

ROLE OF FINANCIAL INSTRUMENTS IN THE CAPITAL MARKET OF INDIA: AN EMPIRICAL STUDY

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Abstract

The capital market is a vital of the financial system. Capital market provides the support of capitalism to the country. The wave of economic reforms initiated by the government has influenced the functioning and governance of the capital market. The Indian capital market is also undergoing structural transformation since liberalisation. The chief aim of the reforms exercise is to improve market efficiency, make stock market transactions more transparent, curb unfair trade practices and to bring our financial markets up to international standards. Further, the consistent reforms in Indian capital market, especially in the secondary market resulting in modern technology and online trading have revolutionized the stock exchange. Capital market concerned with the industrial security market, government securities markets, and long term loan market.

Capital market deals with long term loan market. It supplies long-term and medium term funds. It deals with shares, stocks debentures and bonds. Security dealt in capital markets are long-term securities. It provides a market mechanism for those who have saving and to those who have saving and to those who need funds for productive investments. The capital market aids economic growth by mobilizing the savings of the economic sector and directing the same towards channels of productive uses. Companies turn to them to raise funds needed to finance for the infrastructure facilities and corporate activities. The capital market is source of income for investors. When stock of other financial assets rise in value, investors become wealthier, often they spend some of this additional wealth boost sales and promoting economic growth. Stock value reflects investor reactions to government policy as well, if the government adopts policies that investors believe will hurt the economy and company profits, vice-versa.

Key Words: *Capitalism, Capital market, Transparent, Mobilizing, Investors*

INTRODUCTION

Economic growth in a modern economy hinges on an efficient and effective financial sector that pools domestic savings and mobilizes capital for productive projects. Absence of effective capital market could leave most productive projects which carry developmental agenda unexploited. Capital market connects the monetary sector with the real sector and therefore facilitates growth in the real sector and economic development.

The fundamental channels through which capital market is connected to the economy, economic growth and development can be outlined as follows:

The contact between agents with deficit of money and the ones with monetary surplus can take place in a direct way (direct financing), but also by the means of any financial intermediation form (indirect financing), situation in which specific operators realize the connection between the real economy and the financial market. In this case, the financial intermediaries could be banks, investment funds, pension funds, insurance companies or other non-bank financial institutions.

Even if, traditionally, the companies appeared only as agents with deficit of money, in the last two or three decades it could be noticed a change in the financial behaviour of the modern firms: these are not considering anymore the financial market (both the capital and the monetary market) only as sources for rising funds (as issuers of financial assets), but appears more often as buyers of financial assets. The capital market fulfils the transfer function of current purchasing power, in monetary form, from companies which have a surplus of funds to those which have a deficit, in exchange for reimbursing a greater purchasing power in the future; in this way the capital market makes possible to separate the saving act from the investment one. Capital market has played major roles during the privatization of public owned enterprises, recent recapitalization of the banking sector and avenue of long term funds to various government agencies and companies in Nigeria.

Capital market increases the proportion of long-term savings (pensions, funeral covers, etc.) that is channelized to long-term investment. Capital market enables contractual savings industry (pension and provident funds, insurance

companies, medical aid schemes, collective investment schemes, etc.) to mobilize long-term savings from small individual household and channel them into long-term investments. It fulfills the transfer function of current purchasing power, in monetary form, from surplus sectors to deficit sectors, in exchange for reimbursing a greater purchasing power in future. In this way, capital market enables corporations to raise capital/funds to finance their investment in real assets.

The implication will be an increase in productivity within the economy leading to more employment, increase in aggregate consumption and hence growth and development. It also helps in diffusing stresses on the banking system by matching long-term investments with long-term capital. It encourages broader ownership of productive assets by small savers. It enables them to benefit from economic growth and wealth distribution, and provides avenues for investment opportunities that encourage a thrift culture critical in increasing domestic savings and investment ratios that are essential for rapid industrialization.

