CHAPTER - 2

CAPITAL MARKET
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2.0. MEANING
Capital market refers to ‘sources of long term finance and fields for investment’. As stated by Prof. S.C. Kuchhal in his book, The Industrial Economy of India, “it consists of a series of channels through which the savings of the community are made available for industrial and commercial enterprises and public authorities”\(^1\). As stated by P. Livingston in his book, The English Capital Market, “it is the business of the capital market to facilitate the movement of the stream of command over capital to the highest yield. By so doing, it enables them most effectively, thereby increasing productive capacity and swelling the National Dividend”\(^2\).

2.1. HISTORY OF CAPITAL MARKETS IN INDIA:
Historically, some milestones, on which the development of stock exchange is judged, have been presented in the present chapter in a phased manner. The development of capital market is divided into four important phases. The first phase is from the inception of the capital markets in India upto the First World War i.e.1875-1919. This phase brings out preliminary development in the capital market in India. This studies the commencement of the capital market, limitations for the development at the early stage and the emergence of various stock exchanges in India\(^3\). The second phase starts from 1920 i.e. the period when industrial revolution had spread over a large part of globe, but India, under British Empire, remained underdeveloped country. The phase is limited upto 1947 when India got independence. It also highlights the glimpses of development during the volatile period for the market as well as Indian polity. The third phase begins with 1947 i.e. post-independence and it is upto 1990 i.e. announcement of the New Economic Policy. This was the period when the securities market in India has shown development in real sense. During this phase there was a remarkable development in capital market quantitatively as well as qualitatively. The final phase starts from 1991 to the till date. Especially after the implementation of Liberalization -Privatization - Globalization (LPG) policy, there is enormous concentration of the global financial markets on Indian capital market\(^4\). As India still remains a promising country for the investors and since now foreign investment is permitted in Indian capital market, lots of developments have taken place since last two decades.
2.1.1. Inception Phase (upto 1919)

Capital market in India has almost 200 years of history. Indian capital markets are one of the oldest in Asia. There are some signs of existence of capital market in India, early nineteenth century. Though the records are scanty, there are some evidences of presence of capital market during the first half of the nineteenth century. The East India Company was in a dominant position during those days. The business in its loan securities was transacted even at the close of eighteenth century. In 1830’s business on corporate stocks and shares in bank and cotton presses took place in Bombay. There were only 6 brokers recognized by banks and merchants during 1840 and 1850. Even after trading list was broadened in 1839, there was no corresponding growth in the turnover of the markets. In the decade of 1850’s, there was a fast development of commercial enterprise and brokerage business attracted many people into the field and by the year 1860, the number of brokers increased to 60. In 1860-61 American civil war started. Therefore, cotton supply from the US and Europe was stopped. Thus, the ‘share mania’ started in India. The number of brokers increased to almost 250. However, at the end of American civil war, a disaster again took place in 1865. This disaster was so hard that, a share of bank of Bombay which had touched Rs.2850 could be sold at Rs.87. This was true almost for all securities traded in the market. At the end of the American civil war, the brokers who had no place to trade, found the place in the year 1874. This place was a street in Mumbai where the brokers used to come and bargain on a piece of paper which later took the form of share certificate.

The place where the brokers assembled and transacted business regularly, is now known as Dalal Street and the building which is popularly reckoned as a premier stock exchange, is now known as ‘Jijibhoy Towers’. In 1887, these brokers formally established the ‘Native Share and Stock Exchange Association’. It was just an association of persons which was purely informal. It was not given a separate status as a corporate or business entity. However, in 1895, the stock exchange acquired a premise in the same street and it was formally inaugurated in 1899. Thus, the stock exchange of Mumbai (now called as BSE) came into existence. Next to the city of Mumbai Ahmedabad gained more significance in this regard. The cotton business which was a famous business for both of these cities was a common feature.
Particularly after 1880, many textile mills started in Ahmedabad, rapidly surged and extended their business. As the new mills were floated, the need for stock exchange was realized and in 1894, the brokers formed the ‘Ahmedabad Share and Stock Brokers Association’. During the same time Calcutta was budding as a centre for jute industry. Apart from jute, tea and coal industries were the major industries in and around Calcutta city. From the experiences of ‘share mania’ in Mumbai during 1861-65, jute shares in 1870’s was in boom. This was further followed by a boom in tea shares in the last two decades of the nineteenth century i.e. from 1880 to 1900. The similar boom was also experienced in coal business between 1904 and 1908. The leading brokers of Calcutta then in June 1908 shaped the ‘Calcutta Stock Exchange Association’.

In various parts of the world, industrial revolution was taking place in the nineteenth century. India, under British Empire, was not an industrially emerging country. But then, since Britishers had an industrial revolution (especially in Europe), the raw material was mostly supplied from the Indian subcontinent and thus, gradually India became a major supplier of raw materials for the European market which was a developed market. Due to this reason, indirectly, in the beginning of the twentieth century, the industrial revolution was on the way in India. At the same time, ‘Swadeshi Movement’ in India also got the momentum. In 1907, the Tata Iron And Steel Company Limited was inaugurated (TATA steel). This was an important development in industrial advancement of Indian enterprises. Further, due to the First World War some of the Indian industries prospered. These industries included cotton and jute textiles, steel, sugar, paper, flour mills etc. At that time most of the Indian industries which enjoyed prosperity, were providing the raw material for the industrially developed European market.

2.1.2. Umbrella Growth (1920-1946)

First experience of a stock exchange functioning in the Madras city (now Chennai) was in 1920. The Madras Stock Exchange was formed with 100 members in 1920. But this exchange had a very small life. When the boom came to an end, the number of members reduced from 100 to meager 3. Finally, in 1923, the Madras Stock Exchange went out of existence. The stock market movement again improved in 1935, particularly in south India. In this part of the country, there was a enormous
boost in the number of textile mills and many plantation companies. In 1937, a stock exchange was again instituted in Madras which was then called as Madras Stock Exchange Association Pvt. Ltd. Later on, the name of the stock exchange was changed to Madras Stock Exchange Limited. Lahore Stock Exchange was formed in 1934, but it had a very short life. It was amalgamated with the Punjab Stock Exchange Limited which was formed in the year 1936 at Ludhiana. The Second World War broke out in 1939. It had some direct as well as indirect collision on the Indian industries. Primarily, due to the world war, there was a sharp boom. It was followed with a sharp decline immediately, due to the fear of extending period of world war and its ill effects on the economy. The situation again changed after 1943 and by that India was recognized as a supply base. On account of restrictive controls on cotton, bullion, seeds and other commodities, those businesses dealing in these commodities, were establish in the stock exchange as it provided source of finance for their business. They were fascinated to join the trade and their number increased penetratingly. Many new associations were formed for this function. This led to the emergence of stock exchanges being shaped in different parts of the country. Few more stock exchanges which came into existence around this time were- the Uttar Pradesh Stock Exchange Limited (1940), Nagpur Stock Exchange Limited (1940) and Hyderabad Stock Exchange Limited (1944). In Delhi, around this time two separate stock exchanges were formed viz. ‘Delhi Stock and Share Broker’s Association Limited’ and the ‘Delhi Stock and Share Exchange Limited’. During the World War II, these two exchanges were floated.

