

A STUDY ON TREND AND OPERATIONS OF INDIAN STOCK EXCHANGES

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ABSTRACT

A stock market, equity market or share market is the aggregation of buyers and sellers as it is one of the most versatile sectors in the financial system. A free network of economic dealings not a physical facility of stocks but represent ownership rights on businesses these may include securities listed on a public stock exchange through India listed Stock Market like Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Such as shares of private companies which are sold to investors through equity crowd funding platforms. Electronic trading platforms and stockbrokerages is most often source for investment in stock market. This study would facilitate to understand the past, current and future aspects of Indian Stock Market. And trend and operations of emerging stock exchanges based on annualized volatility investments.

Keyword: Indian Stock Market, National Stock Exchange (NSE), Bombay Stock Exchange (BSE).

1. INTRODUCTION

A stock market is an exchange where stockbrokers and traders can purchase and sell shares of stock, bonds, and other securities. Many large companies have their stocks listed on a stock market. This makes the stock more liquid and thus more attractive to several investors. The exchange can also act as a guarantor of settlement. Other stocks could also be traded "over the counter" (OTC), that is, through a dealer. Some large companies will have their stock listed on quite one exchange in several countries, so on attract international investors. Stock exchanges can also cover other sorts of securities, like fixed interest securities or derivatives which are more likely to be traded OTC. Trade stock market means the transfer of a stock or security from a seller to a buyer. This needs these two parties to agree on a price. Equities confer an ownership interest during a particular company. Participants inside the stock exchange range from small individual stock investors to larger investors, who are often based anywhere within the world, and should include banks, insurance companies, pension funds and hedge funds. Their buy or sell orders could also be executed on their behalf by a stock market trader. a possible buyer bids a selected price for a stock, and a possible seller asks a selected price for an equivalent stock. Buying or selling at the market means you'll accept any ask price or price for the stock. When the bid and ask prices match, a purchase takes place, on a first-come, first-served basis if there are multiple bidders at a given price. The aim of a stock market is to facilitate the exchange of securities between buyers and sellers, thus providing a marketplace. The exchanges deliver real-time transaction information on the listed securities, facilitating price discovery.

2. INDIAN STOCK MARKET

Before liberalization, Indian economy was strongly controlled and guarded by number of measures like licensing system, high tariffs and rates, limited investment in core sectors only. During 1980's, growth of economy was highly unsustainable due to its dependence on borrowings to correct the present account deficit. To scale back the imbalances, the government of India introduced policy in 1991 to implement structural reforms. The financial sector at that point was much formless and its scope was limited only to bonds, equity, insurance, commodity markets, mutual and pension funds. So as to structure the safety market, a regulatory agency named as SEBI was introduced and first electronic exchange National stock market also found out. The aim behind this was to regularize investments, mobilization of resources and to offer credit. A stock exchange may be a place where buyers and sellers of stocks close, physically or

virtually. Participants within the market are often small individuals or large fund managers who are often situated anywhere. Investors place their orders to the professionals of a stock market who executes these buying and selling orders. The stocks are registered and traded on stock exchanges. Some exchanges are physically located, supported open outcry system where transactions are administered on floor. The opposite exchanges are virtual exchanges whereas a network of computers consists to try to the transactions electronically. the entire system is order-driven; the order placed by an investor is automatically matched with the simplest limit order. This technique provides more transparency because it shows all buy and sell orders. The Indian stock exchange mainly functions on two major stock exchanges, the BSE and NSE. In terms of market capitalization, BSE and NSE have an area in top five stock exchanges of developing economies of the planet . Out of total fourteen stock exchanges of emerging economies, BSE stood at fourth position world's 10th with market capitalization of 151,970.87 billion (US\$2.1 trillion) in March 2019 and NSE at world's 11th-largest position with market capitalization of US\$2.27 trillion as on June, 2012.

