12/22	2,128.00	2,190.45	2,060.00	2,064.95	2,083.27	20,401	2,121	4,25,00,879
20/12/22	2,065.00	2,065.00	2,031.65	2,041.30	2,044.62	19,057	1,342	3,89,64,307
17/12/22	2,046.00	2,082.70	2,036.00	2,055.45	2,063.73	44,620	1,582	9,20,83,632
18/12/22	2,060.00	2,199.00	2,050.00	2,119.90	2,112.31	53,192	3,435	11,23,58,086
19/12/22	2,119.00	2,127.80	2,072.19	2,084.05	2,093.28	20,696	2,039	4,33,22,465
20/12/22	2,084.00	2,195.45	2,063.00	2,127.35	2,120.98	59,198	3,308	12,54,73,195
23/12/22	2,129.90	2,209.90	2,129.90	2,202.90	2,199.52	27,394	3,097	5,91,57,948
24/12/22	2,208.00	2,208.00	2,190.00	2,192.85	2,204.22	20,127	1,408	3,02,91,401
26/12/22	2,199.00	2,204.00	2,090.00	2,097.50	2,108.54	19,507	1,333	2,84,80,034
27/12/22	2,098.00	2,107.00	2,080.85	2,086.80	2,091.50	20,034	1,109	2,93,52,201
30/12/22	2,093.00	2,106.00	2,050.70	2,067.50	2,080.46	21,205	1,948	4,39,91,282
31/12/22	2,067.00	2,085.80	2,066.00	2,074.80	2,076.40	18,197	1,395	3,77,84,235
1/01/23	2,080.00	2,099.85	2,065.19	2,086.05	2,089.77	18,772	1,453	3,92,29,210
2/01/23	2,083.60	2,101.00	2,075.00	2,080.40	2,088.68	19,330	1,043	3,20,19,448
3/01/23	2,071.00	2,119.00	2,063.40	2,096.50	2,095.29	19,265	1,605	3,19,84,568
6/01/23	2,100.00	2,100.00	2,065.50	2,068.05	2,077.19	19,879	1,202	2,88,29,333
7/01/23	2,073.00	2,094.20	2,058.85	2,067.75	2,069.81	21,619	1,195	4,47,38,994
8/01/23	2,082.60	2,089.00	2,059.25	2,064.95	2,073.34	8,820	981	1,82,86,848

9/01/23	2,068.50	2,080.00	2,062.05	2,068.25	2,071.65	43,476	1,392	9,00,66,845
10/01/23	2,072.00	2,072.00	2,030.00	2,035.19	2,052.09	10,944	1,324	2,24,58,064
19/01/23	2,035.00	2,049.00	2,024.00	2,038.75	2,031.52	29,617	665	6,01,67,487
20/01/23	2,033.00	2,046.00	2,027.00	2,035.50	2,035.46	6,051	576	1,23,20,571
19/01/23	2,040.00	2,096.00	2,040.00	2,074.05	2,077.62	20,239	1,921	3,37,38,435
20/01/23	2,078.00	2,108.00	2,067.00	2,073.90	2,083.97	9,637	1,199	2,00,83,198
17/01/23	2,078.00	2,095.00	2,066.10	2,075.19	2,091.21	1,03,198	1,884	21,56,83,553
20/01/23	2,075.00	2,099.90	2,062.35	2,085.75	2,087.10	12,507	884	2,61,03,359



INTERPRETATION:

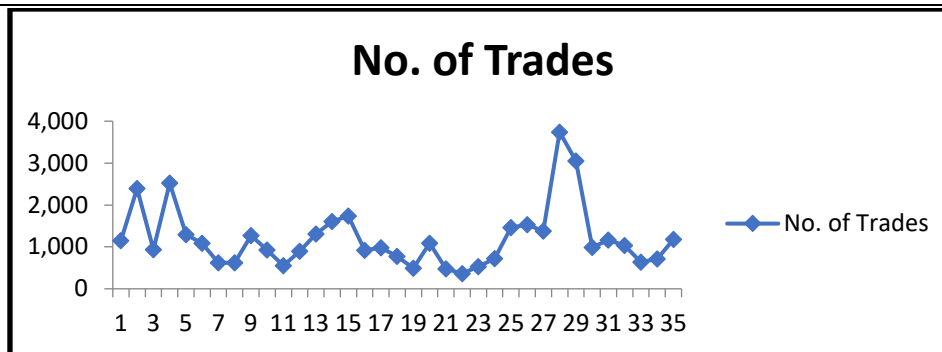
On open value has risen from 2055.05 to 2075.00. Then compare to higher value of EPS 2090.00 to 2099.90. Then coming to lower price from 2030.95 to 2062.35. Wholly the conclusion is 2062.90 to 2085.75 raised. Then coming to the volume on the same dates or days volumes are increased. Because totally this session HERO MOTOCORP LTD. EPS value is increased i.e. percentage of 20.85 %.