2.1.3. Post Independence Growth (1947 to 1991)

During the World War II, there was a panic about its unfavorable effects on the Indian industries. But in the post world war period there was a fear of depression which proved to be factual. Most of the stock exchanges suffered almost a sharp decline during the post world war period. At the same time there was a progress on political front that India got independence. The Lahore stock exchange was shifted to Delhi, after partition and later on it merged with Delhi Stock Exchange. In 1947, both of the stock exchanges in Delhi were amalgamated into the ‘Delhi Stock Exchange Association Limited’. In 1957, in southern India, the Bangalore Stock Exchange was registered and it was recognized in 1963. By this time, only few stock exchanges were recognized by the Central Government. The first act to regulate and recognize the
exchanges came into power in 1956 i.e. Securities Contracts (Regulation) Act, 1956. The established stock exchanges of Mumbai, Ahmedabad, Calcutta, Madras, Delhi, Hyderabad and Indore were recognized under the act. The recognition was specified on the condition that members of other associations were required to be admitted by the recognized stock exchanges on a concessional basis. But as per the principles of unitary control, all the ‘pseudo stock exchanges’ were refused the recognition by the government and hence these ‘pseudo’ stock exchanges became defunct. Thus, during the early 1960’s even through number of exchanges were incorporated, only 8 ‘recognized’ stock exchanges were left in India. There after nearly twenty years, the number remained unchanged. Again after that period, in 1980’s, many more stock exchanges were established.

2.1.4. Post economic reform phase (after 1991)

The number of stock exchanges increased penetratingly after 1985. But after 1991, there was really a qualitative progress in the Indian market. The uses of technology, variety of products, investor protection are the areas which emerged during the last two decades. Even-though there was quantitative increase in the Indian capital market; there were some inbuilt limitations like lack of liquidity, imperfections in the information, lack of transparency, long settlement periods etc. During this time benami transactions and some frauds also took place in the Indian stock markets. This affected the small investors to a great extent. The government has taken several actions to increase capital market in post-reform period, with which the capital market attained new heights.

2.2. CAPITAL MARKET DEVELOPMENTS SINCE 1991

With the implementation of New Economic Policy drastic changes occurred in Indian capital market. Some of the important measures are

a) Securities and Exchange Board of India (SEBI): SEBI became operational since 1992. It was set with necessary powers to regulate the activities connected with marketing of securities and investments in the stock exchanges, merchant banking, portfolio management, stock brokers and others in India. The objective of SEBI is to protect the interest of investors in primary and secondary stock markets in the country.
b) **National Stock Exchange (NSE):** The setting up to NSE is a landmark in Indian capital markets. At present, NSE is the largest stock market in the country. Trading on NSE can be done throughout the country through the network of satellite terminals. NSE has introduced inter-regional clearing facilities.

c) **Dematerialisation Of Shares (Demat):** Demat of shares has been introduced in all the shares traded on the secondary stock markets as well as those issued to the public in the primary markets. Even bonds and debentures are allowed in demat form. The advantage of demat trade is that it involves Paperless trading.

d) **Screen Based Trading:** The Indian stock exchanges were modernised in 90s, with Computerised Screen Based Trading System (SBTS). It cuts down time, cost, risk of error and fraud and thereby leads to improved operational efficiency. The trading system also provides complete online market information through various inquiry facilities.

e) **Investor Protection:** The Central Government notified the establishment of Investor Education and Protection Fund (IEPF) with effect from 1st Oct. 2001. The IEPF shall be credited with amounts in unpaid dividend accounts of companies, application moneys received by companies for allotment of any securities and due for refund, matured deposits and debentures with companies and interest accrued there on, if they have remained unclaimed and unpaid for a period of seven years from the due date of payment. The IEPF will be utilised for promotion of awareness amongst investors and protection of their interests.

f) **Rolling Settlement:** Rolling settlement is an important measure to enhance the efficiency and integrity of the securities market. Under rolling settlement all trades executed on a trading day (T) are settled after certain days (N). This is called T + N rolling settlement. Since April 1, 2002 trades are settled under T + 3 rolling settlement. In April 2003, the trading cycle has been reduced to T + 2 days. The shortening of trading cycle has reduced undue speculation on stock markets.

f) **The Clearing Corporation Of India Limited (CCIL):** The CCIL was registered in 2001, under the Companies Act, 1956 with the State Bank of India as the Chief Promoter. The CCIL clears all transactions in government
securities and repos and also Rupee / US $ forex spot and forward deals. All trades in government securities below Rs. 20 crores would be mandatorily settled through CCIL, while those above Rs. 20 crores would have the option for settlement through the RBI or CCIL.

h) The National Securities Clearing Corporation Limited (NSCL): The NSCL was set up in 1996. It has started guaranteeing all trades in NSE since July 1996. The NSCL is responsible for post-trade activities of NSE. It has put in place a comprehensive risk management system, which is constantly monitored and upgraded to pre-expect market failures.

i) Trading In Central Government Securities: In order to encourage wider participation of all classes of investors, including retail investors, across the country, trading in government securities has been introduced from January 2003. Trading in government securities can be carried out through a nation-wide, anonymous, order-driver, screen-based trading system of stock exchanges in the same way in which trading takes place in equities.

j) Credit Rating Agencies: Various credit rating agencies such as Credit Rating Information services of India Ltd. (CRISIL – 1988), Investment Information and credit Rating Agency of India Ltd. (ICRA – 1991), etc. were set up to meet the emerging needs of capital market. They also help merchant bankers, brokers, regulatory authorities, etc. in discharging their functions related to debt issues.