Bombay Stock Exchange (BSE)

Bombay Stock Exchange Bombay Stock Exchange is located on Dalal Street, Mumbai. In terms of market capitalization, BSE is the oldest stock exchange in India. In the beginning during 1855, some stock brokers were gathering under Banyan tree. But later on when the number of stock brokers increased, the group shifted in 1874. In 1875, the group became an official organization named as “The Native Chor and Stock Brokers Association”. In 1986, BSE developed its Index named as SENSEX to measure the performance of the exchange. Initially, there was an open outcry floor trading system which in 1995 switched to electronic trading system. The exchange made the whole transition in just fifty days. BSE Online Trading, known as BOLT is an automated, screen based trading platform with a capacity of 8 million orders per day.

BSE provides a transparent and efficient market for trading in equities, debentures, bonds, derivatives and mutual funds etc. It also provides opportunity to trade in the equities of small and medium term enterprises. About 5000 companies are listed in Bombay Stock Exchange. In terms of transactions handling, BSE Ltd. is world’s fifth exchange. As far as Index Options trading is concerned, BSE is one of the world’s leading exchanges. Some other services like risk management, settlement, clearing etc. The purpose of BSE automated systems and techniques are to protect the interest of the investor, to stimulate market and to promote innovations around the world. It is the first exchange across India and second across world to get an ISO 9000:2000 certification.

National Stock Exchange (NSE)

The National Stock Exchange is located in Mumbai. It was incorporated in 1992 and became a stock exchange in 1993. The basic purpose of this exchange was to bring the transparency in the stock markets. It started its operations in the wholesale debt market in June 1994. The equity market segment of the National Stock Exchange commenced its operations in November, 1994 whereas in the derivatives segment, it started its operations in June, 2000. It has completely modern and fully automated 3 screen-based trading system having more than two lakh trading terminals, which provides the facility to the investors to trade from anywhere in India. It is playing an important role to reform the Indian equity market to bring more transparent, integrated and efficient stock market. The total 1635 companies are listed in National Stock Exchange. The popular index of NSE, The CNX NIFTY is extremely used by the investor throughout India as well as internationally. NSE was firstly introduced by leading Indian financial institutions. It offers trading, settlement and clearing services in equity and debt market and also in derivatives. It is one of India’s largest exchanges internationally in cash, currency and index options trading. There are number of domestic and global companies that hold stake in the exchange. Some domestic companies include GIC, LIC, SBI and IDFC ltd. Among foreign investors, few are City Group Strategic Holdings, Mauritius limited, Norwest Venture Partners FII (Mauritius), MS Strategic (Mauritius) limited, Tiger Global five holdings, have stake in NSE. The National Stock Exchange replaced open outcry system, i.e. floor trading with the screen based automated system. Earlier, the price information can be accessed only by few people but now information can be seen by the people even in a remote location. The paper-based settlement system was replaced by electronic screen based system and settlement of trade transactions was done on time. NSE also created

National Securities Depository Limited (NSDL) which permitted investors to hold and manage their shares and bonds electronically through demat account.

3. LITERATURE REVIEW

Adhikari (2010) examined that companies with unique business models were got listed under National Stock Exchange in the year 2009-2010 which make their investors rich and along with that **Mehra (2010)** also studied that promoters of such companies are in a hurry to IPO the shares because they do not want to be left out.

Indrani (2010) “analyzed the determinants of the capital structure of Indian firms using a panel of 1169 non-financial firms listed in either the Bombay Stock Exchange or the National Stock Exchange over the period 1995–2008. This study was conducted by using capital structure theories.”

Singh and Kaur (2011) “examined the growth and performance of turnover in Capital Market Segment at NSE for the period of 1994-95 to 2009-10. Through this study they analyzed that capital market of NSE has been growing continuously and this was examined by seeing the turnover of the capital market segment. They have also compared trading of NSE with the other stock exchanges in India and found that NSE contributes maximum in trading of securities. This is because NSE has completely mechanized trading system.”

Mishra (2015) has analyzed the trading statistics of different stock exchanges available in India. To study the concept she examined the Indian capital market and its trend in globalised economy along with the challenges of Indian capital market. Through her study she concluded that, as capital market is a crux of any economy, hence it is very crucial to enhance the market for the betterment of an economy. Moreover she also suggested that one should invest in stock market because of the availability of diversified portfolio at low cost with transparent trading in stock exchanges. And lastly, she concluded her study by saying that SEBI has worked a lot for the better trading in capital market but at slow rate in comparison to global competitive markets.

