# Operational Analysis of the Financial Markets with A Focus on Kotak Mahindra Finance Limited

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**Abstract**

The financial market is the marketplace where individuals and organisations may exchange commodities and financial securities. Any nation's financial system has a significant impact on its overall economic growth. then, financial system includes a variety of financial institutions, both banking and non-banking, that use instruments like shares, debentures, mutual funds, derivatives trading, etc. and markets like primary and secondary (stock exchange) markets to encourage saving and direct it to its most effective use. The financial system mobilises funds, distributes them to the most beneficial uses, and supports national economic expansion. Financial instruments, when used properly, assist to mobilise people's savings and provide financing to borrowers, bridging the gap between savers and consumers of money in the financial system. Therefore, SEBI, the regulatory body for the stock market, plays a crucial role in giving them direction and stock market education.

Our study's main goals are to examine the function and development of the stock market, the examination of different financial instruments, the advantages offered to investors, and the effects of these factors on economic growth.

**Keywords:** Monetary system, investors, financial instruments, savings, securities, and economic expansion

## Introduction

The term "financial market" refers to the location where individuals and organisations may exchange commodities and financial securities. Securities in this context include equities and bonds, while commodities include agricultural products or precious metals. Company managers and promoters offer a variety of securities to the public, such as shares, debentures, and other types of securities, to obtain money for operating their firms. Companies use the assistance of other persons known as intermediates, such as merchant bankers, since it is challenging for them to manage the sale of their securities.

**Financial markets may be categorised into two different categories.**

1. Capital Markets: Long-term financial products like stocks, bonds, and other securities are purchased and traded in capital markets. These marketplaces help money to move between lenders and investors. Primary markets and secondary markets are further divisions of the capital markets.

a. the primary Market: New securities are initially issued and sold on the main market. Here, businesses raise money by issuing shares to the public through IPOs or other offerings like rights issues or private placements.

b. Secondary Market: Investors exchange previously issued securities on the secondary market. The bond market, where bonds from previously issued issues are purchased and sold, as well as stock exchanges where shares of publicly traded firms are exchanged, are included in this.

2. Money Markets: Short-term debt instruments and low-risk assets are exchanged on money markets. These markets make it possible to borrow and lend money on the short term with maturities that are generally under a year. The liquidity offered by money markets aids in managing short-term monetary requirements. Treasury bills, certificates of deposit, commercial papers, and repurchase agreements are a few examples of popular financial products exchanged in the money market.

**Financial system** consists of markets like stock exchanges, instruments like shares and debentures, and organisations like banks. which encourage saving and direct them towards their most effective usage.

The financial system's effectiveness depends on mobilising funds and putting them to their most beneficial uses. The existence of an effective financial system promotes national economic development. Every financial system fills the gap between savers and fund users by using financial institutions to mobilise individual savers and provide loans to borrowers.

**Financial services** are activities that involve converting savings into investments, or in a broad sense, the term "financial services" refers to mobilising and allocating savings. For instance, all intermediaries, such as banks, brokers, and merchant banks, through which savings of the public are converted into securities such as shares, debentures, or bonds, are providing financial services, as are mutual funds and credit rating agencies.

**Financial Instrument** is used to mobilise and direct the general public's savings towards corporate and government assets, such as shares, debentures, mutual funds, derivative trading, etc.

**Indian financial market's regulatory body**

Prior to the passage of the SEBI Act in 1992, there was practically any government regulation of the Indian financial markets, according to SEBI (Securities and Exchange Board of India). To regulate the capital market, the Government of India formed SEBI as an interim administrative authority that reports to the Ministry of Finance. A government ordinance passed in 1992 gave the Securities and Exchange Board of India (SEBI) legal standing. On April 4, 1992, the ordinance was adopted by Parliament and became an act, giving SEBI several of the government's powers under the Securities Contract (Regulation) Act and the Companies Act. The SEBI Act of 1992 aims to safeguard investors' interests, advance the growth of the securities market, regulate the securities market, and deal with issues that are related to or incidental to it.

**Kotak Mahindra Finance Limited**

With Kotak Mahindra, you may trade stocks, invest in them, or do both to profit from the equity market. In this case, "Investors" make long-term stock investments. This is based on the idea that the underlying investment will appreciate in value and turn a profit over time. On the other hand, "traders" approach their investment in a proactive manner. They utilise stock market trends as a guide and buy cheap and sell high to maximise earnings. Both individual wealth and economic growth will rise as a result. Financial markets and financial instruments are handled by Kotak Mahindra. It is one of India's biggest and most reputable wealth management firms.

