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PRESENT STATUS OF INDIAN STOCK MARKET

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ABSTRACT:

Stock Market is one of the most rousing sectors in the financial system, making an important contribution to the economic development. Stock Market is a place where buyer and seller of securities can enter into transaction to purchase and sell shares, bonds, debenture etc. In other words, Stock Market is a place form for trading various securities and derivatives. Stock markets acts as a barometer which is used to measure the performance of the Indian economy with its development. A number of developing countries in association with the International Finance Corporation and the World Bank took steps to establish and revitalize their stock markets as an effective way of mobilizing and allocation of funds. In line with the global trend, reform of the Indian stock market also started with the establishment of Securities and Exchange Board of India (SEBI), although it became more effective after the stock market scam in 1991. With the establishment of SEBI and technological advancement Indian stock market has now reached the global standard. Indian stock market has gained new milestones and its fluctuating has surprised our economy with the expansion in the equity, debentures, bonds and real estate.

Keywords: *Derivatives, SEBI, Capital Market, Stock Market, Fiscal Policy, Financial Growth.*

Introduction:

A new era in capital market in India was ushered in July, 1991, with starting of a process of financial and economic deregulation. Beginning with the devaluation of rupee by about 20% in July 1991, industrial policy was totally reshaped to dispense with licensing of all industries except the 18 scheduled industrial groups. Further, removal of MRTP limit on assets of companies, dilution of FERA and foreign trade liberalization etc., were some of the other reforms. After the process of economic liberalization, Privatization and Globalization, the Indian capital market has been assigned very dominating place in financing and loaning industry. The leading role of stock market is financing corporate industry, encourage entrepreneurship, mobilizing resources, allocation of resources with respect of economic growth. Instead of showing high growth, high public savings and a high degree of self-reliance, India was actually showing one of the lowest rates of growth in the developing world with a rising public deficit and a periodic balance of payment crises. Between 1950 and 1990, India's growth rate averaged less than 4 per cent per annum. The strategy of industrialization, which protected domestic industries from foreign competition, was also responsible for high cost and low growth in the economy. **(Kochhar et al 2006, Virmani 2004).**

Development phase has taken place after 1991 the capital market with innovative strategies and policies. In this period the establishment was made up of Securities Exchange Board of India (SEBI), to cover both the development and regulation of the market and independent powers has been set-up as a fully autonomous body which is held responsible to look after the work of Indian Stock Markets. In 1875 Bombay stock exchange was established with the view to expand and regenerate finance industry. At that time International standards were confronting with the Indian economy. Stock market has been assigned an important place in financing the Indian corporate sector. It is one of the most lively sectors in the financial system, marking an important contribution to economic development. It is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, debentures, bonds etc. The main attraction of the stock markets is that they provide for entrepreneurs and governments a means of mobilizing resources directly from the investors, and to the investors they offer liquidity.

Genesis of New Order:

The beginning of liberalized policies dates back to 1985 when the Seventh Five Year Plan was started. The banking companies Amendment Act of 1983 gave new avenues of activities to banks in the form of participation in non-funded activities and financial services such as leasing, hire purchase, merchant banking, etc. The public sector banks have started setting up subsidiaries for merchant banking, lease financing, mutual fund etc., since that time. After 1992 even private sector is allowed to enter into these financial services, including banking, mutual funds, etc. The SEBI was set up in April 1988 to oversee and control the capital market and it has been given legal powers since April 1992 by an act. A number of new institutions like CRISIL for credit rating and SHCIL for clearance and share depository services have been setup.

Overview of Stock Market:

The Bombay Stock Exchange is the oldest exchange in India. It traces its history to 1855, when four Gujarati and one Parsi stockbroker would gather under banyan trees in front of Mumbai's Town Hall. The location of these meetings changed many times, as the number of brokers constantly increased. The group eventually moved to Dalal Street in 1874 and in 1875 became an official organization known as 'The Native Share & Stock Brokers Association'. In 1958, the BSE became the first stock exchange to be recognized by the Indian Government under the Securities Contracts Regulation Act. In 1980 the exchange moved to the Phiroze Jeejeebhoy Towers at Dalal Street, Fort area. In 1986 it developed the BSE SENSEX index, giving the BSE a means to measure overall performance of the stock markets. The Stock Exchange, Mumbai. Ahmadabad stock exchange in 1894 and 22 others followed this in the 20th century. The process of reforms has led to a pace of growth almost unparalleled in the history of any country. Securities market in India has grown exponentially as measured in terms of amount raised from the market, number of stock exchanges and other intermediaries, the number of listed stocks, market capitalization, trading volumes and turnover on stock exchanges, investor population and price indices. Along with this, the profiles of the investors, issuers and intermediaries have changed significantly.

The market has witnessed fundamental institutional changes resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety, thanks to the National Stock Exchange. Indian market is now comparable to many developed markets in terms of a number of parameters. Stock Market is a place where stocks are bought and sold. The stock market determines the day's price for a stock through a process of bid and offer. You bid to buy a stock and offer to sell the stock at a price. Buyers compete with each other for the best bid, i.e. the highest price quoted to purchase a particular stock. Similarly, sellers compete with each other for the lowest price quoted to sell the stock. When a match is made between the best bid and the best offer a trade is executed. In automated exchanges high speed computers do this entire job. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital raising platform. More than 5000 companies are listed on BSE making it world's No. 1 exchange in terms of listed members.