Company :DR.REDDY'S LABORATORIES LTD. 500124

Period: 02-Dec-2022 to 20-Jan-2023

Date	Open	High	Low	Close	WAP	No. of Shares	No.of Trades	Total Turnover
2/12/22	2,484.00	2,505.00	2,468.00	2,498.85	2,492.12	10,196	1,208	2,52,60,105
3/12/22	2,500.00	2,500.00	2,452.00	2,464.10	2,470.00	20,998	2,392	5,18,65,020
4/12/22	2,463.00	2,488.00	2,444.00	2,450.35	2,463.72	7,747	934	1,90,86,474
5/12/22	2,475.00	2,475.60	2,400.00	2,419.19	2,428.49	20,022	2,524	4,86,23,200
6/12/22	2,420.00	2,444.40	2,419.00	2,421.95	2,429.11	9,969	1,293	2,42,19,770
9/12/22	2,452.00	2,462.00	2,427.00	2,449.50	2,450.20	11,680	1,085	2,86,18,346
10/12/22	2,455.00	2,466.90	2,431.00	2,450.80	2,450.58	5,192	619	1,25,76,396
11/12/22	2,453.00	2,453.00	2,422.00	2,443.70	2,436.81	5,322	621	1,29,68,720
12/12/22	2,443.00	2,443.00	2,401.00	2,403.75	2,410.91	8,642	1,268	2,08,35,042

19/12/22	2,403.10	2,425.00	2,393.19	2,402.85	2,407.81	9,103	930	2,19,18,307
20/12/22	2,406.00	2,424.70	2,400.00	2,401.45	2,409.60	5,085	549	1,22,52,836
17/12/22	2,405.00	2,439.00	2,405.00	2,425.95	2,427.35	8,176	896	1,98,46,020
18/12/22	2,426.00	2,469.75	2,426.00	2,463.50	2,459.19	19,720	1,307	3,86,47,719
19/12/22	2,460.00	2,487.20	2,437.00	2,465.10	2,462.35	17,084	1,606	4,20,66,870
20/12/22	2,466.00	2,512.00	2,458.00	2,508.80	2,487.45	17,267	1,739	4,29,50,836
23/12/22	2,519.00	2,543.30	2,508.00	2,519.25	2,525.78	9,492	921	2,39,74,711
24/12/22	2,525.00	2,545.00	2,520.70	2,540.19	2,536.50	8,545	983	2,20,74,408
26/12/22	2,540.00	2,554.00	2,490.00	2,511.00	2,528.03	5,759	773	1,45,58,918
27/12/22	2,510.00	2,528.55	2,510.00	2,518.70	2,521.12	4,247	488	1,07,07,196
30/12/22	2,521.00	2,549.19	2,501.00	2,522.55	2,529.23	11,326	1,090	2,86,46,110
31/12/22	2,520.00	2,548.20	2,520.00	2,533.05	2,532.93	4,670	474	1,18,28,793
1/01/23	2,534.00	2,545.00	2,527.35	2,536.05	2,535.84	4,601	365	1,20,67,401
2/01/23	2,533.85	2,550.00	2,519.00	2,525.75	2,533.18	5,324	528	1,34,86,662
3/01/23	2,525.00	2,525.00	2,486.20	2,497.90	2,499.76	5,304	720	1,32,58,728
6/01/23	2,497.00	2,505.00	2,460.00	2,472.40	2,480.62	19,933	1,461	3,45,62,421
7/01/23	2,499.00	2,510.90	2,466.00	2,491.70	2,495.23	20,538	1,527	5,12,47,033
8/01/23	2,490.00	2,540.00	2,473.00	2,531.95	2,522.41	19,111	1,380	3,81,20,184
9/01/23	2,540.00	2,596.95	2,531.00	2,587.95	2,573.99	22,649	3,742	5,82,98,211
10/01/23	2,598.00	2,629.95	2,565.00	2,625.45	2,607.65	30,389	3,053	7,92,43,937
19/01/23	2,625.45	2,635.00	2,602.00	2,628.25	2,617.08	11,681	988	3,05,70,083
20/01/23	2,627.00	2,660.00	2,617.20	2,648.50	2,640.21	10,324	1,201	2,72,57,562
19/01/23	2,648.00	2,662.90	2,642.40	2,650.35	2,653.61	9,525	1,035	2,52,75,612
20/01/23	2,649.00	2,649.00	2,624.19	2,643.35	2,638.29	5,173	635	1,36,47,849
17/01/23	2,642.00	2,662.90	2,642.00	2,655.95	2,654.29	6,079	720	1,61,35,443
20/01/23	2,655.00	2,680.00	2,635.20	2,654.25	2,658.70	19,565	1,182	3,60,65,221



