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# Indian Stock Market: An Analysis

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***Abstract***

*The stock market has become an integral part of the financial system not only at the national level but also internationally. It has affected almost every aspect of the market. In the world. Stock market in India continues to develop towards growth and efficiency leads to increased financial activities in depth and breadth. Market participants, financial institutions and investors have a different view play efficiently in the market because it provides the necessary financial resources for long-term and sustainable development of different sectors of the economy. Therefore, the security market is an essential premise for the economy to grow faster because it creates a savings channel for the masses who don't take risks to create and manage companies but who want to become investors. On the other hand, the stock market entrepreneurs in setting up projects beyond their financial means. The stock market has grown and matured tremendously over the past few years.*

## I. Introduction:

The structure and trading of the stock market in India has undergone a drastic change. Institutionalizing brokerage activities, modernizing and automating securities. Exchanges and entry of foreign institutional investors have opened up a multitude of options for different players in the financial markets. The operation of the stock market has shown that market regulation or self-regulation of stock exchanges will work only when funds seek to invest in the stock market through conventional channels and counted. Reform of the legal framework governing Indians. The stock market began in the late 1980s with the introduction of Securities and Exchange Board of India, but it already has enough momentum with consolidation all regulatory bodies with SEBI in 1992. The primary purpose of the SEBI Act is provide for the establishment of a board known as the Securities and Exchange Board India. The purpose of the Council, as stated in the preamble, is to protect the interests investors in securities, to promote the development of the stock market, to securities market regulation and securities market related issues. For SEBI, Its function in relation to the stock market should be to monitor the stock market. SEBI supervision will be effective if control systems are in place regarding of each regulated entity or activity, such as stockbrokers and sub-brokers operations, exchange regulations of exchange, acquisition and takeover activities and insider trading. Selective request; check out brokers and exchanges on the basis of monitoring systems will be more effective than implementing them on a usual basis.

**Major Stock Exchanges of India:**

- **Bombay Stock Exchange**

Founded in 1875, BSE (formerly known as Bombay Stock Exchange Ltd.) is Asia's first and fastest stock exchange in the world at 6 microseconds and one of India's leading exchange groups. Over the past 140 years, BSE has accelerated development of the Indian business sector by contributing to a well organized organization fundraising platform. Commonly known as BSE, the stock exchange was founded as "The Native Share & Stock Brokers 'Association" in 1875. BSE is a company and non-linguistic legal entity, with a broad shareholder base consisting of two world stock exchange, Deutsche Bourse and Singapore Exchange are strategic partners. The BSE provides an efficient and transparent market for shares, debt securities, derivative securities, mutual funds. It also provides a platform to buy and selling shares of small and medium enterprises (SMEs). More than 5500 companies listed on the BSE, making it the world's largest stock exchange in terms of listed securities companies. Companies listed on the BSE have a total market capitalization of 1.64 trillion USD in September 2015. It is also one of the top stock exchanges in the world ($5^{th}$ September 2015) for index options trading. BSE also offers the services for capital market participants, including risk management, clearing, establishment, market data services and education. It has wide reach among investors worldwide and exist nationwide. ESB systems and processes are to ensure market integrity, promote the development of Indian capital markets and encourage innovation and competition in all market segments. BSE is First stock exchange in India and second in the world to obtain ISO 9001: 2000 certification. This is also the first stock exchange in the country and the second in the world received BS 7799-2-2002 information security management system standard certification for online trading system. BSE has established one of the most highly regarded capital markets educational institutes in the country (BSE Institute Ltd). BSE also manages custodial services through its central depository Services Ltd. (CDSL). The BSE Popular Equity Index - S&P BSE SENDEX – is the most watched stock market benchmark in India. It is marketed internationally on EUREX as well as on the major exchanges of the BRCS countries (Brazil, Russia, China and South Africa). ESB has won several awards and appreciation certifies work done and improvement made as India's Innovation Big Data Implementation Award, ICICI Lombard.

