



## AN OVERVIEW OF INDIAN STOCK MARKET

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### Abstract:

The purpose of this paper is to examine the volatility in the India. The stock market is witnessing heightened activities and is increasingly gaining importance. In the current context of globalization and the subsequent integration of the global markets this paper captures the trends, Similarities and patterns in the activities and movements of the Indian stock market in comparison to its international counterparts. This study covers New York stock exchange (NYSE), Both the Bombay stock exchange (BSE) and the National stock exchange of Indian limited (NSE) have been used in the study as a part of Indian stock market.

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. In other words, Stock market is a place from for trading various securities and derivatives. Stock markets acts as a barometer which is used to measure the performance of the Indian economy which its development. The Indian stock market also started with the establishment of securities and exchange board of India (SEBI). The Main aim of the paper is to find out the information that what are the various technology comes in the stock markets that can attracted more and more investors to spend their money in the stock market to get valuable return from the investment.

**Keywords :** Mobilization, Derivatives, National stock exchange and Bombay stock exchange, Globalization, Stock market, Investment, Investor

### INTRODUCTION TO STOCK MARKET:

A stock market also knows as an equity market or share market is a collection of buyers and sellers of stocks. These stocks represent ownership interests in companies. These may include publicly or privately traded securities. The New Year stock exchange is an example of a share market.

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Usually, Large companies will list their stock on a stock exchange because it makes their shares more liquid (i. e, Easy to buy and sell), Which investors love. This liquidity also attracts international investor.

Before liberalization, Indian economy was tightly, Controlled and protected by number of measure like licensing system, High tariffs and rates, Limited investment in core sectors only during 1980's growth of economy was highly un sustainable because of its dependence on borrowing to correct the current account deficit.

The financial sector at that time was much unstructured and its scope was limited only to bonds, Equity, Insurance, Commodity markets, Mutual and market, And regulatory authority named as SEBI (security exchange board of India) was introduced and first electronic exchange national stock exchange also set up. Indians have been traditionally known for savings habits. Savings is closely related to investment which contributes to economic stability and development of an individual as well as nation. The economic development of a nation is reflected by the progress of the various economic units, broadly classified into corporate sector, Government, And household sector. The Indians, In general, Tend to spend less than the income and save the maximum possible amount from the regulate income for minimizing the future risk.

The financial system is a composition of various institutions, Markets, Regulatory bodies. The performance of financial system of any country depends on the performance of financial markets, Financial intermediation and financial instruments or financial products. The chapter discusses the antecedent and development of stock exchange. This chapter organized the key strengths of the Indian securities market. Following the online share trading trends are discussed and also investors behaviour, Attitude and decision making are presented in this chapter.

## **Definition of stock market :**

Definition of stock market the secondary market or the stock exchange are regulated by the regulatory authority. In India, The secondary and primary markets are governed by the security and exchange board of India (SEBI). A stock exchange facilitates stock brokers to trade company stocks and other securities.

It is a place where shares of public listed companies are traded. The primary market is here companies are float shares to the general public in an initial public Offering (IPO) raise capital. It is time for another effort to realign the system to function more in shareholders' interests. Companies need stronger non-executive directors, Paid enough to devote proper attention to the job; Genuinely independent audit and remuneration committees; More powerful internal auditors; And a separation of the jobs of chairman and chief executive.



## Indian stock market :

The Bombay stock exchange is the oldest exchange in India. It traces its history to 1855, When four Gujarati and one Parsistockbroker would gather under banyan trees in front of Mumbai's town hall. The location of these meetings changed many times, 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.

Stock market is a place where stocks are bought and sold. The stock market determines the days price for a stock through a process of bid and offer.

## Concept of Indian stock market :

Indian shares listed in national stock exchange and Bombay stock exchange is closely monitored by the prospective investors and business analysts after the end of every session for the assessment of best performing stocks.

Project report on stock market contains the technical assessment method that is completely statistical and entails no personal views or prejudiced date of any kind. Indian stock market project report is released after the end of every trading session and for a comprehensive performance analysis the firms release yearly or bi-annual project reports.

From easy to understand and assess stock market project reports the users can keep a check on how well a stock has performed over a certain period of time and can compare it with the index of another performing NSE and BSE shares at a quick look.

## Objectives of the paper:

- To find out the recent trends of Indian stock market.
- To find out relevant factors to determine trade in the Indian stock market.
- To identify the types of stock exchanges.
- To analyse the objective of the stock market.
- To find out reason for such a trend in stock market.