INTERPRETATION:

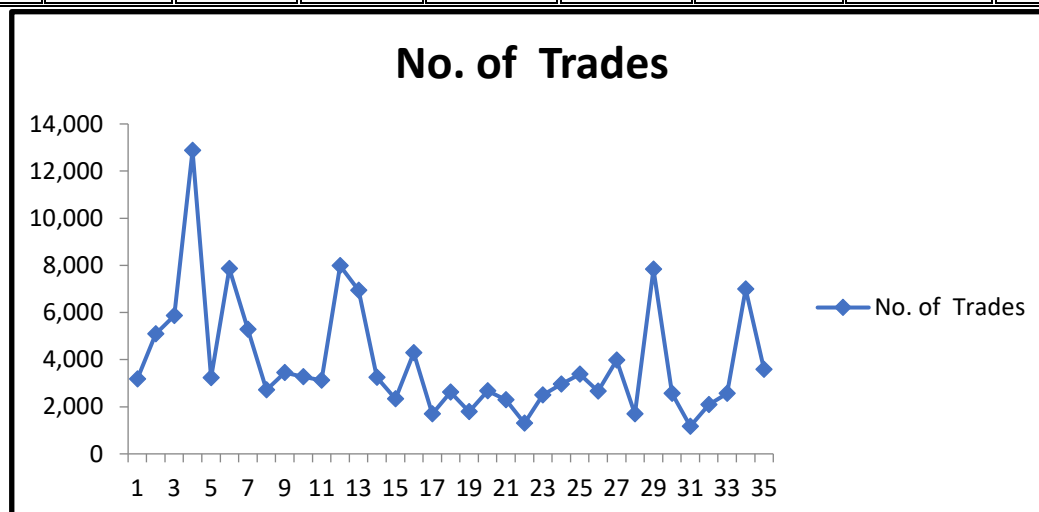
On open value has risen from 2484.00 to 2655.00. Then compare to higher value of EPS 2505.00 to 2680.00. Then coming to lower price from 2468.00 to 2635.20. Wholly the conclusion is 2498.85 to 2654.25 raised. Then coming to the volume on the same dates or days volumes are increased. Because totally this session DR.REDDY'S LABORATORIES LTD. EPS value is increased i.e. percentage of 25.12%.