k) Accessing Global Funds Market: Indian companies are allowed to access global finance market and benefit from the lower cost of funds. They have been permitted to raise resources through issue of American Depository Receipts (ADRs), Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) and External Commercial Borrowings (ECBs). Further, the Indian financial system is opened up for investments of foreign funds through Non-Resident Indians (NRIs), Foreign Institutional investors (FIIs), and Overseas Corporate Bodies (OCBs).

l) Mutual Funds: Mutual Funds are an important avenue through which households participate in the securities market. As an investment intermediary, mutual funds offer a variety of services / advantages to small investors. SEBI has the authority to lay down guidelines and supervise and regulate the working of mutual funds.
m) **Internet Trading:** Trading on stock exchanges is allowed through internet, investors can place orders with registered stock brokers through internet. This enables the stock brokers to execute the orders at a greater pace.

n) **Buy Back of Shares:** Since 1999, companies are allowed to buy back of shares. Through buy back, promoters reduce the floating equity stock in market. Buy back of shares help companies to overcome the problem of hostile takeover by rival firms and others.

o) **Derivatives Trading:** Derivatives trading in equities started in June 2000. At present, there are four equity derivative products in India Stock Futures, Stock Options, Index Futures, Index Options. Derivative trading is permitted on two stock exchanges in India i.e. NSE and BSE. At present in India, derivatives market turnover is more than cash market.

p) **PAN Made Mandatory:** In order to strengthen the “Know your client” norms and to have sound audit trail of transactions in securities market, PAN has been made mandatory with effect from January 1, 2007.

### 2.3. COMPONENTS OF THE CAPITAL MARKET

The capital markets are broadly classified into debt and equity markets. *Debt markets* are characterized by large institutional involvement with less presence of retail participation. Debt markets involve in the trade of government securities, treasury bills, corporate bonds, other debt instruments while *equity markets* deal mainly in equity shares and to a limited extent in preference shares and company debentures. Recently, futures and options in indices and equity shares have also become a part of the market. In the context of equity product, the markets are classified into- Primary market and Secondary market. Of late, derivatives market has also become a part of the broader market. In the capital markets, there is large number of participants with variety of products.

The various components of capital market are as follows:-

- **Securities** :- The term securities include shares, bonds, debentures, futures, options, mutual funds units
- **Intermediaries** :- Intermediaries include brokers, sub-brokers, custodians, share transfer agents, merchant bankers, and depositories.
- **Issuers of securities** :- Companies, body corporate, banks, government, financial institutions, mutual funds
➢ **Investors**: Investors include individuals, companies, mutual funds, financial institutions, foreign institutional investors

➢ **Market regulators**: The regulators in the capital markets are SEBI, RBI (to some extent), Department of Company Affairs, and Department of Economic Affairs of the Central government.

2.4. **Segments of capital market:**

There are two interdependent and inseparable segments in the Indian capital market. These segments are the primary market and stock (secondary) market.

2.4.1. **Primary Market**

For sale of new securities the primary market provides the channel. The issuer of securities sells the securities in the primary market to raise funds for investment and/or to discharge. In other words, the market wherein resources are mobilized by entities through issue of new securities is called the primary market\(^\text{21}\). These resources are required for new projects as well as for existing projects with a view to expansion, diversification, modernization and upgradation.

*The issue of securities by companies can take place in any of the following methods:*-

A. Initial public offer (securities issued for the first time to the public by the company);

B. Further issue of capital;

C. Rights issue to the existing shareholder (on their renunciation, the shares can be sold by the company to others also);

D. Bonus Issue

E. Offer to public

F. Offer of securities under reservation/ firm allotment basis to;
   - Foreign partners and collaborators,
   - Mutual funds
   - Merchant bankers
   - Banks and institutions
   - Non resident Indians and overseas corporate bodies
   - Employees.

To the economy of a country the primary market is of great significance. It is through the primary market that funds flow for productive purposes from investors to
entrepreneurs. The latter use the funds for creating new products and rendering services to customers in India and abroad\textsuperscript{22}. The strength of the economy of a country is gauged by the activities of the Stock exchanges. The primary market creates and offers the merchandise for the Secondary Market.

2.4.2. Secondary Market
Secondary market refers to a market where securities are traded after being initially offered to the public in the primary market and/or listed on the Stock Exchange. Majority of the trading is done in the secondary market. Secondary market comprises of equity markets and the debt markets\textsuperscript{23}. The secondary market enables participants who hold securities to adjust their holdings in response to changes in their measurement of risk and return. They also sell securities for cash to meet their liquidity needs. The secondary market has supplementary two components, namely the over-the-counter (OTC) market and the exchange- traded market. OTC is different from the market place provided by the Over The Counter Exchange of India Limited. OTC markets are fundamentally informal markets where trades are negotiated. Most of the trades in government securities are in the OTC market. All the spot trades where securities are traded for immediate delivery and payment take place in the OTC market. The exchanges do not make available facility for spot trades in a strict sense\textsuperscript{24}.

A variant of secondary market is the forward market, where securities are traded for future delivery and payment. Pure forward is outside the formal market. The versions of forward in formal market are futures and options. In futures market, standardized securities are traded for future delivery and settlement. These futures can be on a basket of securities like an index or an individual security. In case of options, securities are traded for conditional future delivery. There are two types of options—a put option permits the owner to sell a security to the writer of options at a predetermined price while a call option permits the owner to purchase a security from the writer of the option at a predetermined price. These options can also be on individual stocks or basket of stocks like index\textsuperscript{25}.

2.5. ROLE AND IMPORTANCE OF CAPITAL MARKET IN INDIA
In mobilizing savings and channeling them into productive investments Capital market plays a vital role. By connecting Surplus Spending Units [SSUs] and Deficit
Spending Units [DSUs], it helps in diverting resources from wasteful and unproductive channels to productive investments. It provides incentives to savers in the form of interest or dividend for their funds, thus encourages capital formation\textsuperscript{26}. It helps the corporate sector to expand, grow and diversify and thereby it facilitates growth of output and income in the economy. In the capital market that operates the various institutions such as banks, development banks and stock market give quantitative and qualitative direction to the flow of funds and bring rational allocation of resources. For new as well as existing ventures Capital market provides money. They are allowed freely to enter into the capital market and raise any amount of funds they wanted. The capital market by connecting the borrowers and lenders, reduces time lag and information cost and thereby transaction cost to the corporate sector\textsuperscript{27}. Capital market has a crucial importance to capital formation. For a speedy economic development adequate capital formation is necessary.

The significance of capital market in economic development is explained below:-

- **Mobilization of Savings and Acceleration of Capital Formation**: The importance of capital market is self-evident in developing countries like India. In this market, various types of securities help to mobilize savings from various sectors of population. The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities. This accelerates the capital formation in the country.

