

CLASS: J SS 2

SUBJECT: BUSINESS STUDIES

WEEK: 9

TOPIC: MARKET

Meaning of Market: Market is a place where goods and services are bought and sold. A market is physically located in a specific geographical area. Examples of market are: Mile 1 market in Port Harcourt, Ariaria market in Aba and Balogun market in Lagos.

A market could also exist between buyers and sellers who do not need to meet physically in a place to transact or carry out business activities. This can be done through the telephone, telex and internet.

Features of a Market

- i. There are sellers and buyers
- ii. There is competition in the market
- iii. There is availability of goods and services
- iv. There is willingness and ability to pay for the goods and services
- v. The goods are easily moved from one place to another
- vi. The consumer has the knowledge of the market

Types of Markets

There are three types of markets. They are:

1. Capital market
 2. Money market
 3. Commodity market
- 1. The capital market:** This is a type of market that provides capital for businessmen on long term basis. Stocks and shares are bought and sold in the capital market.

Institutions traded in the capital market include the following:

- i. **Equity Market:** In equity market, tangible assets such as houses, stocks and shares are sold and bought. Example of this market is Lagos Stock Exchange.

- ii. **Debt Market:** In debt market, lenders provide funds for borrowers for specified period. The borrower agrees to pay the lender the amount borrowed which is called the *principal* with a specified extra amount called *interest*.

Instruments Traded in the Capital Market: Instruments traded in the capital market have maturity date of more than one year. The main instruments traded here are:

1. **Government Securities:** This is the major capital market instruments. They are debt instruments issued by government. Example is treasury bond.
2. **Corporate Bonds:** It is a debt instrument issued by a corporation. This bond states that the bond-holder will only receive the principal capital with the interest on the bonds while the firm acting as intermediary will take the profit on bonds up on maturity.
3. **Mortgages:** It is a debt instrument used in financing or buying a house or real estate. The house or real estate is used as collateral for a loan. In case of default in payment, the lender takes the charge of the house or real estate as settlement for the debt.

Career Opportunities in the Capital Market

- I. **Brokers:** These are set of workers that compete for the right to help people buy or sell something of value. For example, the buying and selling of shares in business for their clients.
- II. **Stockbrokers:** These are set of workers that help people buy or sell assets such as stocks and bonds.
- III. **Bankers:** These are set of workers that accept deposits from depositors and provide safety for the deposits
- IV. **Jobbers:** These are workers that deal directly with the brokers on behalf of the public. They do not come in contact with the public when it comes to buying and selling of assets.
- V. **Bull:** This is a person who buys securities with the intention of reselling them at a higher price before the payment on the security is due

Money Market

This is a type of market where money is borrowed for a short term period. Money market is not meant for everybody that wants to borrow. It is only the central bank and commercial banks that can go into negotiation and agreement to borrow in money market.

Institutions traded in money market

1. **Banks:** Commercial banks make use of money market to meet up with their demands for money when the need arises, but they pay back to the central bank within a specified period. The main source of fund is current account or deposit and various types of saving deposits.
2. **Pension Fund:** Funds collected from private and government workers as contributions towards retirement are used in money market to buy shares and stocks. The returns on these are paid to participating individuals at retirement age.
3. **Insurance Companies:** This is the company that helps to put individuals back to business in case of any damage or loss.

Instruments traded in Money Market

- i. **Treasury Bill:** This is a short term debt instrument used by the government to raise fund. Treasury bills are issued to mature in three (3) months, six (6) months or twelve (12) months.
- ii. **Commercial Paper:** This is a promise to pay back a specified amount that is higher at a stipulated time in future, may be for thirty (30) days. Large creditworthy organizations use commercial paper as a form of direct short term finance.
- iii. **Negotiable Bank Certificate of Deposit:** This is sold by banks and other money markets. It is debt instrument used in paying a depositor a specified amount of interest and purchase price of the certificate during the term of the certificate.

Commodity Market: This is the market for buying and selling of raw materials, semi-finished and finished goods. Examples are: market for cocoa, crude oil, cars, books, etc.

Instruments traded in the commodity market are:

1. **Foodstuffs**
2. **Raw materials**
3. **Gifts items**
4. **Provisions**
5. **Household equipment**

Places where commodities are bought or sold are:

1. **Open air market:** This is also referred to as a market square. Traders sell their goods in open air or under a tree. foodstuffs sold here are yam, plantain, tomatoes etc.

2. **Market stalls:** These are open and lock-up shop stalls. They are small rooms built in rows with open fronts for display of goods. They are found in cities for selling cloths, drinks, beverages etc.
3. **Shops:** This is found along the streets. It is a single room in a building or a number of shops in a location called shopping centre. Different items are sold there. E.g provisions, gift items, foodstuffs etc.