

Its all about Money, Honey

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Will the sensex cross the 10k barrier? Is it the right time to invest in shares? What is the right portfolio for me? What are futures and forwards? What is a call option? What is short-selling and why is it risky?

Welcome to the world of finance. With the growing euphoria over the future potential of India (more specifically of Mumbai) as the 5th Financial capital of the world (others being NY, London, HK, and Tokyo), finance is hot these days. Not only because the companies pay in thousands and lakhs of dollars, but also due to the fact that the work is really challenging. This article aims to provide a brief introduction to the career options in the field of finance.

1. **Investment Banking:** Lets admit it – these jobs are what separate IIMs from the rest. More than 80% of the companies coming in the slot 0 are Investment-banks (or I-banks as they are commonly referred to as). However, Investment banking is not about one homogeneous job as it is commonly believed but has jobs which are as different as chalk and cheese. These job positions are known by different names at different banks, but for understanding, they can be divided into the following subgroups:
 - i) **Sales and Trading:** This is the most profitable business for any investment bank and it provides for maximum revenues. As *Traders*, investment banks act as market makers and earn revenues through buying and selling financial products. *Selling* involves selling of products to high net worth individuals and institutions.
 - ii) **Corporate Finance (or Investment Banking):** It involves activities like helping customers raise funds in the capital markets through issue of shares and bonds, commonly known as **underwriting**, and also activities like Mergers and Acquisitions (M&A).
 - iii) **Research:** This division helps the other divisions is devising new offerings to the market. It involves **Equity Research** and **Fixed Income Research**.

Major Companies: Lehman Brothers, Merrill Lynch, Goldman Sachs, Citigroup, JP Morgan Chase, CSFB, Morgan Stanley, DSP Merrill Lynch, Deutsche Bank.

2. **Private Equity:** These are large companies with lots of funds and deal and buying and selling of companies. They look for investment opportunities in companies and then buyout a large number of shares in other companies. Usually the share is controlling share and when the target company becomes unattractive, they sell the shares. In simple terms, they invest in companies with a view of earning profit through better management.

Major Companies: Temasek Holdings, General Atlantic Partners

3. **Consumer Banking:** This is what normally people mean by banking in day to day sense. All the public and private banks near our homes, like SBI, ICICI, Citibank, HDFC, etc. are consumer banks. With the entry of private players in the market, there are a lot of opportunities in this area. Most of the banks are now trying to improve their services and offer the best deal to their customers. They need to offer the best interest rates for deposits and lowest interest rates on Loans. Hence, there is a need to efficiently manage the treasury.

Major Companies: ICICI Bank, Citibank, SBI, HDFC, HSBC.

4. **Insurance:** Once dominated by LIC, now there are more than 15 players in the insurance market. Still, the per capita insurance premium in India is far below that of developed nations. In countries like US, where the insurance market is saturated, there are more than 800 companies. Hence, there will be a lot of new players in the sector in the coming years and it will be a hot career option. The rate of growth for some of the private players has been almost 40% per annum and is not expected to slow down.

Major Companies: Tata AIG, Aviva Life Insurance, LIC, Birla Sun Life.

In addition, there are numerous other functions for which companies recruit in the field. For example, we have companies from the Mutual Funds industry, and also, companies in other fields offering roles in Finance.

Cheers,

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Disclaimer:- The views expressed are strictly my own and neither me nor IIM Calcutta will be responsible for a possible error.

Students are welcome to discuss their doubts on this topic with me via mail.

Suggestions are also welcome 😊.