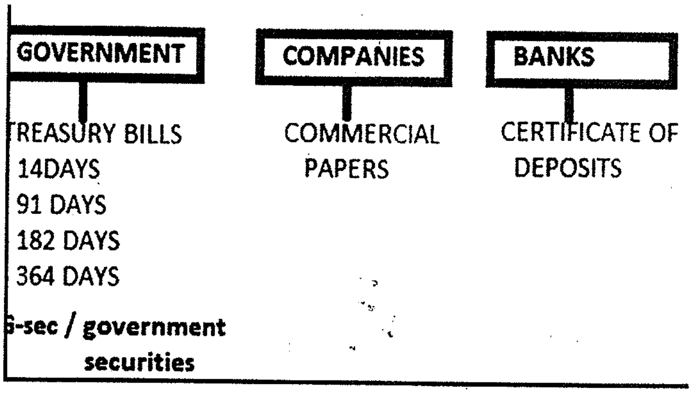
2. *Partially convertible bonds*: The whole amount of loan cannot be converted into shares.
3. *Non-convertible bonds*: Bonds cannot be converted into shares.

- **Short-term Bonds (Maturity less than 1 Year)**

Look at the chart to know how various entities receive funds through debt bonds.

So, if the government wants loan, it can do so by issuing Treasury Bills of 14, 91, 182 and 364 days i.e. for a year. For long term loans of 20-30 years, government issues the G-sec bonds.

If the companies want to issue short-term bonds, they release the Commercial Papers. And if the Banks want to issue short-term bonds, they release the Certificate of deposits.



Concept of Bond Yield and Bond Prices

Bond Price = Cost of the bond. For example: A issued a bond of Rs. 100 to B

Bond Yield= interest amount given on the bond. For the above bond, bond yield = interest rate of 10% = Rs. 10.

After one year, B receives a bond yield of Rs. 10. Then he sells the bond to C at Rs. 90. C will still receive Rs. 10 as interest from A. So his bond yield = 10/90 x 100 = 11.11% which is higher than what A got which was 10%. Now C sells the bond to D at Rs. 80. D continues to receive Rs. 10 as interest from A. Bond yield for D = 10/80 x 100 =12.5%

Thus, we can see that as Bond price reduces from A to B to C to D but the bond yield with them increases. Thus, Bond price is inversely proportional to Bond yield.

Debentures These are also debt instruments but no collateral is required for these. They are generally issued for short term requirement of money.

External Commercial Borrowings One can also raise loans from foreign entities/investors. Such debt instruments are called as External Commercial Borrowings.

EQUITY MARKET

We know that surplus money from lenders are taken by borrowers in two ways - through loans/debt or through equity. We have seen debt instruments above. Equity market involves selling shares of a company or selling ownership rights over parts of the company's asset. The purchase and sale of shares takes place in the equities market.

Q1. Who sells shares in the equity market?

Ans.: Various Companies and firms like Reliance, Axis Bank etc who need funds for their business.

Q2. Who invests in these shares?