In addition, the capital market mechanism allows not only an efficient allocation of the financial resources available at a certain moment in an economy – from the market’s point of view – but also permits to allot funds according the return and the risk – from the investor’s point of view – offering a large variety of financial instruments with different profitableness-risk characteristics, suitable for saving or risk covering. Nowadays, the protection against financial risks becomes a necessity, imposed by the transformations in the global economy, by the accented instability and the financial crisis that affects without discrimination both developed and emerging stock markets.

Covering the risk, that could be realized by the help of different operations, market orders or derivatives, defines the function of insurance against risks, specific function of the capital markets. The capital market allows risk dispersion between investors (of the diversifiable risk), exactly in the same measure in which each of them is willing to assume it, too.

From the issuers’ point of view, the money which is necessary for the development or the unfolding of their activity can be mobilized by the help of the capital market at accessible costs, theoretically speaking smaller than those possibly obtained by the help of the banks or by other financial intermediaries.

OBJECTIVES OF THE STUDY

- ❖ To analyse the different financial instruments issued by international and national financial institutions.
- ❖ To evaluate the applicability of financial instruments issued by Indian financial institutions.
- ❖ To examine the comparative evaluation between financial instruments issued by Indian corporate sectors.

CONCEPT OF CAPITAL MARKET

The capital market is a market for financial investments that are direct or indirect claims to capital. The capital market comprise the complex of institutions and mechanism through which intermediate term funds and long term funds are pooled and made available to business, government and individuals.

The capital market also encompasses the process by which securities already outstanding are transferred. It is place where the suppliers and users of capital meet to share one another’s views and where a balance is sought to be achieved among diverse market participants. The securities decouple individual’s acts of saving and investment over time, space and entities and thus allow savings to occur without concomitant investment. The market facilitates mobilization of savings of individuals and pools them into reservoir of capital which can be used for the economic development of a country. An efficient capital market is essential for raising capital by the corporate sector of the economy and for the protection of investors’ interest in corporate securities. Unless the interests of investors are protected, rising of capital by corporate is not possible. An efficient capital market can provide a mechanism for raising capital and also by protecting investors in corporate securities. The capital market has two interdependent and inseparable segments- the primary market and the secondary market.

1. PRIMARY MARKET

The primary market provides the channel for sale of new securities. The issuer of securities sells the securities in the primary market to raise funds for investment. These funds are required for new projects as well as for existing projects with a view to expansion, modernization, diversification and up-gradation. The issue of securities by companies can take place in any of the following methods:-

- Initial public offer- securities issued for first time to public.
- Further issue of capital.
- Right issue to the existing shareholder.

- Offer of securities under reservation/firm allotment basis to;
- Foreign partners and collaborators
- Mutual funds
- Merchant bankers
- Non-resident Indians
- Employees
- Bonus issue

2. SECONDARY MARKET

The secondary market refers to a market where securities are traded after being initially offered to the public in the primary market and listed on the stock exchange. Majority of the trading is done in the secondary market to adjust their holdings in response to changes in their assessment of risk and return. It is further divided into two parts namely, the over the counter (OTC) and the exchange-traded market. OTC markets are essentially informal markets where trades are negotiated. Most of the trades in Gov. are in the OTC market. The exchanges do not provide facility for spot trades. Trades executed on the leading exchange are cleared and settled by a clearing corporation which provides settlement guarantee.

SEBI

The Securities and Exchange board of India is the regulator for the securities market in India. It was established in the year 1988 and given statutory powers on 30/01/1992.

SEBI has to be responsive to the needs of 3 groups, which constitute the market:-

- The issuers of securities- investors
- The market intermediaries.

For the discharge of its functions efficiently, SEBI has been vested with the following powers:-

- To approve by-laws of securities exchanges
- Inspect the books of accounts and call for periodical returns from recognized securities exchanges.
- Inspect the books of accounts of financial intermediaries.
- To compel certain companies to list their shares in one or more securities exchanges.
- Registration broke

ROLE OF FINANCIAL INSTRUMENTS IN INDIAN CAPITAL MARKET

A well-furnished financial system helps in trading the financial instruments easily. The various features of financial instruments that give boost to capital market are

Grows savings:

Investment relationship To attain the economic development of a country, a country must have efficient capital market. The financial instruments are purchased by the savers and in return they provide finance to the capital marketers. In this process, the savings are used as investments and the normal savers are known as investors. The instruments help in channelizing the finance to users from the savers.