**Company Profile**

Uday Kotak founded Kotak Mahindra Bank, an Indian bank and financial services company, in 1985. A nonbanking financial firm, Kotak Mahindra Finance Limited, was its former name. The Reserve Bank of India (RBI) granted Kotak Mahindra Finance Limited a licence to do banking activity in February 2003. The first firm to do so in Indian banking history is Kotak Mahindra Finance Limited. The business changed its status to a commercial bank in 2004 after receiving a licence from the RBI, becoming the first financial firm in India to do so. The bank recorded a 32% increase in net profit to INR 1.88 billion in January 2011. When Trust Research Advisory released its 2011 Brand Trust Report, Kotak Mahindra bank ranked among the top 100 most trusted brands in India.

**Objective of study**

1. To research how the stock market affects an investor's ability to accumulate money.
2. To examine the expansion of the Indian stock market.
3. To examine how different investor demands are met by financial instruments.
4. To research the return on investment for different firm securities.
5. Research the advantages offered to Kotak Mahindra investors.
6. To research how Kotak Mahindra affects the nation's economic development.

**Research Techniques**

This research study is based on an analytical research strategy. To perform a critical assessment of the material, we employed secondary sources, or previously existing facts and information. a summary of previously gathered data presented in verified and published facts and figures.

The financial market has been used as an independent variable in this research whereas Kotak Mahindra has been used as a dependent variable. The goal of this research is to understand how Kotak Mahindra is growing on the stock market and boosting India's economic development.

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

1. Equities/Stocks: Trading in individual stocks of companies listed on stock exchanges.
2. Derivatives: Instruments derived from underlying assets, including futures and options contracts.
3. Mutual Funds: Investment vehicles that pool funds from multiple investors to invest in diversified portfolios of stocks, bonds, or other assets.
4. Exchange-Traded Funds (ETFs): Funds that trade on stock exchanges and aim to track the performance of a specific index, sector, or commodity.
5. Bonds: Fixed-income securities issued by governments, municipalities, or corporations, which pay regular interest over a specific period.
6. Commodities: Physical goods like gold, silver, oil, agricultural products, etc., traded on commodity exchanges.
7. Government Securities: Bonds issued by the government, including treasury bills, bonds, and other sovereign debt instruments.
8. Real Estate Investment Trusts (REITs): Securities that allow individuals to invest in real estate assets and receive dividends from rental income.
9. Corporate Deposits: Fixed deposit schemes offered by corporations for investors seeking fixed returns over a specific period.

**Equity Trading**

Under the equities category, Kotak Securities serves both the primary and secondary markets. While the secondary market deals with securities that have already been issued, the primary market offers a conduit for the production and selling of new securities. The stock distribution and brokerage division of the Kotak Mahindra Group is Kotak Securities Limited, a Kotak Mahindra Bank affiliate. Its activities include stock brokerage and the marketing of different financial goods, making it one of India's oldest broking organisations. It belongs to both the National Stock Exchange of India and the Bombay Stock Exchange as a corporate member. In order to assist its clients in making educated decisions, Kotak Securities constantly works to keep them informed of all stock market occurrences. Understanding the long-term nature of profits and avoiding worrying about day-to-day uncertainty are essential components of effective stock market investing.

**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

**Trading in Derivatives**

Derivatives are financial instruments, such as futures and options, whose values are based on an underlying securities or index.

10 A contract is a binding legal agreement between two or more parties that specifies the purpose, duration, and terms of the transaction. A deal must be worth at least $2,000,000. There would be no contracts with values below $2,000,000. A derivative is a unique kind of contract whose value is based on how well an underlying entity performs.

Kotak Securities has worked to simplify futures and option trading. To better prepare new investors with information and skills for the stock options & futures trading market, they provide derivatives seminars.

Once investors are familiar with trading in derivative instruments, their daily derivative reports will provide them access to techniques that might result in profitable investments.

**Futures**

A future is an agreement to purchase or sell a certain quantity of a commodity or financial instrument at a predetermined price with delivery scheduled for a predetermined date in the future. Index futures are futures contracts using a stock index as the underlying (such as the Nifty or Sensex), which aids traders in forming opinions about the market as a whole.

**Choices**

A contract known as an option gives the buyer the right, but not the duty, to purchase or sell shares of the underlying securities at a certain price on or before a particular date. The buyer has the "option" to choose whether to complete the transaction at a later date or not. Purchasing a stock option is quite comparable. Options are agreements that provide the holder the right to purchase or sell a certain quantity of a particular stock at a set price within a predetermined window of time. Options are helpful instruments for many individual investors since they may be used as a kind of insurance or as a form of leverage.