- **National Stock Exchange**

The National Stock Exchange (NSE) is the main stock exchange in India and fourth in the world in terms of share trading volume in 2015, according to World Federation of Stock Exchanges (WFE). He started working in 1994 and was placed in the group largest stock exchange in India by total turnover and average daily turnover for stocks every year since 1995. NSE launched electronic trading on screens in 1994, derivatives trading (in the form of index futures) and trading over the Internet in 2000, were the first of their kind in India. NSE has a perfectly integrated business model including listing on the stock exchange, trading services, clearing services, Indices, market feeds, technology solutions and financial education services. The NSE also manages the arrangements of trading and clearing members and listed companies with the rules and regulations of the stock exchange. NSE lays the foundation for technology and maintains the authenticity and effectiveness of its systems through a culture of innovation and investment in technology. NSE assumes that the size and breadth of its products and services, has maintained a leading position in several asset classes in India and has allowed it to be extremely active in the face of changes and market needs as well as innovation in commercial and non-commercial enterprises to provide quality data and services to market players and customers.

- **Over the Counter Exchange of India**

Over-the-Counter Exchange of India (OTCEI) Consolidated Under Article 25 Company Act in October 1990 and started operations from September 1992. Over the Counter Exchange of India was established in response to a long-standing need second-tier market where firms have low capital investment and are less expensive Conditions may have the advantage of being listed. Therefore, OTCEI has promoted by all Indian financial institutions, commercial banks and their affiliates public sector banks and incorporated as an accredited stock exchange under section 4 of Securities Contracts (Regulation) Act. This is India's first small exchange companies as well as the first national screen stock exchange in India. OTC Exchange is now a country Widespread and operating in most cities of India through nationwide information broadcast network. Any city in India can get certificate awards from OTCEI. Certificate Prices are generated by OTCEI's central computer in Bombay and then disseminated. Companies listed on the OTC Stock Exchange of India have the same status as companies listed on any other stock exchange in the country regarding taxes and interest. Vendors must meet certain standards shares or any other security in the context of an acquisition transaction (i.e. a company in In the early stages, shares can be issued with the understanding that they will buy them back after 5 years at market value to its earnings) and 20% of the issued capital should be maintained by promoters for a period of at least 3 years.

- **Regional Stock Exchanges**

There are several smaller exchanges in the country with regional coverage. In this case, trading infrastructure and trading volume are only to a certain extent on the stock exchanges of Calcutta, Delhi and Madras. Given the national reach of the NSE and BSE, the existence of smaller exchanges is in jeopardy. These regional stock exchanges are trying to fit in by creating the Interconnected Stock Exchange (ICSE) of India. This effort is still ongoing and has not yet proven useful to the investment community.

**The Indian Stock Market is mainly affected by two E's-**

I. Earnings/Price Ratio- price-earnings ratio is company's current share price compared to its earning per-share. It is the most popular method of stock analysis.

II. Emotions/Sentiments- stock market are driven by emotions and sentiments. They play an important part in investing. The rise and fall of Sensex is hugely dependent of emotions.

**History of Indian Stock Market:**

Indian stock market marks to be one of the oldest stock market in Asia. It dates back to the close of 18th century when the East India Company used to transact loan securities. In the 1830s, trading on corporate stocks and shares in Bank and Cotton presses took place in Bombay.

Though the trading was broad but the brokers were hardly half dozen during 1840 and 1850. An informal group of 22 stockbrokers began trading under a banyan tree opposite the Town Hall of Bombay from the mid-1850s, each investing a (then) princely amount of Rupee 1. This banyan tree still stands in the Horniman Circle Park, Mumbai. In 1860, the exchange flourished with 60 brokers. In fact the 'Share Mania' in India began with the American Civil War broke and the cotton supply from the US to Europe stopped. Further the brokers increased to 250. The informal group of stockbrokers organized themselves as the Native Share and Stockbrokers Association which, in 1875, was formally organized as the Bombay Stock Exchange (BSE).

BSE was shifted to an old building near the Town Hall. In 1928, the plot of land on which the BSE building now stands (at the intersection of Dalal Street, Bombay Samachar Marg and Hammam Street in downtown Mumbai) was acquired, and a building was constructed and occupied in 1930.
Premchand Roychand was a leading stockbroker of that time, and he assisted in setting out traditions, conventions, and procedures for the trading of stocks at Bombay Stock Exchange and they are still being followed.

Several stock broking firms in Mumbai were family run enterprises, and were named after the heads of the family.

The following is the list of some of the initial members of the exchange, and who are still running their respective business:
D.S. Prabhudas & Company (now known as DSP, and a joint venture partner with Merrill Lynch)

- Jamnadas Morarjee (now known as JM)
- Champaklal Devidas (now called Cifco Finance)
- Brijmohan Laxminarayan

In 1956, the Government of India recognized the Bombay Stock Exchange as the first stock exchange in the country under the Securities Contracts (Regulation) Act.