4. OBJECTIVES OF THE STUDY

- To study concept of trading in Stock Market.
- To study and analyze the annualized volatility trend and operations of Emerging stock Exchanges.

5. SCOPE OF THE STUDY

The study is focused on the Indian stock market and how a small investor can earn benefit out of it reducing the risks attached. It is based on some tools like fundamental analysis, technical analysis. This study tells more about the stock market and the sectors involved in it for trading.

6. RESEARCH METHODOLOGY

Research is often described as an active, diligent and systematic process of inquiry aimed at discovering, interpreting and revising facts. This intellectual investigation produces a greater understanding of events, behavior or theories and makes practical applications through laws and theories. The term research is also used to describe a collection of information about a particular subject, and is usually associated with science and scientific method. Basic research is also called as fundamental or pure research. Its primary objective is the advancement of knowledge and the theoretical understanding of the relations among the variables. It is exploratory and often driven by researcher’s curiosity or interest. It is conducted without any practical end in mind. Basic research often lays down the foundation for further applied research.

7. RESULT ANALYSIS AND DISCUSSION

7.1 Performance of Major Stock Indices:-

During 2018-19, equity markets registered modest growth. India’s leading equity blue-chip indices Nifty

and Sensex grew by 14.9 per cent 17.3 percent respectively. Among the broad based indices at NSE, NSE 500 index and Nifty 100 index grew by 8.4 per cent and 12.5 per cent respectively, during 2018-19. Similarly, the broad-based indices at BSE, viz., S&P BSE 500 and S&P BSE 100 index rose by 8.3 per cent and 12.4 per cent, respectively during 2018-19.

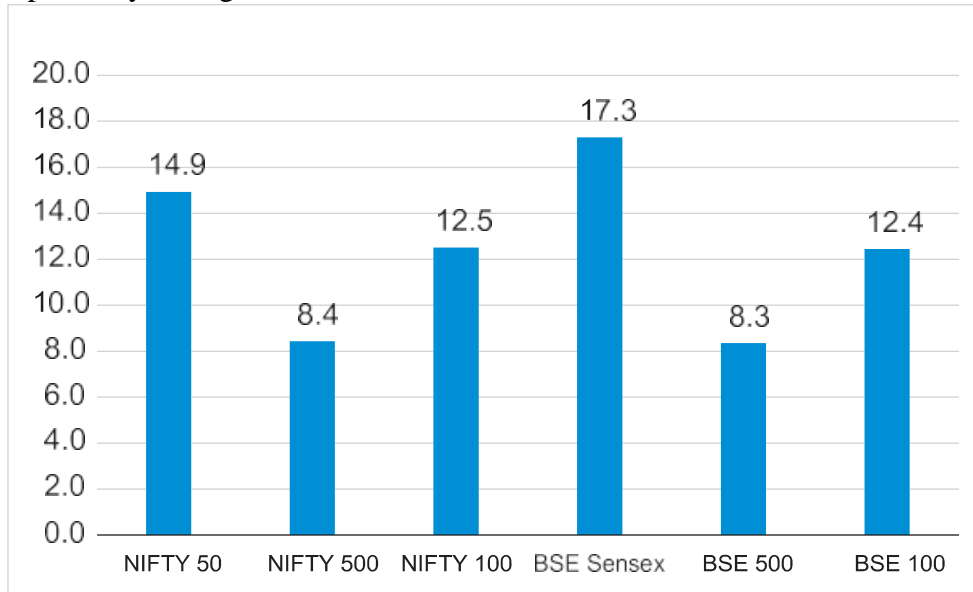


Fig 1.2 Performances of Major Stock Indices during 2018 -19

7.2 Annual Return Of NSE:-

Among the select sectoral indices at NSE, Nifty Bank Index gained the most (25.4 per cent) followed by Nifty IT Index (24.9 per cent), Nifty Financial Services Index (22.9 per cent), Nifty FMCG (16.1 per cent), Nifty PSU Bank Index (16.0 per cent), and Nifty Pharma Index (11.8 per cent). On the other hand, NSE’s Nifty Media Index declined by 24.0 per cent during 2018-19.

