



“Education for Knowledge, Science & Culture”

-Shikshanmaharshi Dr. Bapuji Salunkhe

Shri Swami Vivekanand Shikshan Sanstha's

VIVEKANAND COLLEGE, KOLHAPUR (AUTONOMOUS)

Department of Economics

Topic: **Primary Market**

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Primary market

- In a **primary market**, securities are created for the first time for investors to purchase.
- New securities are issued in this market through a [stock exchange](#), enabling the government as well as companies to raise capital.

entities involved

company,

investors,

an underwriter

Regulator

Bonds and Debentures

Fund requirements—

Equity Financing	Debt Financing
<p>Risk Capital Diluted Shareholding/ ownership</p>	<ol style="list-style-type: none"> 1. Bank loan 2. Bond/ Debentures (loan from Public) promise fixed interest rate, Fixed returns <p><u>Bond- (e.g. Home loan)</u> Bond secured- company assets mortgage, non convertible Debenture (e.g. Personal loan) unsecured –more Interest- Issued by Government, Financial institutions Corporate Liquidation- Bond holders Debenture holders Convertible – Issued by Private companies</p>

Shares Vs Debentures

Shares- Investment Shares- ownership

1 share- smallest unit of company – ownership

1 share- 1000/- * 100= 1 lakh – dilute ownership

Risk high- share price/ dividend – voting right

Bonds/ Debentures – fixed interest

Low risk – low returns – no voting rights

Convertible debentures- shares

(wind up- Assets sell- bank loan- bonds-
debentures- shareholders

Functions of Primary Market

New issue offer

Underwriting services

Distribution of new issue