

Study of financial market operations with special reference to Kotak Mahindra Finance Limited

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Abstract

Financial market is the medium through which the general public and entities can trade the Financial Securities and commodities. Financial system plays important and dominating role in economic and the overall development of any country. So financial system consist of various institutions both Banking and Non- Banking Financial Institution, they use instrument like shares, debentures, mutual funds, derivatives trading etc. and the market like primary and secondary (stock exchange) market which foster saving and channelize them to their most efficient use. The financial system mobilise the savings and allocate them to the most productive use and facilitate economic growth of the country. Through the proper use of financial instrument, financial system bridges the gap between savers and users funds though financial instrument helps in mobilise the saving of people and offers finances to the borrowers. So Regulatory Body of stock market ei. SEBI plays an important role to provides them guidance and education about stock market.

The basic objective of our study is to analyse the role and growth of share market, analysis of various financial instruments, to study the benefits available to investors and its impact on economic growth.

Keywords: Financial market, Financial system, Investors, Financial instrument, Saving, Securities and Economic growth.

1. Introduction

Financial market means the place where the people and entities can trade financial securities and commodities. Here securities include stocks, bonds and commodity includes precious metals or agriculture goods. In order to raise the funds for running companies, company managers and promoters sell various kinds of securities like shares, debentures etc. to the public. As it is difficult for companies to organise sale of their securities they take help of other people called intermediaries like merchant bankers etc.

Types of financial market: - There are two components of financial market.

1. **Money market:** It is a market of short term funds which deals with financial assets and securities having maturity period of one year. It consist of call money market,
2. **Capital market:** It is a market for financial assets which have medium and long maturity, and they have maturity period of above one year. The main instrument's used in money market are shares, debentures. Capital Market is divided into two parts. Primary market is concerned with issue of new shares, debentures or government bonds. Secondary market it deals in securities which have already been issued and are owned by some investors.

Financial system consist of institutions like banks, instrument like shares, debentures and market like stock exchange. Which foster saving and channelize them to their most efficient use. The efficiency of financial system lies in mobilising savings and allocating them to most productive uses. Existence of efficient financial system facilitates economic growth of country. Every financial system bridges the gap between savers and users of funds through financial institutions help in mobilise the saving of people and offer finances to the borrowers.

Financial services are activities involved in transformation of saving into investment or in broad sense the term financial services means mobilising and allocating savings example all intermediaries like banks, brokers, merchant banks through whom savings of the people get converted into shares debentures or bonds are rendering financial services, mutual funds, credit rating agencies etc.

Financial Instrument is used to mobilise and channelize the saving of general public into corporate and Government securities for example shares, debentures, mutual funds, derivative trading etc.

Regulatory authority of Indian financial market

SEBI (Securities and Exchange Board of India) before the enactment of SEBI Act in 1992 there was hardly any Government control in Indian financial markets. Government of India established (SEBI) as an interim administration body function under the control of Ministry of Finance, Government of India to control capital market. In 1992, (SEBI) was given the legal status by Government ordinance which was subsequently ratified by Parliament to become an act on 4th April 1992 and many powers exercised by the Government under the Securities Contract (Regulation) Act and companies Act were delegated to SEBI. The objective of SEBI Act, 1992 is to protect the interest of investors, to promote the development of Securities market, to regulate the Securities market and to deal with matter connected there with or incidental there to.

2. Kotak Mahindra Finance Limited

Kotak Mahindra is a stock market company in which you can make money in equity market by investing or trading or both. Here "Investors" put their money into stocks for a long duration. This is under the principle that over time, the

underlying investment will increase in value, and the investment will be profitable. On the other aspect "traders" take a proactive approach to their investing. They follow a trend in the stock market and use strategies like buy-low, sell-high and make profits. This will increase the wealth of individual as well as economic growth also. Kotak Mahindra deals with financial market, financial instrument. It is one of the largest and most respected wealth management company in India.