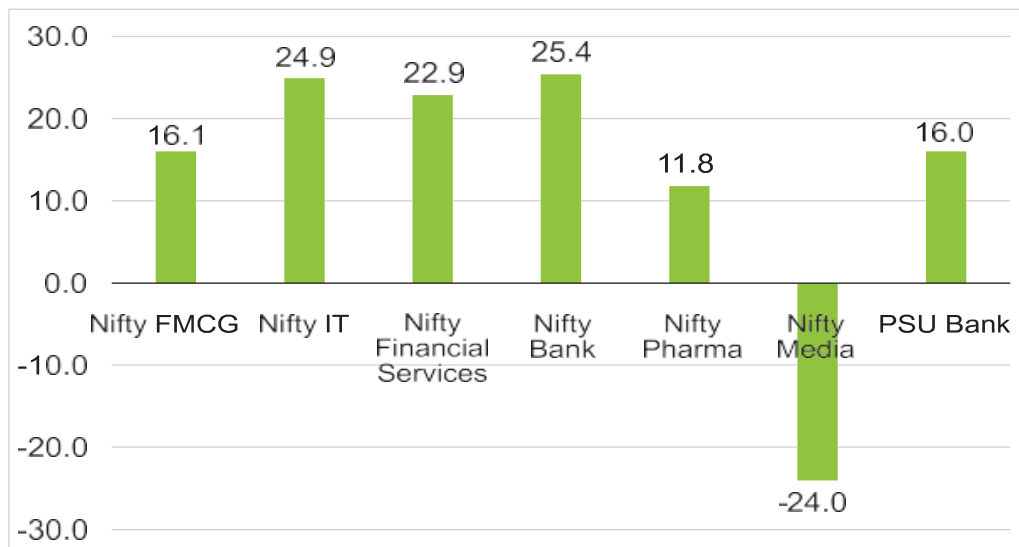


Fig 1.2 : Annual Returns Of NSE’s Sectoral Indices during 2018 -19

7.3 Annual Returns Of BSE:-

Among the select sectoral indices at BSE, BSE IT Index gained the most (26.3 per cent), followed by BANKEX (25.5 per cent), S&P BSE FMCG Index (14.1 per cent), S&P BSE Healthcare Index (9.5 per cent) and S&P BSE Oil (4.5 per cent). On the other hand, S&P BSE Auto Index, S&P BSE Metal, S&P BSE

Real Estate and S&P BSE Power fell by 21.7 per cent, 14.8 per cent, 6.9 per cent and 4.3 per cent respectively during 2018-19.