- **Easy Liquidity**: In the secondary market investors can sell off their holdings and convert them into liquid cash. Commercial banks also allow investors to withdraw their deposits, as and when they are in need of funds.

- **Ready and Continuous Market**: The stock exchange provides a central convenient place where buyers and sellers can easily purchase and sell securities. Easy marketability makes investment in securities more liquid as compared to other assets.

- **Technical Assistance**: In developing countries an important shortage faced by entrepreneurs is technical assistance. By offering advisory services relating to preparation of feasibility reports, identifying growth potential and training entrepreneurs in project management, the financial intermediaries in capital market play an important role.
- **Raising Long - Term Capital:** The existence of a stock exchange enables companies to raise permanent capital. The investors cannot commit their funds for a permanent period but companies require funds permanently. The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

- **Reliable Guide to Performance:** The capital market serves as a reliable guide to the performance and financial position of firm, and thereby promotes efficiency.

- **Foreign Capital:** Foreign capital generates from Capital markets. Indian firms are able to generate capital funds from overseas markets by way of bonds and other securities. Government has liberalized Foreign Direct Investment (FDI) in the country. This not only brings in foreign capital but also foreign technology which is important for economic development of the country.

- **Promotion of Industrial Growth:** The stock exchange is a central market through which resources are transferred to the industrial sector of the economy. The existence of such an institution encourages people to invest in productive channels. Thus it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

- **Revival of Sick Units:** The Commercial and Financial Institutions provide timely financial assistance to viable sick units to overcome their industrial sickness. To help the weak units to overcome their financial industrial sickness banks and FIs may write off a part of their loan.

- **Proper Channelization of Funds:** The prevailing market price of a security and relative yield are the guiding factors for the people to channelize their funds in a particular company. This ensures effective utilization of funds in the public interest.

- **Provision of Variety of Services:** The financial institutions functioning in the capital market provide a variety of services such as grant of long term and medium term loans to entrepreneurs, provision of underwriting facilities, assistance in promotion of companies, participation in equity capital, giving expert advice etc.
Development of Backward Areas: Capital Markets provide funds for projects in backward areas. This facilitates economic development of backward areas. Long term funds are also provided for development projects in backward and rural areas.

2.6. CONTEMPORARY DEVELOPMENTS IN OTHER COUNTRIES

Due to the globalization and liberalization, the prices of securities in the Indian capital markets are influenced by the trends given by stock exchanges abroad. The major stock exchanges abroad and their brief history are given below. The history of the earliest stock exchange, the France Stock Exchange, may be traced back to the 12th century, when transactions occurred in commercial bills of exchange. To control this activity, Philip, the Fair, created the profession of courtier de change, which was the predecessor of the French stock broker. At the same time in Bruges (Europe), merchants began gathering in front of the house of the van der Buerse. Thereafter, the word bourse comes to signify stock exchange. More roots of the stock exchanges are found in Industrial Revolution which began in Europe, more than four centuries ago. This was the time when merchants started to come together to pool their resources and start new venture. The contributions by each of these contributors (merchants) later on were called as ‘shares’.

Initially, trading in shares began as informal hawking, in the streets of London. As more and more companies started floating their shares to raise capital, there was a need for a formal market place. These traders, then started to meet at a coffee house, which was used as market place and finally, the same coffee house was taken over by them and this was named as a ‘stock exchange’. Thus in 1773 the London Stock Exchange was founded while the Wall Street traces back its name back to 1653. Originally, it was set up as defense and not for commerce. Settlers of Dutch descent who were always on the lookout for attacks by Native Americans and the British, built a 12 foot ‘stock a defense’. This now has become a center stage of the whole financial activity of the globe. The wall lasted till 1685 when it was torn down and a new street was built. This is now called as the ‘Wall Street’. Thereafter, in 1790 the place was Philadelphia (America) where the first stock exchange of the US was established. Two years later, the New York merchants met to discuss how to command on securities business. This was the way in which the New York Stock
Exchange comes into existence. Some historical evidences have also been recorded which give us an idea about the early days of capital market in the world.

During 11th century, in Cairo, the Jewish and the Muslim merchants already had the notion of trade association and had setup various methods of providing long term credit. This is in contradiction with the call that the history of the stock market originates with Italy. In 12th century, in France, the ‘Courtiers’ de change’ were worried about handling and regulating debts on bank’s behalf. As these men used to deal with long term debt, they can also be called as originators of the brokerage business in the history of capital market. In 13th century, the traders of Bruges commodity accumulated inside the house of a native named van der Beurse. These people institutionalized their gathering. This concept spread rapidly all over the Europe. In the places like Amsterdam, Ghent, its branches (Beurzen) were opened. At the same time, the bankers of Venice started trading in government securities. The government of Venice outlawed airing bruits which were intentionally used to lessen the price of government funds. During 14th century, the bankers from Florence, Verona, and Genoa also started trading in government securities. Dutch’s were the first in the history to inaugurate the concept of Joint Stock Exchange. This led people to buy share and become shareholders in the company. In the year 1602, the Dutch East India Company brought out first shares in the Stock Exchange of Amsterdam. This was the first stock exchange to bring out bonds and stocks in the capital market. This is also known as the first stock exchange in the world to inaugurate continuous trade in stocks and bonds.

2.6.1. NASDAQ

US stock market National Association of Securities Dealers Automated Quotation System (NASDAQ) is known for its growth, liquidity, depth of the market and the most powerful, forward looking technologies. Established in 1971, NASDAQ has steadily outpaced the other major markets to become the fastest growing stock market in the US. NASDAQ is a screen based market, operating in an efficient, highly competitive electronic trading environment. The improved transparency and liquidity are the main features of NASDAQ.
2.6.2. New York Stock Exchange (NYSE)
More than 200 years ago NYSE was established, at the time of signing of Brittonwood Agreement by 24 New York City brokers and merchants in the year 1792. NYSE still remains the world’s foremost securities market place. The NYSE got registered as a national securities market with the US Securities and Exchange Commission in 1934. Further, in 1971, the exchange was incorporated as a non-profit corporation. The prices of securities are determined by demand and supply. With the better use of technology, all the investors are exposed to a wide range of services by the NYSE.

2.6.3. London Stock Exchange
The history of the London stock exchange goes back to 1760 when 150 brokers kicked out of the Royal Exchange for rowdiness, formed a club at Jonathan’s Coffee House to buy and sell shares. The services provided by the London Stock Exchange are classified into company services, trading services, information services etc. The London Stock Exchange is also known for its successful ‘Share Aware Programme’ launched for the benefits of investors.