The most decisive period in the history of the BSE took place after 1992. In the aftermath of a major scandal with market manipulation involving a BSE member named Harshad Mehta, BSE responded to calls for reform with intransigence. The foot-dragging by the BSE helped radicalise the position of the government, which encouraged the creation of the National Stock Exchange (NSE), which created an electronic marketplace. NSE started trading on 4 November 1994. Within less than a year, NSE turnover exceeded the BSE. BSE rapidly automated, but it never caught up with NSE spot market turnover. The second strategic failure at BSE came in the following two years. NSE embarked on the launch of equity derivatives trading. BSE responded by political effort, with a friendly SEBI chairman (D. R. Mehta) aimed at blocking equity derivatives trading. The BSE and D. R. Mehta succeeded in delaying the onset of equity derivatives trading by roughly five years. But this trading, and the accompanying shift of the spot market to rolling settlement, did come along in 2000 and 2001 - helped by another major scandal at BSE involving the then President Mr. Anand Rathi. NSE scored nearly 100% market share in the runaway success of equity derivatives trading, thus consigning BSE into clearly second place. Today, NSE has roughly 66% of equity spot turnover and roughly 100% of equity derivatives turnover.

**Regulators of Stock Market:**

**• Securities and Exchange Board of India (SEBI)**

SEBI is the regulatory body established under the SEBI Act 1992 and is the main regulator of the stock exchange in India. SEBI's main functions include protecting the interests of investors, promoting and regulating the Indian stock market. All financial intermediaries authorized by their respective regulators to participate in the Indian stock market are governed by SEBI regulations, whether domestic or foreign. Foreign portfolio investors are required to register with the DDP to participate in the Indian stock market.

**• Reserve Bank of India (RBI)**

The RBI is governed by the RBI Act of 1934. The RBI is responsible for monetary and credit policy implementation, for issuing paper currency, is a government banker, a regulator of the banking system, and for exchanges. Managers and regulators of the platform's ongoing payment and settlement system working on the development of the Indian financial market. The RBI regulates financial markets and systems through various laws.

- **National Stock Exchange (NSE)**

As a participant in the stock market, the NSE is required to establish and implement rules and regulations to govern the securities market. These rules and regulations extend to member registration, securities listing, transaction monitoring, members complying with SEBI/RBI regulations, investor protection, and more. The NSE has a set of rules and regulations that apply specifically to each of its trading segments. NSE as a legal entity regulated by SEBI must undergo their regular audits to ensure compliance.

**Trends and Patterns in Indian Stock Market:**
With India's growth story unfolding, there is a need to mobilize resources for businesses to drive the capital needs of the economy. There is a clear lack of widespread participation. Out of more than a billion people, only 18 million people invest in the stock market. The equities segment currently accounts for more than 75% of market activity in India. In the developed world, this trend is reversed, with bonds accounting for more than 80% of transactions in some markets. The erratic behavior of the stock markets also suggests that they are not only highly speculative but also lack support from a broad base. The Indian market is highly dependent on the movement of foreign institutional investors (FII). Therefore, any change in FII inflows and outflows leads to large changes in market indices, even though the fundamentals remain unchanged.
Another startling fact is the lack of transparency in the system. Although stock exchanges and other market infrastructure organizations (MIIs), such as custodians and regulators, have a repository of data, this is not disclosed widely. Due to these structural obstacles, the benefits of capital markets have not been achieved much domestically. This study focuses on why the above problems exist in our country, what factors cause the above problems and what could be the possible solutions.

**Scope and Limitations of the Study:**
The evolving stock market is a complex phenomenon that is thought to affect the real economy in many ways. The scope of this study is limited to exploring how the stock market affects the country's real economic growth. More specifically, it studies the link between the stock market and real economic activities over the period 2005-2018, in light of programs of financial liberalization and structural adjustment. As the time period is not more than sufficient to carry out the impact analysis, the study will attempt to take a preliminary step in this regard. Part of the analysis is based on secondary data collected from a variety of sources. There are differences in data from different sources. Furthermore, the secondary analysis was limited to the period 2005-2018. Regarding primary data, despite two-stage stratified sampling for sampling, because many investors are afraid to provide information on financial matters, information is only collected from those who are willing to provide it.

**Objectives of the Study:**
1. To analyse the significant developments pertaining to the Indian stock market.
2 To study the trends in Indian stock market.
3. To analyze the positive and negative consequence.

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