Transferability of capital the people in India are not much aware of capital market:

The normal small investors are risk averse natured. The financial instruments have different features. So, people can invest their money as per their suitability by purchasing particular financial instruments.

Evidence of ownership:

When any investment is done in the way of financial instruments, a proof of evidence is given to them which improve the trust and belief of investors in capital market. When investors feel that their money is safe and they will get a good amount of return on their investments, they will be attracted to invest in capital markets. As a result the capital market grows to a large extent by collecting funds from the people of the country.

Financial instruments specify payment will be made at a future date

Every financial instrument that is issued in a capital market segment has a maturity date. That means the investors can get back their money on a future date when their investment will get matured.

Financial instrument acts as a means of payment

Financial instruments acts as stores of value Like money, the financial instruments can increase the wealth of the people/corporate that are larger than from holding money. So that the size of the investments increase in the financial instruments which results in growth of the capital market segment.

Transfer of risk unlike money

The financial instruments allow for the transfer of risk. Specifically the futures and insurance contracts allow one person to transfer risk to another.

The instruments give information about the issuer

The instruments having the evidence of investment provide information about the issuer of them. So that investors can make their choice by analysing the strength of instruments as well as their issuers without getting any confusion before making investments. These are the various features of the financial instruments which increase the flow of finance to the capital market of India. As a result of which our capital market can have large amount of funds which will help in economic development of a country.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Like the two sides of a coin, if one side contains the importance of issuing financial instruments, the other side shows the risk element associated with it.

These risks are described as follows:

1. Basic risks

These are the type of risk which is applied to any type of investments. However, depending on the particular financial instrument, one or several of the risks described here below may apply cumulatively, therefore results in increasing in the level of risk incurred by the investor.

2. Economic risk

Changes in the activity of a market economy always influence prices of financial instruments and exchange rates. Prices fluctuate as per the downward or growth trends of the economic activity. Failure to take these factors into account as well as mistaken analysis of the development of the economy when taking an investment decision may lead to losses. One must take in to account the impact of the economic trends on the evolution of investment prices. Therefore, an investor must at all times ensure that his investments are appropriate in view of the economic situation and if necessary make necessary changes in his portfolio.

3. Risk of Inflation

Losses in the value of a currency may cause financial damage to an investor in relation to investments made by the investor. One should thus take into account actual yields, the difference between the nominal interest rate and inflation rate for fixed rate products. When the inflation rate exceeds the yield generated by the financial instruments, this will lead to a loss in the value of the capital actually invested.

4. Country risk and transfer risk

It may happen that a foreign debtor becomes unable to pay his debts upon maturity or even completely defaults due to unavailability of foreign currency concerning financial instruments issued in a foreign currency, the investor risks to receive payments in a currency which turns out not to convertible anymore because of exchange controls.

5. Exchange rate risk

Since currency exchange fluctuates, there is an exchange rate risk whenever financial instruments are held in a foreign country. Depending on the exchange rates, the same investment may generate profit or incur losses. The activities of a company related to exchange rates have an impact on the price of the financial instruments they issue.

6. Liquidity risk

The possibility for an investor to sell financial instruments at any time at market prices is described as liquidity. Therefore, insufficient liquidity of the market may prevent an investor from selling off financial instruments at market prices. A lack of liquidity due to market offer and demand arises when the offer or the demand for financial instrument at certain price is extremely low. A lack of liquidity due to the inherent characteristics of financial instruments or to market practice may occur because of a lengthy transaction procedure or anything.

7. Psychological risk

Irrational factors may affect the overall evolution of prices of financial instruments. - Example: opinions or rumours about a company issuing financial instruments.

8. Credit risk

Credit financed purchases of financial instruments contain several additional risks. On the other hand, additional collateral may be required sometimes at very short notice in case the credit limit guaranteed in exceeded due to the evolution of the price of the collateral. If the investor turns out to be unable to provide collateral, the bank may sell the financial instruments at an unfavourable moment. Fluctuations of prices of the financial instruments constituting the collateral may influence the capacity to repay loans in a negative way.