2.6.4. Frankfurt Stock Exchange (FSE/FWB) Germany
The FSE has been operated by Frankfurt Wertpapierborsen AG (FWB). In 1992, the FWB was renamed as the Deutsche Borse (DB) AG. There are 8 independent stock exchanges in Germany viz. Frankfurt, Dusseldorf, Munich, Hamburg, Berlin, Stuttgart, Hanover and Berman. Now, the stock exchanges of Frankfurt, Dusseldorf, and Munich extended their cooperation in order to establish uniform pricing mechanism for the DAX 100 securities. In 1997, FSE introduced a new electronic system, Xetra which is modern cost efficient, order driven trading system with automated matching.

2.6.5. Tokyo Stock Exchange (Japan)
The history of Japanese stock market dates back to over 130 years with establishment of Tokyo Stock Exchange in 1878. Initially, like India, Japanese market had a steady growth. But during the 1980’s there was substantial deregulation and globalization. In 1999, the TSE launched a new market, ‘Mothors’ to foster new companies. Since March 2000, when the Hiroshima and Niigata exchanges were merged with the TSE, there are six stock exchanges which are located in Tokyo, Osaka Nagoya, Kyoto, Fukoka and Sappora. The TSE is continuous auction markets where buy and sell
orders directly interact with one another. The trading is carried out under the “Zarba Method” which is similar to open outcry system. Upto 1970’s the Japanese markets were regulated. But in 1996, Japanese Prime Minister proposed Japanese version of the ‘Big Bang’ to institute significant financial market reforms and that has made TSE competitive with NYSE and LSE by 2001. Locally, this system is called as ‘Kinyu biggo ban’.

2.6.6. Malaysia
Malaysia is an emerging market in South-East Asia. The Malaysian government, in 2001, announced various measures to encourage the development of capital market of the country. The government in the year 2000 announced policy framework for consolidation of the 62 stock broking companies as a follow up to earlier initiatives to encourage mergers. The objective of this step was to form a group of well capitalized universal brokers that will not only provide efficient and cost effective services or investors, but are strong enough to face the challenges posed by globalization. The said consolidation of the industry was in the nature of flexible and market driven system.

2.6.7. Pakistan
Since inception, the capital market in Pakistan has been an important resource for mobilization of savings. The economic policy of Pakistan has an important aim that the capital market provides profitable opportunities of investment to small savers. Efficient capital market is needed for industrial development, which is not a common feature in Pakistan capital markets.

2.6.8. Pakistan
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2.6.9. Sri Lanka
Sri Lanka capital markets do not have a long history. In the first decade of the present century, the Sri Lankan government started trying to develop the capital market. In order to deepen the market activities, the government proposed to offer government
stocks in hospitality industry, to make attractive gains for the treasury. The government still is of the opinion that capital markets will be developed by eliminating tax on capital gains, reducing dividend taxation, facilitating private pensioners and introducing the new capital market instruments.

2.7. FACTORS RESPONSIBLE FOR GROWTH AND DEVELOPMENT OF CAPITAL MARKET:
For providing long term funds to industry, the government set up Industrial Finance Corporation in India (IFCI) in 1948. This was followed by a number of other development banks and institutions like the Industrial Credit and Investment Corporation of India (ICICI) in 1955, Industrial Development Bank of India (IDBI) in 1964, Industrial Reconstruction Corporation of India (IRCI) in 1971, Foreign Investment Promotion Board in 1991, Over the Counter Exchange of India (OTCEI) in 1992 etc. In 1969, 14 major commercial banks were nationalised. Another 6 banks were nationalised in 1980. These financial institutions and banks have contributed in widening and strengthening of capital market in India.

- Setting up of SEBI: The Securities Exchange Board of India (SEBI) was set up in 1988 and was given statutory recognition in 1992.

- Increasing Awareness: During the last few years there has been increasing awareness of investment opportunities among the public. Business newspapers and financial journals (The Economic Times, The Financial Express, Business India, Money etc.) have made the people aware of new long-term investment opportunities in the security market.

- Growing Public Confidence: A large number of big corporations have shown impressive growth. This has helped in building up the confidence of the public. The small investors who were not interested to buy securities from the market are now showing preference in favour of shares and debentures. As a result, public issues of most of the good companies are now over-subscribed many times.

- Growth of Entrepreneurs: Since 1980s, there has been a remarkable growth in the number of entrepreneurs. This created more demand for short term and long term funds. FIIs, banks and stock markets enable the
entrepreneurs to raise the required funds. This has led to the growth of capital market in India.

- **Credit Rating Agencies:** Credit rating agencies provide guidance to investors / creditors for determining the credit risk. The Credit Rating Information Services of India Limited (CRISIL) was set up in 1988 and Investment Information and Credit Rating Agency of India Ltd. (ICRA) was set up in 1991. These agencies are likely to help the development of capital market in future.

- **Growth of Underwriting Business:** The growing underwriting business has contributed significantly to the development of capital market.

- **Growth of Mutual Funds:** The mutual funds collect funds from public and other investors and channelize them into corporate investment in the primary and secondary markets. The first mutual fund to be set up in India was Unit Trust of India in 1964.

- **Development of Venture Capital Funds:** Venture capital represents financial investment in highly risky projects with a hope of earning high returns after 1991, economic liberalization has made possible to provide medium and long term funds to those firms, which find it difficult to raise funds from primary markets and by way of loans from FIs and banks.

- **Growth of Multinationals (MNCs):** The MNCs require medium and long term funds for setting up new projects or for expansion and modernization. For this purpose, MNCs raise funds through loans from banks and FIs. Due to the presence of MNCs, the capital market gets a boost.

- **Growth of Merchant Banking:** The credit for initiating merchant banking services in India goes to Grindlays Bank in 1967, followed by Citibank in 1970. Apart from capital issue management, merchant banking divisions provide a number of other services including provision of consultancy services relating to promotion of projects, corporate restructuring etc.

- **Legislative Measures:** The government passed the companies Act in 1956. The Act gave powers to government to control and direct the development of the corporate enterprises in the country. The capital Issues (control) Act was passed in 1947 to regulate investment in different
enterprises, prevent diversion of funds to non-essential activities and to protect the interest of investors. The Act was replaced in 1992.