## Methodology :

This study is based on secondary data, Which is collected from some articles, Journals and through the internet link etc...



## Types of Indian stock market :

Two types of stock exchanges there are

- National stock exchanges (NSE)
- Bombay stock exchange (BSE)

## National stock exchanges :

The NSE of India limited NSE is the leading stock exchange of India, Located in Mumbai. NSE was established in 1992 as the first demutualized electronic exchange in the country. NSE was the first exchange in the country to provide a modern, System which offered easy trading facility to the investors spread across the length and breadth of the country. Vikram limaye is managing director and chief executive officer of NSE.

- National stock exchange has a total market capitalization of more than US \$ 2.27 trillion, Making it the world's 11<sup>th</sup> largest stock exchange as for April 2018.
- Unlike countries like the united states where nearly 70% of the GDP is derived from larger companies and the corporate sector.

## NSE Nifty:

S & P CNX nifty is a well diversified 50 stock index accounting for 22 sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, Index based derivatives and index funds portfolios, Index based derivatives and index funds.

NSE came to be owned and managed by India index. Services and products Ltd. (IISL), Which is a joint venture between NSE and CRISIL, IISL is India's first specialised company focused upon the index as a core product.

CNX stand for CRISIL NSE indices CNX ensures common branding of indices, To reflect the identities of both the promoters, I. e NSE AND (CRISIL). Thus, 'C' stands for CRISIL, 'N' stand for NSE and 'X' stands for exchange or index. The S & P prefix belongs to the US-based standard & poor's financial information services.

## Bombay stock exchange :

The Bombay stock exchange is one of the oldest stock exchanges in Asia. It was established as "The native share & stock brokers association" in 1875. It is the first stock exchange in the country to obtain permanent recognition in 1956 from the government of India under the securities contracts (regulation) act 1956. The exchange's pivotal and pre-eminent role in the

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development of the Indian capital market is widely recognized and its index, SENSEX, is tracked worldwide.

## **SENSEX :**

The stock exchange, Mumbai (BSE) in 1986 came out with a stock index that subsequently became that barometer of the Indian stock market.

SENSEX is not only scientifically designed but also based on globally accepted construction and review methodology first compiled in 1986, SENSEX is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. The base year of SENSEX is 1978-79 and base value of 100.

The launch of SENSEX in 1986 was later followed up in January 1989 by introduction of BSE national index (base: 1983-84 = 100) it comprised of 100 stocks listed at five major stock exchanges. The exchange launched dollar listed version of BSE-100 index i. e Dollex-100 on may-22-2006. All BSE indices are reviewed periodically by the “Index committee “of the exchange.

## **Classifications of stocks :**

The following are the classifications of stocks in the stock exchanges

- Common stock
- Preferred stock
- Income stock
- Value stock

## **Common stock :**

When people talk about stocks they are usually referring to common stock, And the great majority of stock is issued as common stock. Common stock represent ownership in a company and a claim on a portion of that companies net profits. Common stockholders can also vote to elect the board of directors.

Historically, Common stock has yielded higher returns than most other investments in addition to returns, Common stock also carries significant risks. If a company goes bankrupt, The common shareholders will not receive money until the creditors, Bondholders and preferred shareholders are paid.



## Preferred stock :

Preferred stock represents some degree of ownership in a company but usually doesn't come with the same voting rights, with preferred shares, Investors are usually guaranteed a fixed dividend. In stock price, Which results in lower overall risk and returns.

It like to think of preferred stock as falling some where in between bonds and common stock. It shares similarities with both. As result, I wouldn't hold preferred stock. I don't really see any reason to forego the growth potential of common stock, Or the additional safety provided bonds. For me it's a hybrid that doesn't belong in my portfolio.

## Income stock :

Income stocks typically pay a regular quarterly dividend to shareholders. There are usually high quality well established companies with a history of strong profits and steady dividend increases. Retirees often buy these stocks to secure a steady income stream in the form of dividends.

Many publicly traded energy and utility companies are good examples of income stocks.

## Value stock :

Value stocks usually have one or more of the following characteristics.

- Low price to earnings ratio
- Low price to book ratio
- Low price to dividend ratio

In other words, These stocks are under priced when compare to other similar companies in the stock market sometimes this is a result of financial distress or management problems. Many times, "Value in vestors" consider factors beyond the financial metrics when considering value stocks.

## Objectives of stock market :

The main objective of the stock market is to let people sell and buy (i. e"exchange") ownership share of companies.

