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RISE AND GROWTH OF INDIAN CAPITAL MARKET: AN OVERVIEW

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ABSTRACT

The present study of capital market emphasis on the rise and growth of Indian Capital Market in pre liberalization and post liberalization era. To expand on the theme the researchers make a descriptive study in the capital market with leading stock exchange BSE and NSE. The paper analyse the key changes that took place after reforms since 1991 onwards. As, the capital market expands in a fulfillment of International Standards but it still lack of some advent of technology and its implication towards the integral part of the nation. .

Keywords: Indian Capital Market, Reforms, NSE, BSE.

INTRODUCTION

With the pace of implementing the L.P.G. policy in 1991, the most benefited sectors includes aviation, telecommunication and financial market in India. The financial system took a lift after adopting open economy from mixed economy with implementing Liberalization. Indian financial system mainly includes capital market and money market. Money market is consider to be the market for shorter span of investment avenues. Whereas, capital market is consider to be the channel between lenders and borrowers for longer span of time. Capital market deals with equity and debt market and bond market. It provides an opportunity to the Government entities as well as private companies to raise the fund. Capital market carries two important functions namely, raising securities for new companies which covers under primary market and trading in the securities which are already issued and listed in the market namely secondary market. The list of constituents of Indian capital market includes largest stake of stock exchanges, investment trust, banks, mutual funds , post office savings banks, nonbanking financial institutions and international financial investors as well as institutions. The rotation of money came from the savings of the people which can easily lended to the companies in the form of shares, debenture and bonds to the lenders. This process reduce the problem of paucity of huge funds demanded by business entities and target to rapid business growth of the companies. The whole process ultimately leads to economic growth of a country.

Objectives of the study

- To study the development process in capital market
- To understand the stock exchange with respect to pre-liberalization and post liberalization period.
- To examine the steps taken by regulatory body in capital market.

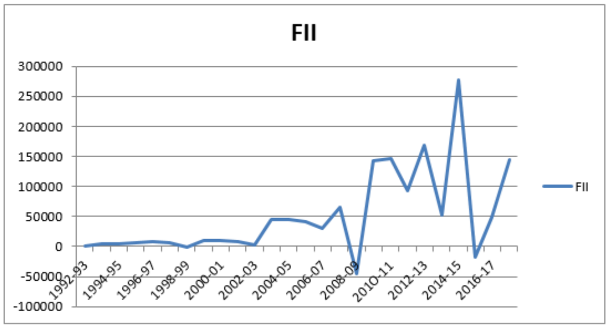
II) Discussion to achieve above objectives.

After implementing LPG policy by Prime minister P. M .Narsimha Rao in 1991, of Capital Market is has seen tremendous development in legal regimes, participatory deposits, and many more. The liberalization opens the door for investments in the Indian capital market to the world. As, India leads to second highest population has huge capacity for development of industry as well. The developed country seen the India as next upcoming and emerging developing country in the world map. This results in large numbers of foreign institutional investors to enter in the Indian capital market. In the year 1992 , the contribution of FII reach to in capital market. Because of their huge stake in the capital market they influence the market. It was often says that Indian stock markets are run by FII. The people choose stock market as one of their priority investment as it is the only investment avenue which can be hedge against the inflation. The Indian capital market developed in scrip less trading. Earlier, only book entries of the purchase and sell of securities can be consider for settlement purpose with- out issuing physical certificate. The E-trading (electronic trading) provides buying and selling of security with the use of electronic process which transfer the orders to person who has done the transaction. With the advents of E-trading it becomes very easy to run the business at global level and expand it for individual and institutional level. Today Indian capital market is consider to be most vibrant market after implication of this technique to the market.

Government has started disinvestment in the public sector companies. Government offers equity holding to retail investors also. Many of the PSU Banks disinvested few years back. This also leads to one of the major indication for expansion of capital market.

After liberalization it seems a positive market for the primary market who are new entrants and in need of money, come with IPOs (initial public offer). Many of the companies raise the capital for their projects and investors get benefited from it.