2.8. IMPORTANT STOCK EXCHANGES IN INDIA
The last decade of the twentieth century saw the emergence of two important stock exchanges viz. Over The Counter Exchange of India (OTCEI) and the National Stock Exchange (NSE), in addition oldest stock exchange in Asia i.e. Bombay Stock Exchange (BSE).

2.8.1. Over the Counter Exchange of India (OTCEI)
In 1992, to provide improved services, the country’s first ring less, scrip less and electronic stock exchange OTCEI was created by some of the prominent financial institutions like UTI, ICICI, IDBI, SBI Capital Markets, IFCI, GIC, Canbank Financial Services. The trading at OTCEI is done over the centres across the country. The securities traded at OTCEI are classified into listed securities, permitted securities and initiated debentures. The feature of this exchange is that instead of share certificate, a counter receipt is generated out at the counter which substitutes the share certificate and the same is used for all transactions.

2.8.2 National Stock Exchange (NSE)
On the basis of recommendations of the Pherwani Committee,2 the National Stock Exchange was incorporated in 1992. With the advent of liberalization of the economy, it was necessary to lift the trading system of Indian stock markets at par with the international standards. The establishment of NSE was one step forward in this direction. NSE was incorporated by IDBI, ICICI, IFCI, insurance companies and selected commercial banks. Trading at NSE is of two broad categories viz. ‘Wholesale Debt Market’ and ‘Cash Market’. Wholesale Debt Market is segment which is similar to money market while Cash Segment is a place of normal activity of purchase and sale of securities. The National Stock Exchange is a pioneer exchange in introducing screen based trading mechanism. The use of technology and broad based participation are the key features of NSE. In its short life so far of less than two decades, it has gone past the many landmarks of the BSE which is a popular stock exchange in India. NSE gains vital importance in the Indian capital market as it provides much needed professionalized service and protection to the small investors. The total number of listed companies in NSE is 1,696. It has a market capitalization...
of more than US$1.65 trillion, making it the world’s 12th-largest stock exchange as of 23 January 2015. NSE’s flagship index, the CNX Nifty, the 50 stock index, is used extensively by investors in India and around the world as a barometer of the Indian capital markets. It is the largest stock exchange in India in terms of daily turnover and number of trades\textsuperscript{38}.

2.8.3. Bombay Stock Exchange (Bse) of India:
Bombay Stock Exchange was initially known as —The Native Share and Stock Brokers Association, the oldest stock market in Asia. Incorporated in the 1875, BSE became the first exchange in India to be certified by the administration\textsuperscript{39}. It attained a permanent authorization from the Indian government in 1956 under Securities Contracts (Regulation) Act, 1956.

The objectives of the stock exchanges are:

- To safeguard the interest of investing public having dealings on the exchange.
- To establish and promote honourable and just practices in securities transactions.
- To promote, develop and maintain well-regulated market for dealing in securities.
- To promote industrial development in the country through efficient resource mobilization by way of investment in corporate securities.

The BSE accounts for considerable number of listed companies; capital listed and market capitalization among the stock exchanges on all India basis.

2.8.3.1. Bombay Stock Exchange Sensitive Index (SENSEX)
The Bombay Stock Exchange Sensitive Index most widely followed stock market index in India, popularly called as SENSEX, reflects the movement of 30 sensitive shares from specified and non-specified groups. The index for any trading day reflects the aggregate market value of these shares. The base year of SENSEX was taken as 1978-79. SENSEX today is widely reported in both domestic and international markets through print as well as electronic media release. Since September 1, 2003, SENSEX is being calculated on a free-float market capitalization methodology\textsuperscript{40}. Free float represents the non-promoter, non-strategic shareholding. For example, the free float of ONGC is not even 15 percent because the rest is owned by the Government.
of India and public sector companies. This shift from full market capitalization to free float market capitalization was effective to conform to the best global practice\textsuperscript{41}.

The growth of the equity market in India has been phenomenal in the present decade. Right from early nineties, the stock market witnessed heightened activity in terms of various bull and bear runs. Recently, real estate caught the fancy of the investors. SENSEX has captured all these happenings in the most judicious manner. One can identify the booms and busts of the Indian equity market through SENSEX. As the oldest index in the country, it provides the time series data over a fairly long period of time (from 1979 onwards). Small wonder, the SENSEX has become one of the most prominent brands in the country\textsuperscript{42}. The unique nature of capital market investments forces investors to depend strongly on other fundamental factors to help them in their investment decision. The performance of securities that represent the company can be said to depend on the performance of the company itself. The selection of an investment will helps with fundamental and technical analysis\textsuperscript{43}. Bombay Stock Exchange is the world's 11th largest stock market consists nearly 5,749 listed companies with market capitalization at $1.7 trillion as of 23 January 2015.

\subsection*{2.8.4. Formation of SEBI}

The most significant development during this period was the emergence of Securities and Exchange Board of India (SEBI). It was set up by government of India on April 12, 1988 on the recommendation of high powered Committee on Stock Exchange reforms headed by G.S. Patel. It was given a statutory status on April 30, 1992 by promulgation of SEBI ordinance which has since become an Act of parliament\textsuperscript{44}. SEBI has been given substantial powers under the SEBI Act 1992 to regulate the activities of various players in the capital market and give direction to the developments in the capital market.

\textit{The main responsibilities assigned to SEBI were}

- Protecting the interests of investors in securities
- Promoting the development of the securities market, and
- Regulating the securities markets.

SEBI was given concurrent/delegated powers for various provisions under the Companies Act (CA) 1956 and the SC(R) (Securities Contract Regulation) Act relating to the issuance of capital, transfer of securities along with the regulatory
jurisdiction over the corporate and all the intermediaries and persons associated with securities market\textsuperscript{45}.

2.8.4.1. Powers of SEBI:

Some of the important powers of SEBI are;

- Regulation of securities market,
- Registration and regulation of stock brokers, merchant banks, underwriters, portfolio managers, and such other intermediaries who may be associated with the securities market in any manner whatsoever,
- Prohibition of fraudulent and unfair trade practices relating to securities market,
- Prohibition of insider trading in securities market,
- Regulation of substantial acquisition of shares and takeovers of companies,
- Promotion of investors' education and training of securities markets,
- Promotion and regulation of self regulatory organization and
- Calling information from, conducting inquiries and audit of stock exchanges, intermediaries and self regulatory organizations in the securities market.