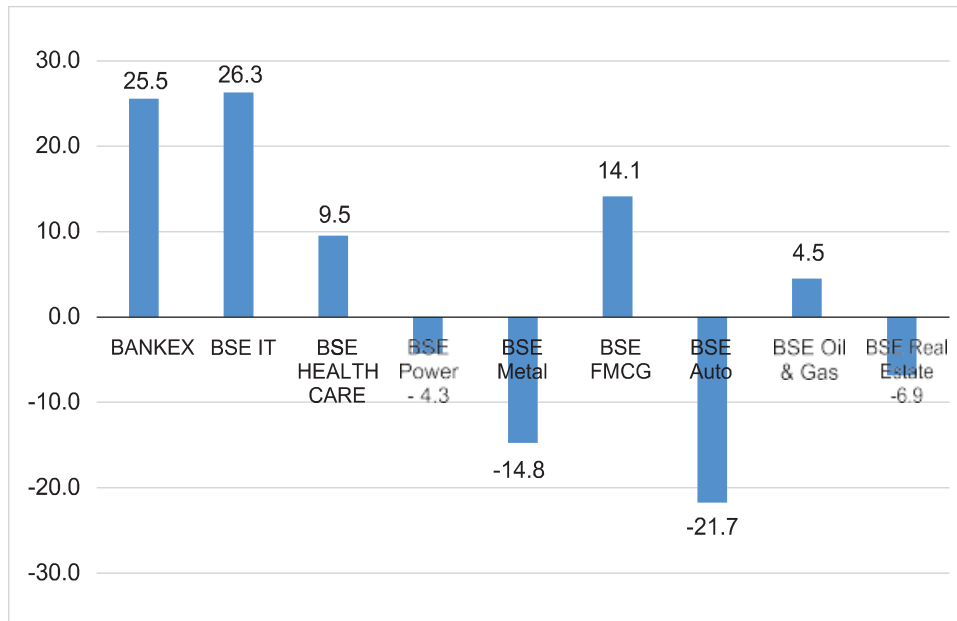


Fig 1.3:- Annual Returns of BSE's Sectoral Indices during 2018-19

7.4 Trading Frequency:-

Trading frequency of stocks listed at NSE and BSE indicates in the liquidity condition. Number of stocks traded in the cash segment of BSE increased from 5,221 in 2017-18 to 5,448 in 2018-19 whereas the number increased from 1,954 to 2,034 at NSE during the same period. At BSE, during 2018-19, 3,006 companies (or 55.2 per cent of the total companies) traded for more than 100 days, while 1,820 companies (or 89.5 per cent of the total companies) traded for more than 100 days in the cash segment of NSE during the same period.

Table 1.1 Trading Frequency of Listed Stocks

Trading Frequency (Range of Days)	2017-18				2018-19			
	BSE		NSE		BSE		NSE	
	No. of Stocks Traded	Share in Total (%)	No. of Stocks Traded	Share in Total (%)	No. of Stocks Traded	Share in Total (%)	No. of Stocks Traded	Share in Total (%)
Above 100	3,127	59.9	1,730	88.5	3,006	55.2	1,820	89.5
91-100	93	1.8	22	1.1	93	1.7	19	0.9
81-90	93	1.8	18	0.9	101	1.9	17	0.8
71-80	109	2.1	10	0.5	123	2.3	23	1.1
61-70	124	2.4	20	1.0	110	2.0	19	0.9
51-60	137	2.6	14	0.7	123	2.3	14	0.7
41-50	147	2.8	16	0.8	165	3.0	20	1.0
31-40	157	3.0	17	0.9	193	3.5	23	1.1
21-30	213	4.1	21	1.1	227	4.2	18	0.9
11-20	247	4.7	21	1.1	340	6.2	20	1.0
0-10	774	14.8	65	3.3	967	17.7	41	2.0
Total	5,221	100.0	1,954	100.0	5,448	100.0	2,034	100.0

Source: BSE and NSE.

Note: - No of stocks traded includes ETF's and Mutual Fund unite.

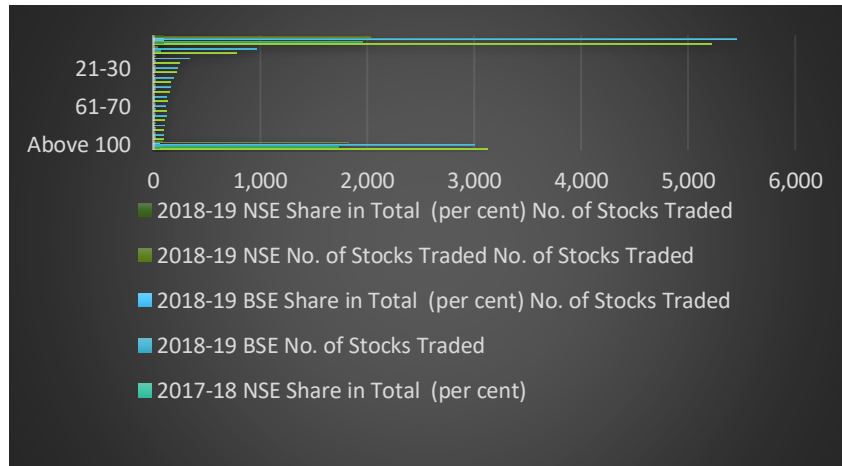


Fig 1.4 : - Trading Frequency of Listed Stocks

Interpretation: -

Above figure represents the trading frequency of the listed stocks in the stock market during the year 2017-18 to 2018 -19. And the no. of total stocks traded and BSE and NSE's total share per cent in the stock market.

