*The Basics of Stock Finance*

Introduction:

The field of finance includes markets with diversified functions. Some of these markets assume a role of financing and so they are called capital markets and they hold the financial market by long-term financing and the money market by short-term financing. The financial market is thus presented as a component of the capital market which allows the financing of the economy. It is the place of emission and exchange of the transferable securities, mainly the actions and the obligations. The stock market or the share market is the wing of the economy where the activities of stock finance takes place.

The organization and the structure of this market:

It is an official and organized market in which the exchanges of foreign transferable securities take place under the guidance of a centralized authority. The operation of the financial market rests on the activities of the share market. It is where investors from within the country and the foreign investors invest their money and participate in buying and selling of the stocks. This trade leads to huge amount of profit generation which is then utilized by the government and the private sector for various development activities. The government earns revenue from stock finance and so it is necessary for the swift functioning of a country and its economy.

The economic growth of a country can be ascertained from the amount of Foreign Direct Investment (FDI) that is received by its stock market. When investors have faith in a country's financial possibilities, they invest in that country for long term returns. The individual citizens of a country can also benefit from it by investing smartly on the shares of companies that are profitable and have shown rapid improvement in their annual balance sheets.

Stock finance is ideal for aspiring entrepreneurs who intend to make good money in a short period of time without having to start any venture of their own; they can instead be share holders in established companies and reap the benefits. However, it is a very volatile and risky market and investors can also end up losing a considerate amount of their money when the economy is not doing very well. For example, during the recession period, stock value of various Fortune 500 companies decreased by more than 25 % which resulted in huge losses for the investors. Thus, it is necessary to have a good understanding of stock finance before taking the risk of investing in any shares.

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