After the emergence of SEBI on the Indian Capital market, major reforms in the capital market have been carried out. Capital Issues (Control) Act, 1947 repealed on May 29, 1992. Office of the Controller of Capital Issues abolished and share pricing decontrolled. SEBI became the regulatory authority. The companies can approach capital market after clearance by SEBI. Operational guidelines for investments by Foreign Institutional Investors (FIIs) were issued by the Government of India in September 1992. Foreign Institutional Investors (FIIs) allowed access to Indian capital markets on registration with SEBI\textsuperscript{46}. Investment norms for NRIs liberalized, so that NRIs and overseas corporate bodies can buy shares and debentures with prior permission of RBI. Indian Companies permitted to access international capital markets through Euro-equity shares. SEBI's autonomy reinforced and allowed it to issue regulations and file suits without prior approval of the Central Government. SEBI issued guidelines for development financial institutions in September 1992. Regulations pertaining to stock brokers and sub brokers In October 12, and in November 1992, it has given instructions relating to "insider trading". Over-the-Counter Exchange of India (OTCEI) and the National Stock Exchange of India (NSE)
with nation wide stock trading and electronic display, clearing and settlement facilities, commenced operations.

2.8.4.2. Role and Functions of SEBI:-

- **Protection of Investor's Interest:** SEBI frames rules and regulations to protect the interest of investors. It monitors whether the rules and regulations are being followed by the concerned parties i.e., issuing companies, mutual funds, brokers and others. It handles investor grievances or complaints against brokers, securities issuing companies and others.

- **Restriction On Insider Trading:** SEBI restricts insider trading activity. It prohibits dealing, communication or counselling on matters relating to insider trading. SEBI’s regulation states that no insider (connected with the company) shall - either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange on the basis of any unpublished price sensitive information.

- **Regulates Stock Brokers Activities:** SEBI has also laid down regulations in respect of brokers and sub-broker. No brokers or sub-broker can buy, sell or deal in securities without being a registered member of SEBI. It has also made compulsory for brokers to maintain separate accounts for their clients and for themselves. They must also have their books audited and audit reports filed with SEBI.

- **Regulates Merchant Banking:** SEBI has laid down regulations in respect of merchant banking activities in India. The regulations are in respect of registration, code of conduct to be followed, submission of half-yearly results and so on.

- **Dematerialisation of Shares:** Demat of shares has been introduced in all the shares traded on secondary stock markets as well as those issued to public in primary markets. Even bonds and debentures are allowed in demat form.

- **Guidelines on Capital Issues:** SEBI has framed necessary guidelines in connection with capital issues. The guidelines are applicable to:- First Public Issue of New Companies, First Public Issue by Existing Private / Closely held Companies, Public Issue by Existing Listed Companies.

- **Regulates Working of Mutual Funds:** SEBI regulates the working of mutual funds. SEBI has laid down rules and regulations that are to be followed
by mutual funds. SEBI may cancel the registration of a mutual fund, if it fails to comply with the regulations.

- **Monitoring of Stock Exchanges**: To improve the working of stock markets, SEBI plays an important role in monitoring stock exchanges. Every recognised stock exchange has to furnish to SEBI annually with a report about its activities during the previous year.

- **Secondary Market Policy**: SEBI is responsible for all policy and regulatory issues for secondary market and new investments products. It is responsible for registration and monitoring of members of stock exchanges, administration of some of stock exchanges and monitoring of price movements and insider trading.

- **Investors Grievances Redressal**: SEBI has introduced an automated complaints handling system to deal with investor complaints. It assist investors who want to make complaints to SEBI against listed companies.

- **Institutional Investment Policy**: SEBI looks after institutional investment policy with respect to domestic mutual funds and Foreign Institutional Investors (FIIs). It also looks after registration, regulation and monitoring of FIIs and domestic mutual funds.

- **Takeovers and Mergers**: To protect the interest of investors in case of takeovers and mergers SEBI has issued a set of guidelines. These guidelines are to be followed by corporations at the time of takeovers and mergers.

- **Other Functions**:
  - It promotes investor’s education, and also training of intermediaries in securities market.
  - It performs functions and exercise powers under provisions of Capital Issues (Control) Act 1947, Securities Contracts Act 1956 etc.
  - It promotes and regulates self-regulatory organisations.
  - It prohibits fraudulent and unfair trade practices in securities Market
  - It promotes investors education and training in securities market.

### 2.8.4.3. SEBI guidelines for Secondary market

- A statement regarding fund utilization of previous issue should provide by all the companies entering the capital market.
Brokers are to satisfy capital adequacy norms so that the member firms maintain adequate capital in relation to outstanding positions.

The stock exchange authorities have to alter their bye-laws with regard to capital adequacy norms.

All the brokers should submit their audited accounts with SEBI.

The brokers must also disclose clearly the transaction price of securities and the commission earned by them. This will bring transparency and accountability for the brokers.

The brokers should issue the transaction contract notes to the clients within 24 hours.

The brokers must clearly mention their accounts details of funds belonging to clients and that of their own.

The brokers of Bombay and Calcutta must have a capital adequacy of Rs. 5 lakhs where as for Delhi and Ahmadabad it is Rs. 2 lakhs.

Member brokers have to pay security deposit and this is fixed by SEBI.

Margin money on certain securities has to be paid by claims so that speculative investments are prevented.

Market makers are introduced for certain scrips by which brokers become responsible for the supply and demand of the securities and the price of the securities is maintained.

A broker cannot underwrite more than 5% of the public issue.

All transactions in the market must be reported to SEBI within 24 hours.

2.9. TRADING MECHANISM

After adoption of the Liberalization, Privatization and Globalization (LPG) policy, there has been vast change in the trading mechanism in the Indian capital market. With the establishment of National Stock Exchange (NSE), the drastic change has taken place in the trading mechanism. The uses of technology, faster settlement, variety of instruments are some of the glimpses which confirm the development of capital market. This move by NSE has even forced Bombay Stock Exchange (BSE) to also enter into the electronic trading mechanism.
2.9.1. Evolution of Trading Mechanism

The trading in the capital market became much easier and faster than what it was earlier with the improvement in the technology. In the initial stages, the trading in the capital market was restricted to a few players. Further, the number of participants increased steadily with increasing importance of the market for the nation. But to start with, trading on stock exchanges in India used to take place through open outcry without the use of any kind of technology\textsuperscript{49}. There was no immediate matching of orders or records of trades. The trading was time consuming and inefficient. The practice of physical trading imposed limits on trading volumes. A person, who intended to trade in securities, had to physically go at the exchange or had to send an agent/broker on his behalf to perform the transaction. Since there was no order matching immediately, one had to wait for similar counter order from the other party. In the floor of a stock exchanges, intending trader had to make gestures, had to shout and in this way, he could find the counter party. Hence, initially the stock exchange was like any other ‘bazar’. NSE for the first time in India, introduced screen-based trading system. Where a member can punch into the computer the quantities of the shares and the prices at which he wants to transact. The transaction is executed as soon as the quote punched by a trading member finds a matching sale or buy quote from the counter party\textsuperscript{49}. In this system, orders are automatically matched. It helps to cut down time, cost and error as well as chances of fraud. Screen based trading enables the parties/traders from a distant place to trade with each other. This helps to solve the problem of liquidity in the markets. The high speed with which the transactions are executed and the large number of participants, who trade simultaneously, allows faster incorporation of price-sensitive information into prevailing prices. This increases information efficiency of the markets. It becomes possible for all the participants to see the full market which helps market to be more transparent and this leads to increase in investors’ confidence\textsuperscript{50}.