Table 1.2 Trading Statistics of Stock Exchange:-

Stock Exchange	Quantity Traded		Quantity Delivered		Value of Shares delivered ('000)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
	Quantity in crore				Amount in crore	
BSE	7,716	5,181	3,083	1,959	3,95,999	2,62,992
MSEI	1.5	0.1	0.3	0.1	44	30
NSE	37,718	37,500	9,513	8,443	20,18,375	19,49,508
Total	45,436	42,681	12,596	10,402	24,14,418	22,12,530
	Percentage share					
BSE	17.0	12.1	24.5	18.8	16.4	11.9
MSEI	0.0	0.0	0.0	0.0	0.0	0.0
NSE	83.0	87.9	75.5	81.2	83.6	88.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Exchanges.

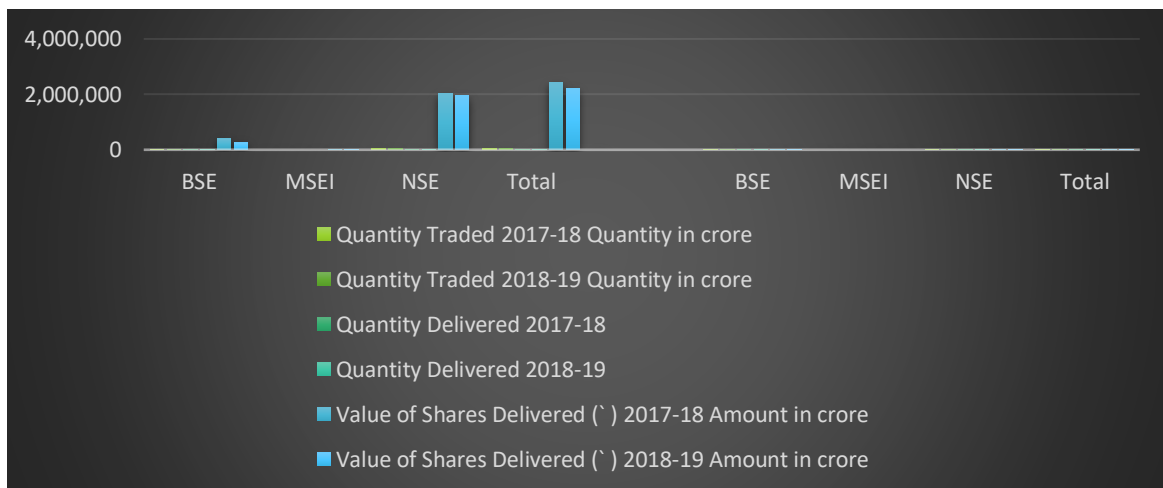


Fig 1.2 Trading Statistics of Stock Exchange

Interpretation:

During 2018-19, the all-India turnover at the stock exchanges in terms of number of shares traded decreased by 6.1 per cent from 45,436 crore in 2017-18 to 42,681 crore in 2018-19. During 2018-19, the total value of shares delivered decreased by 8.4 per cent to Rs. 22,12,530 crore from Rs. 24,14,418 crore in 2017-18. Amongst all the nation-wide exchanges, NSE had a share of 87.9 per cent in terms of total quantity of shares traded in the cash segment during 2018-19, followed by BSE (12.1 per cent). In terms of the quantity of shares delivered, NSE's share is 81.2 percent in 2018-19, followed by BSE (18.8 per cent).

8. CONCLUSION

The stock exchange is considered to be the barometer of Indian economy. Stock exchange regulates and monitors trading activity. SEBI regulates the function of stock exchange. Secondary market provides a platform for sale of already issued and listed securities. The listing of securities on the stock exchange, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in any specified securities. The methods and procedures for the settlement of claims or disputes, including settlement by arbitration. The determination and declaration of market rates, including the opening, closing, highest and lowest rates for securities. The regulation of dealings by members for their own account. The lack of an advanced and vibrant capital market can lead to underutilization of financial resources. The developed capital market also provides access to the foreign capital for domestic industry. Need for greater integration with international markets in terms of capital flows, products and processes. Need to introduce new financial products for new age investors. Thus stock market definitely plays a constructive role in the overall development of economy.

9. REFERENCES

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