Company :HDFC BANK LTD. 500180

Period: 02-Dec-2022 to 20-Jan-2023

Date	Open	High	Low	Close	WAP	No. of Shares	No. of Trades	Total Turnover
2/12/22	661.00	665.00	659.00	661.05	661.19	2,44,432	3,174	20,20,06,198
3/12/22	655.00	662.00	653.05	657.19	657.20	3,57,347	5,085	23,48,25,720
4/12/22	657.00	659.35	652.00	658.00	656.96	2,03,970	5,868	19,40,00,857
5/12/22	670.00	690.00	670.00	687.75	685.46	5,87,747	12,871	40,28,74,969
6/12/22	688.00	689.95	678.90	682.30	682.00	1,77,719	3,223	12,11,99,886
9/12/22	704.70	720.80	693.00	696.10	703.45	6,97,655	7,866	49,07,63,474
10/12/22	693.50	701.60	689.75	696.45	694.05	4,45,239	5,277	30,90,17,237
11/12/22	691.00	701.05	687.00	698.20	692.60	2,41,932	2,719	20,75,61,819
12/12/22	694.00	699.90	691.00	695.20	694.80	2,27,659	3,452	19,81,77,181
19/12/22	693.00	698.00	685.00	690.35	692.36	1,77,493	3,266	12,28,88,723
20/12/22	685.00	690.00	680.20	682.65	685.38	1,47,502	3,119	10,10,95,181
17/12/22	675.05	675.05	655.10	658.45	661.99	3,62,332	7,988	23,98,61,327
18/12/22	653.00	680.75	650.00	667.45	664.92	2,94,983	6,933	19,61,39,902
19/12/22	680.00	681.00	651.30	653.00	661.03	1,37,543	3,244	9,09,19,526
20/12/22	655.00	668.00	650.60	665.19	659.09	69,129	2,336	4,55,62,219
23/12/22	665.00	671.50	659.00	665.40	667.22	1,34,772	4,291	8,99,22,469
24/12/22	665.00	665.55	655.75	657.55	660.01	52,276	1,701	3,45,02,928
26/12/22	659.00	672.00	657.55	669.60	664.43	1,00,120	2,618	6,65,18,856
27/12/22	669.80	675.00	665.70	669.30	670.26	70,054	1,787	4,69,54,333
30/12/22	678.00	678.00	665.19	669.65	670.19	1,99,284	2,669	19,35,50,340
31/12/22	667.80	672.00	660.10	665.75	664.33	3,29,896	2,291	21,91,59,040
1/01/23	666.75	670.00	662.60	665.05	665.96	53,254	1,297	3,54,64,949
2/01/23	669.90	674.10	653.90	656.85	666.23	88,819	2,501	5,91,69,506

3/01/23	655.00	665.95	651.05	663.35	661.02	1,84,386	2,962	12,18,83,670
6/01/23	664.00	664.00	657.35	662.00	660.59	5,04,829	3,376	33,34,83,465
7/01/23	670.00	670.00	654.00	664.75	660.31	2,03,763	2,661	19,45,47,406
8/01/23	664.05	667.20	661.00	664.65	664.90	2,51,642	3,983	20,73,17,870
9/01/23	665.00	665.85	657.19	663.05	662.43	1,19,332	1,690	7,63,99,334
10/01/23	663.05	674.85	656.80	662.19	667.06	1,23,361	7,832	8,22,89,569
19/01/23	662.00	676.00	657.30	672.75	670.19	83,199	2,565	5,57,18,766
20/01/23	673.40	676.00	668.90	672.19	673.30	39,863	1,170	2,68,39,924
19/01/23	674.00	682.60	670.19	680.35	677.55	61,422	2,085	4,20,20,295
20/01/23	685.00	685.00	671.10	673.95	677.72	1,45,224	2,568	9,84,20,511
17/01/23	676.50	678.40	659.20	668.30	667.90	4,17,310	6,993	27,87,19,844
20/01/23	665.00	676.90	665.00	669.85	671.98	98,701	3,576	6,63,25,362



INTERPRETATION:

On open value has risen from 661.00 to 665.00. Then compare to higher value of EPS 665.00 to 676.90. Then coming to lower price from 659.00 to 665.00. Wholly the conclusion is 661.05 to 669.85 raised.

Then coming to the volume on the same dates or days volumes are increased. Because totally this session HOUSING DEVELOPMENT FINANCE CORP.LTD. EPS value is increased i.e. percentage of 6.71%.

5. CONCLUSION

Capital market is an innovation to cash market. Approximately its daily turnover reaches to the equal stage of cash market. The average daily turnover of the NSE derivative segments. In cash market the profit/loss of the investor depend the market price of the underlying asset. The investor may incur huge profits or he may incur huge profits or he may incur huge loss. But in derivatives segment the investor the investor enjoys huge profits with limited downside. In cash market the investor has to pay the total money, but in derivatives the investor has to pay premiums or margins, which are some percentage of total money. Derivatives are mostly used for hedging purpose. In derivative segment the profit/loss of the option writer is purely depend on the fluctuations of the underlying asset.

- The comprehensive study of capital market instrument at Inter Connected stock exchange has been an enlightening experience stressing on the positive aspects on Dematerialization.

6. REFERRED

- [1] Bajacapital.com
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