9. Risk of insolvency of the issuer

Emerging Financial Instruments | 32 In case of insolvency of financial instruments on which the investment was done, an investor may loss part or all the monies he had invested.

10. Other risks

Besides the above mentioned basic risks, there are some other types of risks which are associated with the issue of financial instruments. There are as follows:-

A. Information risk

It is the risk of poor investment decisions arising out of lack of information or inaccurate information or incomplete information. This may be due to collecting information from unreliable sources or mis-interpretation of original accurate information.

B. Transmission risk

When placing an order, the investor must provide certain details for the execution. The more precise the order placed, the smaller the risk of transmission error is.

C. Risk pertaining to transmission costs

The bank or other parties may be involved in the execution of the order, in these cases the fees and commissions will be paid by the investors. The investment becomes profitable only once all those costs have been covered.

D. Leverage risk

This risk is mainly associated with derivative instruments. Due to leverage effect, price modifications of the value of the option are generally higher than the changes in the price of the underlying asset. The risk attached to the purchase of an option increases with the importance of the leverage effect of the relevant option.

E. Risk associated with forward exchange products

A forward exchange transaction allows the selling or purchase of a currency at a future date and at a price fixed when the contract is concluded. This risk Emerging Financial Instruments | 33 is the loss of profit for the investor in the event of evolution of market rates is more favourable than the evolution of exchange rates anticipated when concluding the contract.

F. Minimal regulation

There are some sectors where rules and regulations are still to be made. This risk arises due to lack of regulation in the transactions of financial instruments.

These above mentioned risks/threats are analysed with the objective of giving basic information and to make the investors aware of the existence of the risks inherent to all investments in financial instruments.

COMPARATIVE ANALYSIS OF INSTRUMENTS

For the purpose of comparing the effectiveness of financial instruments and to know their impact to raise finance for the corporate, the focus is given on five types of instruments. These instruments belong to five top corporate of India. These instruments are equity capital, debt capital, mutual funds, insurance sectors and derivatives. The instruments of the following companies have been taken for the purpose of analysis.

1. HINDUSTAN UNILEVER LIMITED (HUL)

It is an Indian consumer goods company based in Mumbai, Maharashtra. It is a subsidiary of Unilever, a Dutch-British company. It is a public limited company. Its products include foods, beverages, clearing agents and personal care products etc. For the year 2016-17, the revenue earned was Rupees.34487 crores. About 18000 employees are working under it.

2. WIPRO

Western India Palm Refined Oils limited or, more recently western India products limited. It is an Indian Information Technology services corporation with headquarter in Bengaluru, India. It is a public limited company. Founded by AzimPremji on 29/12/1945. It deals with IT services and IT consulting. For the year 2016-17, the revenue earned was US\$ 8.48 million. About 1,66,790 employees are working under it.

3. TATA MOTORS

It is an Indian multinational automotive manufacturing company and a member of the TATA group, based its head quarter in Mumbai, Maharashtra. Its products include passenger cars, trucks, buses, sports cars, military vehicles etc. For the year 2016-17, the revenue earned was US\$ 42 billion. About 60000 employees are working under it.

SOURCES OF FINANCE



MUTUAL FUNDS

The above pie chart depicts the share of each source of finance in the capital of a company. From the diagram it is clear that equity funding takes the largest piece of the pie followed by derivatives and insurance. Debt and mutual funds are yet to become as popular as the rest sources of finance.

MOBILISATION OF FINANCE THROUGH EQUITY CAPITAL OF HUL

TABLE -1

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	216.15	-
2012-13	216.25	0.05%
2013-14	216.27	0.10%
2014-15	216.35	0.37%
2015-16	216.39	0.19%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the equity mobilization of Hindustan Unilever Limited. Mobilization of finance increased by 0.05% in the year 2012-13 as compared to the base year 2011-12. It keeps on increasing gradually by 0.10%, 0.37% and 0.19% through the years 2013-14, 2014-15 and 2015-16 respectively. Though the percentage change in finance mobilization is not too high, it remains positive throughout the past several years.