- It might be from the private owner of the company to the public through IPO.
- From one public investor to another public investor through regular transaction.
- From public investor back to the company through buy back offers.
- From public in general back to the private owner through delisting process.



- The main objective of the stock market is to help businesses raise capital to expand, Modernize their business etc...

## Needs/Importance of stock market :

Stock market is an important part of the economy of country. The stock market plays a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent. That is the reason that the government, Industry and even the central banks of the country keep a close watch on the industry's point of view as well as the investors point of view.

Whenever a company wants to raise funds for further expansion or setting up a new business venture, They have to either take a loan from a financial organization or they have to issue shares through the stock market. In fact the stock market is the primary source for any company to raise funds for business expansions. If a company wants to raise some capital for the business it can issue shares of the company that is basically part ownership of the company. To issue shares for the investors to invest in the stocks a company needs to get listed to a stock exchange and through the primary market of the stock exchange they can issue the shares and get the funds for business requirements.

## Current scenario of Indian stock market :

Capital market is the centre or arrangement that provides facilities for buying and selling of long term financial claims. It is the market where transactions are made in long term securities such as stocks and bonds. The participants of this market include various financial institutions, Mutual funds, Agents, Brokers, Dealers and other borrowers and lenders of long term debt and equity capital.

Capital market is not a compact unit but consists of major parts:

- Primary market
- Secondary market

The primary market or otherwise called as new issue market is one in which long term capital is raised by corporate directly from public. The secondary market or popularly called as the stock market refers to the market where these long term financial instruments which are already issued in the primary market are traded.

The initial emergence of stock market in the world can be traced back over hundreds of years to when industrialization and innovation took hold in Europe. The rapid economic growth in the past one hundred years gave rise to the explosive development of stock market. At the same time the enhancement of stock markets has played an important role in the growth of the world.



economy. The modern market economy depends to greater extent on a soundly operated stock market. Stock market provides liquidity to the financial instruments which are issued in the primary market.

## Findings:

The present study was aimed to compare the financial performance of Bombay stock exchange and national stock exchange of India. The study reveals interesting and useful findings regarding the performance of these two stock exchanges. While going through the financial statement analysis of both the stock exchanges BSE and NSE and applying the t-test on the ratios.

The mean score of total assets turnover ratio of national stock exchange was higher than the mean score of total assets turnover ratio of Bombay stock exchange over the period of time. This showed the revenue generation capacity of total assets was higher in NSE than BSE. Comparatively the total assets had not been employed much efficiently and effectively in BSE over the period of time. It was found that there is high level of blockage of funds in terms of total fixed assets which fetches quite lower growth in returns in BSE over the period of time. In this matter NSE is leading over the period of time.

## Suggestions :

With a view to improve efficiency in the management and operation of the BSE and NSE and to make the present healthy competition between them healthier a number of measures are available. Most of the measures are focused on increasing revenues, Controlling cost, Improving service quality, Adopting innovations. These will have a positive impact in making BSE and NSE more advanced in their performance. Undoubtedly both BSE and NSE more advanced in the Indian financial market but there is always a scope for improvement. On the basis of findings important suggestions are:

1. The BSE had lower total assets turnover ratio than NSE over the period of time. It can be suggested that BSE should try to improve this ratio. This can be done either by increasing the total revenues with same amount of total assets or by reducing the amount of total assets with same amount of total revenue. In short, This ratio indicates the revenue generation capacity of total assets in BSE is lower. This is a matter of prudence for BSE. The management of BSE must try to improve the performance of its total assets.
2. BSE allotted a bigger share of its total revenue to the payments and provisions for employees. This is a privilege for the employees of BSE itself this is a matter of prudence. BSE should try to improve the productivity of its employees further the extra staff should be eliminated.



## Conclusions :

Finally it can be concluded that BSE and NSE are the icons of Indian capital market. BSE is the icon of stability, Consistent and constant growth in terms of financial performance while NSE is the icon of rapid growth and taking a lead in implementing innovations. This shows the efficiency and effectiveness of the performance of the management of NSE. BSE-NSE are not rivals, Both of them are the pillars of Indian economy. It can be concluded that in a country like India, The internet trading will make the stock market most automated and also at the reach amongst large segment of the population. As a result and can protect faith is start building in the stock markets and steadily the formation of NSE and depository participant was stand truly on people trust. If both will go hand in hand than it will result in rapid growth and upliftment of nation, Both must be try to be complimentary to each other.

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