

Basics of Stock Market

What is a Share Market?

A share market or stock market is a market where shares of various companies are issued or Traded in. The slight difference between stock market and share market is that stock market allows you to trade in financial instruments like Bonds, mutual funds, derivatives, commodities and as well as shares of companies. Whereas share market only allows to trade in shares of listed companies.

The Stock market of a particular country may consist of a number of stock exchanges. With respect to Indian stock market, we have Bombay Stock Exchange (BSE), National Stock Exchange (NSE), Multi Commodity Exchange of India Limited (MCX) etc. The MCX is facilitates online trading of Commodity derivatives transactions.

Types of Share Market

There are mainly two kinds of share market – **Primary Market** and **Secondary Market**

Primary Market

This is where a company gets registered in the market to issue a certain number of shares and raise money. This is also called getting listed in the stock market. This process is called as IPO, i.e., Initial Public Offering.

Secondary Market

Once new securities have been sold in the primary market, these shares are traded in the secondary market. This is the place where new investors or traders can buy or sell shares depending upon their view about their company. Normally, investors conduct such transactions using an intermediary such as Broker, who facilitates the process.

How to Invest in Stock Market

To invest in the stock market, the first requirement is to open a Demat Account and a Trading Account. This trading and demat account will be linked with the savings account of the client to facilitate smooth transaction of money and shares. After opening these two accounts the person is ready to invest in the market.

SEBI and its Importance

The whole share market is a risky business from security perspective. Hence, they need to be regulated to protect the investors. The “Security and Exchange Board of India” (SEBI) is mandated to oversee the secondary and primary markets in India. SEBI has the responsibility of both regulating and new developments of the Indian stock markets.

What are Shares

Shares are a way to own a part of the company's value. In proportion to the capital one invests; one can get ownership rights to a certain percentage of the company. Say one owns 2% of the shares being traded in the market, one can say to have 2% ownership of the company. These shares are units of ownership in the company and its financial assets. Shares are also known as stocks, equity, scripts etc.

Nifty 50 and Sensex

Nifty 50 is a collection of the top 50 companies listed on the NSE and Sensex is a collection of the top 30 stocks listed on BSE by way of market capitalisation. The top companies are the ones that influence the stock market the most and influence the country's economy the most. Hence an index with the top and largest companies is the best gauge for how the entire stock market.

There are also other indices like Nifty Midcap, Nifty Small cap, BSE500, BSE Small cap etc. However, Nifty 50 and Sensex are primary benchmarks.

There are sectorial indices as well such as Nifty Pharma, Nifty Fmcg, Nifty Bank, BSE Bankex etc.

Types of Investors

Investors in security market can be broadly classified into two categories:

1. Retail Investors
2. Institutional Investor

Retail investors are individual investors who trade and invest for their personal growth or benefit, and not for another company or organisation. In an IPO, any investor who invests less than 2 lakhs rupees is considered as a retail investor.

Institutional investors consist of financial institutions (both domestic and foreign), banks, insurance companies, and asset management companies like mutual fund etc. A foreign institutional investor also known as FII is a foreign entity that makes investments in India.



Question:

1. What is the responsibility of SEBI?
 - To store the shares of investors.
 - To regulate the market
 - To perform the transactions of shares between investors and market
 - None of the above

2. What is the initial listing of a stock in the market is called?
 - Initial Public Offering
 - First Listing
 - Public Opening
 - None of the above