**Mutual Funds**

The Kotak Securities gives investors more than 1000 plans to select from, all of which are tailored to their investing goals. Mutual Funds have become a very popular investment choice for investors in India as a result of the increased knowledge of investing. Because they provide the benefits of convenience and cost-effectiveness while also aiming to achieve the goals of capital appreciation/protection & income creation, mutual funds outperform other asset classes. A mutual fund combines the funds of several participants who have a similar goal in order to invest in a variety of assets. Mutual funds may invest in a number of assets including equities, bonds, money market instruments, gold, or a mix of these, providing investment diversity. These programmes are expertly handled on behalf of the investors to assist them in achieving their financial objectives.

**Fixed Deposits and Bonds**

**Corporative Fixed Bonds**

With up to 60% of money going into bank fixed deposits, the notion of investing in fixed interest investment alternatives has always been quite well-liked among Indian investors. However, investors are looking for fixed deposits with greater returns and protection for their hard-earned funds due to rising inflation and low rates on bank fixed deposits. This is the reason why corporate fixed deposits exist and are preferred to other asset types. Corporate Fixed Deposits are deposits made directly with the firm by investors for a certain period at a specific interest rate. Compared to bank fixed deposits, these deposits provide a greater rate of return.

**Bonds**

To reduce the risk involved with investing in physical form, Kotak Securities offers customers the option of investing in bonds and many other bonds online. One of the most well-liked investment alternatives in the debt asset class are bonds. In layman's terms, a bond is a kind of debt investment in which investors lend money to the issuer for a certain time period at a predetermined interest rate. This suggests that the investor has provided the issuing organisation with a loan, which will be repaid at the end of the designated duration. Governments and corporations often issue bonds or debentures to raise money for their initiatives and operations. Corporates and governments may satisfy their funding needs using bonds as an alternative.

**Following are the various types of bonds**

A. Tax-free bonds, such as those for NHAI infrastructure.

B. IDFC Long Term Infrastructure Tax Saving Infrastructure Bonds.

C. Tax Free Bonds

D. Convertible debt securities Debentures that are not convertible. Therefore, these are the fundamental financial instruments in which Kotak Mahindra trades and offers clients higher returns on their investments while also protecting their future.

**Findings**

1. Kotak's voyage revealed that investors had never come across a savings account with a 'high return producing' option. By giving an interest rate that was 50% greater than what other banks offered, they took the initiative to undermine the Indian Savings Bank.
2. Kotak gave field agents Point of Sale (POS) portable terminals, which provide them real-time access to customer-related information and issue them POS-generated receipts. With pertinent online updates, this technology has geographically covered 300 districts, or 85% of the industry. 12% of the market and 1.4 lac+ customers.
3. To reduce the risk involved with investing in physical form, Kotak Securities offers customers the option of investing in bonds and many other bonds online. Senior Citizens often get higher loan rates from various institutions. Additionally, it aids in the person's rise in wealth.
4. Kotak has one of the lowest restructured advance ratios in the sector, which further speaks to the strength of the balance sheet.
5. The role of finance in promoting sustainable economic development is crucial. Kotak's financial tools aid in the country's economic development by raising the GDP.

**Conclusion**

It is found that the growth of India's financial system and financial market received substantial consideration. The took the initiative by establishing new financial institutions and non-financial organisations to provide capital to trade and industry. Posts of finance organisations include Industrial Finance Corporation (IFC) in the public sector, IDBI, ICICI, Kotak Mahindra Finance Limited, Bajaj Finance, and Reliance Limited in the private sector. As the number of financial institutions and non-financial organisations increased, so did the variety and uses of financial instruments, which led to the development of the modern financial system.

Therefore, financial activities have predicted effects on the nation's economic growth. Investors should often expect to lose money when purchasing shares since, particularly in the case of temporary losses, their spending habits are frequently unrelated to share prices. In the property market, wealth impact is more pronounced here. The changes in the share price are indicators of the state of the economy. For instance, share values may decline if investors predict a recession and a downturn in the global economy. Investor confidence may be affected by the stock market itself. As a result, financial instruments have a significant impact on the growth of the Indian economy. It assists several large businesses in raising money using a variety of financial instruments, which further helps in channelling the monies obtained. These monies are then used to make further investments in the economy, achieving the dual goals of national and individual well-being. A wise use of financial tools aids businesses in acquiring investor trust, which in turn aids in raising more money, which aids in boosting the country's wealth.

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