National Stock Exchange:

Following the Pherwani committee recommendations, the Government initiated steps for NMS and recognized the NSE in 1993 for setting of National market system, in which the electronic trading, and settlement is possible through bout the country on the basis of the standard prices and a fixed margin of service charges or commission for the brokers. NSE was the 23rd stock exchange to be recognized under SC(R) Act. With increasing regulation by SEBI on exchanges by the future role of exchanges will be radically different from the present, as there developmental role will be increasing must faster than their regulatory role. Not only the stock exchange but all the players of the market, namely, companies, brokers, intermediaries and investor have come under the supervision and control of SEBI. Along with increasing self regulation and a stricter enforcement of a code of conduct on the members, the Stock Exchanges will have to emerge as Public Service

Institutions catering to increasing demands of investors in the country. Listed companies have also a role in this process to collaborate and extend all help for more efficient functioning of Exchanges. To improve the quality and efficiency of service, trained and professional category of intermediaries and brokers is also necessary. Education, training and research would be the hallmark of future Stock Brokers and other intermediaries, in the markets.

National Market System:

The Pherwani Committee recommended the setting up of the national market system based or the new Stock Exchange which was already set up in Mumbai. To make the national market system effective, the committee recommended several support agencies to provide high quality trading settlement and depository services. In this context, it has recommended that there should be three tiers, namely, Stock Exchanges at Mumbai, Kolkata etc., regional Stock Exchanges like those in major State Capitals and additional trading floors sponsored or managed by Principal or Regional Stock Exchanges.

Securities Exchange Board of India:

Share market is the foundation of the economic country of a country. Through its medium, the people wishing to invest in securities get good chances. It is very important to control the share market in order to strengthen the economic condition of the country protect the rights of the investors. Keeping this thing in view, the Capital Issue (Control) Act, 1947 was enforced. But the Act was failed to control fully the Share Market. In order to remove its drawbacks, Securities and Exchange Board of India (SEBI) was established in 1992.

Depository Participant:

In India, a Depository Participant (DP) is described as the Agent (law) of the depository. They are the intermediaries between the depository and the investors. The relationship between the DP's and the depository is governed by an agreement made between is governed by an agreement made between the two under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered as such with SEBI under the Sub section 1A of section 12 of the SEBI Act. As per the provisions of this act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI. As of 2012, there were 288 DPs of NSDL and 563 DPs of CDSL registered with SEBI. SEBI (D&P) Regulation, 1996 prescribe a minimum net worth of Rs 50 lakh for stockbrokers, R&T agents and non-banking finance companies (NBFC), for granting them a certificate to act as DPs. Depository is an institution or a kind of organization which holds securities with it, in which trading is done among shares, debentures, mutual funds, derivatives, F&O and commodities. The intermediaries perform their actions in variety of securities at Depository on behalf of their clients. These intermediaries are known as Depositories Participants. Fundamentally, there are two sorts of depositories in India.

- National Securities Depository Limited(NSDL) 1996
- Central Depository Securities Limited(CDSL) 1999

Forward Market Commission:

The Forward Markets Commission (FMC) is the chief regulator of commodity futures markets in India. As of July 2014, it regulated Rs 17 trillion worth of commodity trades in India. It is headquartered in Mumbai and this financial regulatory agency is overseen by the Ministry of Finance. The Commission allows commodity trading in 22 exchanges in India, of which 6 are national. On 28 September 2015 the FMC was merged with Securities Exchange Board of India (SEBI). Established in 1953 under the provisions of the Forward Contracts (Regulation) Act, 1952, it consists of not less than two but not exceeding four members appointed by the central government, out of them being nominated by the Central Government to be the chairman of the Commission. Since futures traded in India is traditionally on food commodities, the agency was overseen by Ministry of Consumer Affairs, Food and Public Distribution (India).

Conclusion:

The main objective of stock market in India was to contribute to raising capital and assisting its allocation process in order to strength the Indian economy. Instead of showing high growth, high public savings and a high degree of self-reliance, India was actually showing one of the lowest rates of growth in the developing world with a rising public deficit and a periodic balance of payment crises. Between 1950 and 1990, India's growth rate averaged less than 4 per cent per annum. The strategy of industrialization, which protected domestic industries from foreign competition, was also responsible for high cost and low growth in the economy. There have been several reason put forward for the failure of the development path which necessitated the reforms in 1991. Which an outcome comes in the form of established of the autonomous body known as the SEBI. This monitors the growth of the stock markets and can protect the interest of the investor. As a result the people faith is start building in the stock markets and steadily the formation of NSE and Depository Participant was stand truly on people trust. But still lots of people are there who are fearing to invest in the stock markets. It's is the responsibility of the government is to build the trust and provide proper information to the investors against their rights and tells the important of the stock market in the economy. If we compare the earnings of the developed countries like U.S.A and Japan the Indian economy is not able to stand in against of them.

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