

MODULE 1

SHAREHOLDERS' WEALTH MAXIMIZATION



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Maximizing shareholders' wealth by increasing stock price is the main goal of management. This goal requires considering all stakeholders—including employees, customers, suppliers, creditors, regulators, and the community. Balancing their interests supports long-term, sustainable operations. When shareholders are satisfied with investment returns, they invest more, leading to business growth and job creation.



FINANCIAL SYSTEM

USER

Households
Individuals
Corporations/Companies
Government
Agencies

Financial Intermediaries

Banks
Insurance Companies
Stock Exchange
Stock Brokerage Firms
Mutual Funds
Other Financial
Institutions

Users of Funds (Borrowers/Investors)

Households
Individuals
Corporations/Companies
Government
Agencies



FINANCIAL INSTITUTIONS/INTER MEDIARIES

Commercial Banks
Nonbank Financial
Institutions
Insurance
Organizations



FINANCIAL INSTRUMENTS

Equity Securities
- Common
Stocks/Ordinary Shares
- Preferred Stocks/
Preferred Shares
Debt Securities
- Corporate Bonds
- Commercial papers
- Treasury bills
- Treasury notes
- Retail Treasury
bonds



FINANCIAL MARKETS

Primary and
Secondary
Markets
Money Market and
Capital Market



FINANCIAL INSTITUTIONS/INTERMEDIARIES

Commercial Banks – Financial institutions that accept deposits, provide loans, and offer other financial services.

Nonbank Financial Institutions – Financial organizations that provide financial services but do not have a full banking license

Insurance Organizations – Companies that offer financial protection against risks through insurance products.



FINANCIAL INSTRUMENT



Equity Securities – Represent ownership in a company.

Common/Ordinary Shares – Basic ownership shares with voting rights.

Preferred Shares – Shares with priority in receiving dividends but usually no voting rights.

Debt Securities – Represent money borrowed that must be repaid with interest.

Corporate Bonds – Debt issued by companies to raise funds.

Commercial Papers – Short-term, unsecured promissory notes by companies.

Treasury Bills – Short-term government debt with a maturity of 1 year or less.

Treasury Notes – Government debt with a maturity of 2 to 10 years.

Retail Treasury Bonds – Long-term government bonds available to individual investors.

These are legal contracts representing an asset, such as ownership (equity) or debt (loan/bond).

FINANCIAL MARKETS

Venues where financial instruments are bought and sold.

PRIMARY MARKET

Where new securities are issued for the first time

SECONDARY MARKET

Where previously issued securities are traded.

CAPITAL MARKET

Market for short-term borrowing and lending (less than 1 year).

MONEY MARKET

Market for long-term funds (more than 1 year), including stocks and bonds.



BANKS

Deposits, loans, investments (regulated by BSP)

INSURANCE COMPANIES

Risk protection, invest excess funds

STOCK BROKERAGE FIRMS

Buy/sell stocks for investors

MUTUAL FUNDS

Pooled investments managed by professionals

OTHER ORGANIZATION

GSIS, SSS, UITFs, investment banks





Thank You!

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