MOBILISATION OF FINANCE THROUGH EQUITY CAPITAL OF WIPRO

TABLE-2

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	4917	-
2012-13	4926	0.18%
2013-14	4932	0.12%
2014-15	4937	0.10%
2015-16	4939	0.04%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through equity capital of WIPRO. The data shows a trend of positive investment throughout the years. It has increased by 0.18% in the year 2012-13 as compared to the base year of 2011-12. Following which it follows an upward trend increasing by 0.12%, 0.10% and 0.04% through the years 2013-14, 2014-15 and 2015-16 respectively.

MOBILISATION OF FINANCE THROUGH EQUITY CAPITAL OF TATA MOTORS
TABLE -3

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	634.75	-
2012-13	638.07	0.52%
2013-14	643.78	0.89%
2014-15	643.78	-
2015-16	643.91	0.18%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the equity mobilization of TATA Motors. The data shows that the amount of finance has increased by 0.52% in the year 2012-13 as compared to the base year of 2011-12. As per the data, the mobilization of finance has increased by 0.89% and 0.18% in the years 2013-14 and 2015-16 respectively with the exception of the year 2014-15. The amount in this year remained constant as compared to the previous year.

MOBILISATION OF FINANCE THROUGH DEBT CAPITAL OF HUL
TABLE 4

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	329.69	-
2012-13	476.25	44.45%
2013-14	278.82	-41.45%
2014-15	170.11	-38.99%
2015-16	218.20	28.27%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through debt capital of Hindustan Unilever Limited. The data shows that the amount of finance has increased by 44.45% in the year 2012-13 as compared to the base year of 2011-12. However, in the years 2013-14 and 2014-15 the amount of mobilization has gone down by 41.45% and 38.99% respectively. Thereafter the company has managed to increase the amount by 28.27% in the year 2015-16.

MOBILISATION OF FINANCE THROUGH DEBT CAPITAL OF WIPRO
TABLE -5

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	5220	-
2012-13	8970	71.84%
2013-14	10161	13.28%
2014-15	10632	4.64%
2015-16	10703	0.67%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through debt capital of WIPRO. The data shows a trend of positive investment throughout the years. It has increased by 71.84% in the year 2012-13 as compared to the base year of 2011-12. Following which it follows an upward trend increasing by 13.28%, 4.64% and 0.67% through the years 2013-14, 2014-15 and 2015-16 respectively.

MOBILISATION OF FINANCE THROUGH DEBT CAPITAL OF TATA MOTORS
TABLE -6

PERIOD	AMOUNT(in cr)	PERCENTAGE CHANGE
2011-12	8004.50	-
2012-13	8051.78	0.60%
2013-14	9746.45	21.05%
2014-15	12318.96	26.40%
2015-16	12981.34	5.38%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through debt capital of TATA Motors. The data shows that the mobilization of finance through debt capital from 2011-12 to 2015-16. It has increased by 0.60% in the year 2012-13 as compared to the base year 2011-12. It keeps on increasing gradually by 21.05%, 26.40% and 5.38% through the years 2013-14, 2014-15 and 2015-16 respectively.

MOBILISATION OF FINANCE THROUGH MUTUAL FUNDS OFHUL
TABLE -7

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	41054387	-
2012-13	33656630	-18%
2013-14	6171080	-81.67%
2014-15	6865356	11.25%
2015-16	8865950	29.14%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through mutual funds of HUL. The data reveals that in the year 2012-13 and 2013-14 the amount of mobilization has decreased by 18% and 81.67%. After which there has been an increase of 11.25% and 29.14% in the years 2014-15 and 2015-16 respectively.

MOBILISATION OF FINANCE THROUGH MUTUAL FUNDS OF WIPRO
TABLE -8

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	19842102	-
2012-13	17345301	-12.58%
2013-14	12541795	-27.69%
2014-15	10199867	-18.67%
2015-16	18295321	79.37%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through mutual funds of WIPRO. The data presents a decreasing trend in investments throughout the years 2012-13, 2013-14 and 2014-15 to the tune of 12.58%, 27.69% and 18.67% respectively. However the company has managed to increase the mobilization of finance by 79.37% in the year 2015-16.

