

Objectives

At the end of this chapter, students should be able to state the benefits of capital market to;

- (i) Investors
- (ii) Government
- (iii) Economy
- (iv) Individual companies

25.1 Introduction

Capital market is very important to the economic development of a country. Therefore, it becomes important that the benefits should be stressed.

25.2 Benefits of capital market

Capital market has some benefits to individual investors. These benefits are as follows:

- (i) **An avenue for raising capital:** Capital can be raised for individual companies through sale of shares and stocks. It will help to increase their capital which the company will use in business transaction. This increases their business activities which may increase their profits thereby making their dividends and bonus shares fat.
- (ii) **Provides employment opportunities:** The capital market provides employment for brokers, jobbers, clerks. e.t.c.
- (iii) **Provides information to investors:** Investors especially foreign investors can obtain necessary information about the performance of the company.
- (iv) **It leads to increase in the standard of living:** Investment opportunities will lead to more income which will affect consumption, thereby increasing the standard of living of the people of a country.

25.3 Summary

In this chapter, students have learnt that:

1. Capital market has many benefits to the investors, government, economy and individual.
2. Capital market provides employment opportunities, information to investors and creates market for investment.
3. Capital market is very vital to the economic development of a nation.

25.4 Revision Questions

1. What is capital market?
2. State the benefit of capital market to the following group:
 - (i) Government
 - (ii) Investors
 - (iii) Economy
 - (iv) Individual companies