This advancement, led by NSE forced BSE as well as other stock exchanges to introduce screen based trading system. In this wake, most of the regional exchanges lost their business to NSE. Prior to setting up of NSE, trading on stock exchanges in India took place without the use of information technology. The trading volumes and speed were also low. The information–inefficiency gave way to unscrupulous traders to manipulate the market. This practice “Gala”- of extracting high price of the day for
‘buy’ and low price of the day for ‘sale’ irrespective of exact trading price, was prevailing in the market. Under this system, client does not have any method of verifying the actual price. The electronic order matching has made such manipulation difficult. This has improved liquidity in the markets. The NSE has its own satellite which helps match the order electronically within a fraction of a second. The NSE has setup a clearing corporation to provide legal counter party guarantee to each trade thereby eliminating counter party risk. The National Securities Clearing Corporation Limited (NSCCL) commenced operations in 1996. Counter party risk is guaranteed through risk management system an innovative method of online position monitoring and automatic disablement. In capital market segment now, principle of ‘novation’ has been applied which means NSCCL is the counter party for every transaction and therefore, default risk is minimized. To support the assured settlement, a ‘Settlement Guarantee Fund’ has been created. A large Settlement Guarantee Fund provides a cushion for any residual risk. As a consequence, despite the fact that daily traded volume of the NSE run into thousands of crores of rupees, credit risk no longer poses any problem in the market place. In this system of trading, the depositories also play an important role. The depositories provide electronic maintenance and transfer of ownership of dematerialized securities. SEBI administers the rules and regulations for this system. The physical movement of paper required a huge time for settlement and it was also a risky proposition. But now the use of technology has forced to involve the mechanism for faster settlement. Thus, two depositories NSDL and CDSL work as intermediaries for faster settlement. Through depositories, the demat accounts are operated and nowadays more than 99% of turnover of the capital market, is settled in demat form.

2.10. MOBILIZATION OF RESOURCES:

In Indian capital market the resources are mobilized by corporate sector is basically from equity issue and debt issue. Debt issue in the private placements is very high than public issue. The total resource mobilization by way of equity and debt issue is as follows:
Total Resources Mobilized by Corporate Sector (Amount in ` crore)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EQUITY ISSUE</th>
<th>DEBT ISSUE</th>
<th>TOTAL RESOURCE MOBILISATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PUBLIC &amp; RIGHTS</td>
<td>PRIVATE PLACEMENTS</td>
<td>TOTAL</td>
</tr>
<tr>
<td>2010-11</td>
<td>58,157</td>
<td>56,361</td>
<td>1,14,518</td>
</tr>
<tr>
<td>2011-12</td>
<td>12,857</td>
<td>27,871</td>
<td>40,729</td>
</tr>
<tr>
<td>2012-13</td>
<td>15,473</td>
<td>62,935</td>
<td>78,408</td>
</tr>
<tr>
<td>2013-14</td>
<td>13,269</td>
<td>60,125</td>
<td>73,394</td>
</tr>
</tbody>
</table>

Notes:
1. Private placement of Equity includes, amount raised through preferential allotments, QIP and IPP mechanism,
2. Public Equity Issues includes IPO, FPO & Rights issues of common equity shares.

Source: SEBI

Resource mobilization through Equity issue has decreased in both public and private placements in the current year. It was very high in 2010-11. Whereas the resources have mobilized through debt issue has increased in the public issue and it has decreased in private placements in the year 2013-14. The resources have mobilized through private placements was very high in 2012-13.

2.10.1. Value traded in Secondary Market (percent)

The instrument-wise composition of the value traded in the secondary market is shown in Chart 2.4. In the Indian secondary market, in terms of traded turnover, the equity derivative lead with a dominant share of 80.7 percent followed by currency derivatives (11.9 percent), cash segment (5.7 percent) and corporate bonds (1.7 percent).
2.10.2. Turnover in Indian Stock Market:
The trading volumes picked up in 2013-14 consistent with the uptrend witnessed in the current year. The turnover of all stock exchanges in the cash segment increased by 2.4 percent to `33,41,416 crore in 2013-14 from `32,61,701 crore in 2012-13 (Table 2.14). BSE and NSE together contributed 99.7 percent of the turnover, of which NSE accounted for 84.1 percent in the total turnover in cash market whereas BSE accounted for 15.6 percent of the total turnover. MCX-SX and Calcutta Stock Exchange were the only other stock exchanges which recorded turnover during 2013-14. The turnover at other stock exchanges was nil. The turnover at BSE declined by 4.9 percent while that at NSE increased by 3.7 percent in 2013-14 over the previous year.

**Turnover at BSE, NSE: Cash Segment**

<table>
<thead>
<tr>
<th>year</th>
<th>BSE</th>
<th>NSE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Turnover (` crore)</td>
<td>Percentage Variation</td>
</tr>
<tr>
<td>2010-11</td>
<td>11,05,027</td>
<td>-19.9</td>
</tr>
<tr>
<td>2011-12</td>
<td>6,67,498</td>
<td>-39.6</td>
</tr>
<tr>
<td>2012-13</td>
<td>5,48,774</td>
<td>-17.8</td>
</tr>
<tr>
<td>2013-14</td>
<td>5,21,664</td>
<td>-4.9</td>
</tr>
</tbody>
</table>

Source: BSE, NSE, MCX-SX, USE & SEBI report 2014-15
In 2014-15 the Indian Securities markets with benchmark indices BSE SENSEX and NIFTY recorded a growth of over 29% (SENSEX up by 29.9 % and NIFTY up by 31.4 %) till 31st December, 2014. (as compared to levels on December 31, 2013).

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