MOBILISATION OF FINANCE THROUGH MUTUAL FUNDS OF TATA MOTORS

TABLE -9

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	44355749	-
2012-13	34499261	-0.92%
2013-14	23850222	-30.87%
2014-15	23904023	0.26%
2015-16	35689263	49.30%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through mutual funds of TATA Motors. The data shows that the mobilization of finance through mutual funds from 2011-12 to 2015-16. The amount of mobilization has decreased by 0.92% and 30.87% in the first three years of study. The company has then managed to increase the amount by 0.26% and 49.30% in the years 2014-15 and 2015-16 respectively.

MOBILISATION OF FINANCE THROUGH INSURANCE OF HUL

TABLE -10

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	172834342	-
2012-13	138872208	-19.65%
2013-14	77718436	-44.03%
2014-15	73484859	-5.45%
2015-16	78150508	6.35%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through insurance of HUL. There has been a decrease in the mobilization in the year 2012-13 by 19.65% as compared to the year 2011-12. After that the amount of mobilization has decreased by 44.03% and 5.45% in 2013-14 and 2014-15 respectively. However in the year 2015-16 the company has managed to increase finances by 6.35%.

MOBILISATION OF FINANCE THROUGH INSURANCE OF WIPRO
TABLE -11

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	32947882	-
2012-13	54544169	65.54%
2013-14	61345208	12.47%
2014-15	66301186	7.48%
2015-16	70332915	6.08%

Source:- Data collected from company's website

ANALYSIS

The table presents the data related to the mobilization of finance through insurance of WIPRO. The company has been successful in collecting funds throughout the period of study whereby increasing its amount by 65.54%, 12.47%, 7.48% and 6.08% respectively.

MOBILISATION OF FINANCE THROUGH INSURANCE OF TATA MOTORS
TABLE -12

PERIOD	AMOUNT	PERCENTAGE CHANGE
2011-12	31505382	-
2012-13	25576154	-18.82%
2013-14	32235481	26.08%
2014-15	35150907	9.04%
2015-16	39281328	11.75%

Source:- Data collected from company's website

ANALYSIS

An analysis of the table reveals that there has been a decrease in the mobilization of finance by 18.82% in 2012-13 over 2011-12. But thereafter the enterprise has somehow managed to increase the amount of funds by 26.08%, 9.04% and 11.75% in the years 2013-14, 2014-15 and 2015-16 respectively.

FINDINGS OF THE STUDY

- It is observed from the study that equity shares mobilize maximum capital in the Indian capital market. It reflects that conservativeness of the potential investors as they expect a higher dividend in course of time.
- It is analysed from the study that mutual funds play a dominant role in the mobilization in India with exception to the year 2013-14. There has been a tremendous increase in the mobilization of savings as investors repose trust on mutual funds in further years of study.
- It is observed that debt capital play a dominant role as far as mobilization of capital is concerned in the capital market of India. However, this source of finance is not able to surpass the equity mobilization in India due to the conservative attitude of the Indian companies to borrow funds at a higher rate of interest.
- It is further observed from the study that LIC plays a dominant role in the capital market of India by participating in the purchase of equity shares of different private/public sector enterprises of India.

SUGGESTIONS

- The investor awareness programs should be undertaken by SEBI in the small cities of India.
- Financial literacy should be spread among all types of investors of India.

CONCLUSION

Despite of the industrial growth experienced by India from recent economic reforms, most major investors around the world do not see India as an ideal country for investment. Unless the political, judicial and economic environments are suitable, India will lag behind other emerging nations.

Variety of financial instruments like mutual funds, insurance shares, debentures, derivatives are available in India. However it is interesting to observe that Indian investors are still not aware of the financial instruments available in India. If sufficient awareness programmes are undertaken by SEBI, the potential Indian investors will be able to be benefited out of the different financial instruments.

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