Table 1: FII Investments (INR crore in total =equity+ debt+ and hybrid)



Source: NSDL website

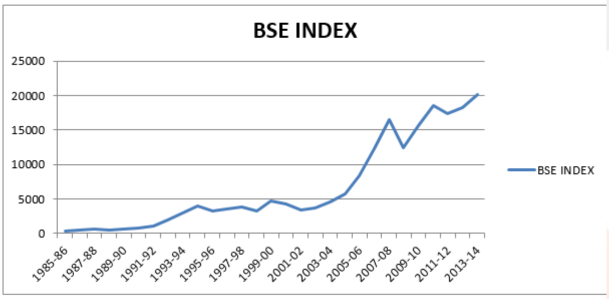
The above table shows that since after implication of open economy allowed the investments of FII to invest in Indian capital market. In the year 1992 -93 it started with only 13 crores which expands its funds to 5127 crores in the immediate next year in 1993-94.After the entry of FII in India, the Indian market has shown bullish trend continuously except in the year 1998-99 and 2008-09.Recently in the year 2014-15 it touches its all time high at 277461 crores. In the year 2017-18 FII investments take back step at 144682 crores.

SEBI act came into existence to protect, develop & regulate the securities market .In India mainly two stock market indices are working.

BSE SENSEX: In 1986 BSE Sensex Bombay Stock Exchange – considered as oldest stock exchange of asia and first equity index launched in India. In 1957 BSE India's first stock exchange granted as permanent recognition. In 2013, Sensex becomes S& P sensex as BSE ties up with Standard & Poor's. BSE comprises of top 30 component companies which are some of the largest and most actively traded stocks of various industrial sectors of Indian companies.BSE is Fifth largest stock exchange of the world.

NSE Nifty: The establishment of NSE is one of the major step towards the development and regulated market. After the Harshad mehta scam in the market SEBI take a step towards establishment of regulated market. In 1992 NSE-National Stock Exchange which includes top 50 shares of market capitalization established. NSE started trading in 1994.The Nifty 50 covers 22 sectors of Indian economy. Recently NSE has successfully completed 25 years in 2019 .The finance minister Dr. Manmohan Singh (ex P.M.) opened the NSE. Currently NSE is sixth largest stock exchange of the world.

Table 2: BSE annual average Index



Source: TATA statistical outline 2014-15

From the table 2 it is seen that before liberalization and post liberalization stock market gained tremendously. It shows the long term investors benefited in the stock market. It also suggests how market increased post liberalization era.

Regulatory Body SEBI

The SEBI - securities exchange board of India is the regulatory body for capital market transactions. SEBI act came in the year 1988 by G.S.Patel committee reccommendations for the development of capital market reforms. The main objective of SEBI is to protect investors, issuers of securities , and market intermediaries.

The role of SEBI can be appreciated as following.

- SEBI attempts to make rules , regulations for the institutions ,and companies.
- It keep an eye on the activities of brokers, intermediaries.
- SEBI generate programs for the welfare of investors and educate investors to minimize the fraud and mistakes in the market.
- Issue of prospectus for the securities to aware investors about the fund.
- Introduction of screen based trading.
- Dematerialization of shares made compulsory by SEBI.
- Introduction derivative trading and ban on BADLA transaction .
- issue guideline for the merchant banking.
- registration of stock brokers and sub brokers.

Conclusion and Recommendations:

Financial Market liberalization shows a positive influence on Indian economy. It is believed by many researchers and policy makers that Globalization and Capital Market reforms should result to improved market efficiency. A well regulated and advance technology in financial Market is essential especially for emerging market economies (EMEs). According to WORLD BANK report India is to be considered as big (EME) Emerging Market Economies ranked third as per purchasing power parity (PPP).

Although the Indian capital market has faced a sea change in its application and legal regimes but it is still far away to fulfill the international standard concerning about the technology still not reached to villages and internal part of the country. People are still not aware about the functioning of capital market investments and awareness is still lacking. The more attention should be given to make awareness in the internal part of the country so that every citizen can generate handsome return to beat against the inflation.

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