Company Profile

Founder	Uday Kotak
Type	Public Company
Established Year	1985
Headquarters	Mumbai, India

Kotak Mahindra Bank is an Indian bank and financial service firm established in 1985 and the founder is Uday Kotak. It was previously known as Kotak Mahindra Finance Limited, a non-banking financial company. In February 2003, Kotak Mahindra Finance Limited, was given the license to carry on banking business by the Reserve Bank of India (RBI). Kotak Mahindra Finance Limited. is the first company in the Indian banking history to convert to a bank. In 2004, the company converted to a commercial bank when it received a license from the (RBI), becoming the first Indian finance company to do so. In January 2011, the bank reported a 32% rise in net profit to INR 1.88 billion. Kotak Mahindra bank also reached the top 100 most trusted brands of India in The Brand Trust Report published by Trust Research Advisory in 2011.

3. Objective of study

1. To study role of share market in increasing the investor's wealth.
2. To analyse the growth of share market in India.
3. To analyse how financial instrument caters the needs of various investor's.
4. To study the return on investment on various securities of company.
5. To study about the benefits available to investors of Kotak Mahindra.
6. To study the impact of Kotak Mahindra on economic growth of the country.

4. Research Methodology

This research study is based on analytical research design, in which we have used secondary therefore facts and information already available, and have analysed these to make a critical evaluation of the material. A detail of previously collected findings in facts and figures, authenticated and published. Under this study financial market has been taken as independent variable and Kotak Mahindra as dependent variable. The purpose of this study is to know how the Kotak Mahindra is developing in share market and increasing the economic growth of India.

5. Following are the various instruments that are available to trade through Kotak Securities

1. Shares

- a. Equity Shares
- b. Preference Shares

2. Debentures

- a. Partly convertible debentures
- b. Fully convertible debentures
- c. Non-convertible debentures
- d. Warrants/Coupons/Secured Premium Notes/ other Hybrids
- e. Bonds

3. Units of Mutual Funds

4. Derivatives Trading:

- a. Futures
- b. Options

5.1 Equity Trading

Kotak Securities caters to both primary and secondary market under the equity segment. The primary market provides the channel for creation and sale of new securities, while the secondary market deals in securities previously issued. Kotak Securities Limited, a subsidiary of Kotak Mahindra Bank, is the stock broking and distribution arm of the Kotak Mahindra Group. One of the oldest broking houses in India, its operations include stock broking and distribution of various financial products. It is a corporate member of both the Bombay Stock Exchange and the National Stock Exchange of India. Kotak Securities always strives to keep its customers informed of all the stock market events to help the customers so that they are able to make an informed decision. The key to successful stock market investment lies in appreciating the long-term nature of the returns and keeping away from worries of day-to-day uncertainties.



Source:<http://www.kotaksecurities.com/whatweoffer/easyequity.html>

Following are the ways in which Equity can be purchased on Kotak Securities platform

1. Normal Order
2. Limited order
3. Market order
4. Stop loss order
5. after market order
6. BNST (buy now sell tomorrow)
7. Initial public offerings

5.2 Derivatives Trading

Derivative is an instrument, such as Futures and Options which derives their values from an underlying security, or an index.

Contract is a legal bonding between two or more parties, where the reason for the contract, time period and the amount is specified. The minimum value of a contract is 2,00,000. No contract value would be less than 2,00,000. a derivative is a special type of contract that derives its value from the performance of an underlying entity.

Kotak Securities: have strived to make trading in futures & options simpler. Their derivatives seminars educate new investors in the stock options & futures trading market in order to make them better equipped with knowledge and techniques. Once the investors have the knowledge of trading in derivative instruments, their daily derivative reports will provide investors with strategies that may yield good returns for investors.

5.2.1 Futures

A future is a contract to buy or sell specific quantities of a commodity or financial instrument at a specified price with delivery set at a specified time in the future. Index futures are futures contracts where the underlying is a stock Index (Nifty or Sensex) and helps a trader to take a view on the market as a whole.

5.2.2 Options

An option is a contract, which gives the buyer the right, but not the obligation to buy or sell shares of the underlying security at a specific price on or before a specific date. "Option" as word says, the buyer has the right to decide whether he will conclude the deal at a future date or not. Buying a stock option is quite similar. Options are contracts that give the holder the right to buy or sell a fixed amount of a certain stock at a specified price within a specified time. Several individual investors find options useful tools because they can be used either as a type of leverage or a type of insurance.

5.3 Mutual Funds

Kotak Securities: provides the investors with over 1000 schemes to choose from that suit the investor's investment objective. With the growing awareness towards investments, Mutual Funds have emerged as a highly popular investment option among investors in India Mutual Funds score over other asset classes because they give the advantages of convenience & cost-effectiveness which at the same time strives to attain the objectives of capital appreciation/protection & income generation. A mutual fund pools the money of various investors having common objective with a view to invest in various securities. Mutual funds may invest in variety of instruments like stocks, bonds, money market securities, gold or a combination of these which provides diversification of the investments. These schemes are professionally managed on behalf of the investors to help them attain their financial goals.

5.4 Fixed Deposits and Bonds

➤ Corporate Fixed Bonds

The idea of investing in Fixed Interest investment options has always been highly popular among Indian investors, with as much as 60% of the savings being diverted into Bank Fixed Deposits. However with increasing inflation and low rates on Bank Fixed Deposits, investors seek Fixed Deposits with better yields and safety of their hard earned savings. This is where the Corporate Fixed Deposits find its existence & preference over

other asset classes. Corporate Fixed Deposits are the deposits placed by investors directly with the company for a specified term carrying a specified rate of interest. These deposits offer a higher rate of interest as compared to bank fixed deposits.

➤ Bonds

Kotak Securities provides investors with an option of investing bonds and many other bonds online to overcome the risk associated with investing in physical form. Bonds are among the highly popular investment options under debt as an asset class. Simply put, bond is a debt investment under which investors give money to the issuer for a pre-defined period at a specified rate of interest. This implies that the investor has given a loan to the issuing entity, and will be repaid at the end of the specified tenure. Bonds or Debentures are generally issued by corporates, government for the purpose of raising money to fund their activities & projects. Bonds provide corporates & governments an alternate channel to meet their fund requirement.

Following are the various types of bonds

- A. Tax Free Bonds- like NHAI Infrastructure Bonds.
- b. Tax Saving Infrastructure Bonds- IDFC Long Term Infrastructure.
- c. Tax Free Bonds.
- d. Convertible Debentures.
- e. Non-Convertible Debentures. So these are the basic financial instruments in which Kotak Mahindra deals and provides the investors with better returns on their investments and safeguarding their future.

6. Findings

1. The journey of Kotak has found that investors have never seen a saving bank account with a 'high return generating' option. They took the initiative to disrupt the Indian saving bank by offering an interest rate of 50% higher than the other banks pay.
2. Kotak introduced Point of sale (POS) handheld terminals to field representatives, they provide real time access to customer related information as issued them POS generated receipts, with relevant online updation has covered 300 district geographically 85% of industry. 1.4 lac+ customer base and 12% of market share.
3. Kotak Securities provides investors with an option of investing bonds and many other bonds online to overcome the risk associated with investing in physical form. Higher interest for Senior Citizens which is usually given by some banks. And it helps the individual to increase their wealth.
4. Kotak have one of the lowest restructured advance ratio in the industry, and on other hand it indicates the quality of balance sheet also.
5. Finance plays a key role in stimulating sustainable economic growth. Due to Kotak, financial instruments help to increase GDP and contribute to economic growth of the country.

Conclusion

It is concluded that serious attention was paid to the development of financial system and financial market in India. The took initiative by starting new financial institution and Non- financial institution to provide funds to trade and industry, post of finance institution like (IFC) Industrial

Finance Corporation in public sector, IDBI, ICICI, Kotak Mahindra finance limited, Bajaj finance, Reliance limited in the private sector the expansion in size of number of financial and Non- financial institution lead to increase in variety and uses of financial instrument which has made financial market more vibrant and healthy.

So Financial operations have propounded impact on the economic development of the country. Often investors who buy shares should be prepared to lose money; their spending patterns are usually independent on share prices, especially for short term losses. Here wealth effect is more prominent in the housing market. The share price movements are reflections of what is happening in the economy. E.g. a fear of a recession and global slowdown could cause share prices to fall. The stock market itself can affect investor's confidence. Therefore financial instrument's plays a major role in the development of the Indian economy. It helps various big enterprises so that they can raise fund through the means of various financial instruments which further helps in channelizing the funds raised. These funds are further invested in the economy which fulfills a twin objective of the welfare of the nation as well as the welfare of the people. A proper use of financial instruments helps the firms in gaining the investor's confidence which further helps in increasing their funds which is helpful in increasing the wealth of the nation.

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