A Study of Stock Market Operations in India

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ABSTRACT

This research paper provides an overview of stock market operations. The stock market is witnessing heightened activities and is increasingly gaining importance. The securities markets in India have witnessed several policy initiatives, which have refined the market micro-structure, modernized operations and broadened investment choices for the investors. Operation in different stock exchanges has been examined for the period from 1st January 2009 to 31st July, 2014. This period is divided into different sets of years, like 2013-14, 2010-2011, 2012-13, and 2013-14, in order to capture the effect and movement of stock exchanges with each other.

***Keywords*:** Stock Market, Shares, BSE and NSE etc.

I INTRODUCTION

In general, the financial market divided into two parts, Money market and capital market. Securities market is an important, organized capital market where transaction of capital is facilitated by means of direct financing using securities as a commodity. Securities market can be divided into a primary market and secondary market. Stock exchange are the most perfect type of market for securities whether of government and semi-government bodies or other public bodies as also for share and debentures issued by joint stock companies. In the stock market, purchases and sales of shares are made in conditions of free competition.[1] Government securities are traded outside the trading in the form of over of the counter sales or purchase. The bargains that are struck in the trading by the members of the stock exchanges are at the fairest prices determined by the basic laws of supply and demand.

The origin of the stock market in India goes back to the end of the eighteenth century when long-term negotiable securities were first issued. However, for all practical purposes, the real beginning occurred in the middle of the nineteenth century after the enactment of the companies Act in 1850, which introduced the features of limited liability and generated investor interest in corporate securities. An important early event in the development of the stock market in India was the formation of the native share and **stock brokers** 'Association at Bombay in 1875, the precursor of the present day Bombay Stock Exchange. This was followed by the formation of associations/exchanges in Ahmedabad (1894), Calcutta (1908), and Madras (1937). In addition, a large number of ephemeral exchanges emerged mainly in buoyant periods to recede into oblivion during depressing times subsequently.

II OBJECTIVES & METHODOLOGY

(a) Objectives- The main objective of this study is to capture the trends, similarities and patterns in the activities and movements of the Indian Stock Market in comparison to its international counterparts. The aim is to help the investors (current and potential) understand the impact of important happenings on the Indian Stock exchange. This is especially relevant in the current scenario when the financial markets across the globe are getting integrated into one big market and the impact of one exchange on the other exchanges.

(b) Methodology- For study of the different stock exchanges, the period chosen is from 1st January 2013 to 31st July, 2014. This period is divided into different sets of years, like 2013-14, 2010-2011, 2012-13, and 2013-14, in order to capture the effect and movement of stock exchanges with each other during different periods. The economic situation changes during different times. 2013-14period represents the East Asian miracle and crisis period, 2012-13represents technology boom and tech bubble bursting period, 2012-2013 represents the slow global recovery from the recession, 2013-2014 period represents the investment boom period especially in the developing and emerging markets.

III DATA ANALYSIS

There are at present 23 recognised stock exchanges in India including the Over-the-Counter Exchange of India (OTCEI) and the National Stock Exchange (NSE). Some of them are voluntary on-profit-marking organisations while others are companies limited 'by guarantee. Among the recognised stock exchanges in India, Bombay, Calcutta, Madras, Delhi and Ahmedabad are the prominent ones. Table -1 presents a list of stock exchanges in India with some details.

Table -1
Stock Exchanges in India

S. No.	Name of Stock Exchange	Year of Establishment	Year of Recognition	Type of Organistion
1	Bombay	1875	1956	Voluntary non-profit-making persons
2	Ahmedabad	1894	1957	
3	Calcutta	1908	1957	Public limited company
4	Madras	1908	1957	
5	Indore	1930	1958	Voluntary non-profit-making association of persons
6	Hyderabad	1943	1958	Company limited by guarantee
7	Delhi	1947	1957	Public limited company
8	Bangalore	1957	1963	
9	Kochi (Cochin)	1978	1979	
10	Kanpur	1982	1982	
11	Pune	1982	1982	Company limited by guarantee
12	Ludhiana	1983	1983	Public limited company
13	Jaipur	1983	1989	
14	Guwahati	1984	1984	
15	Mangalore	1985	1985	
16	Magadh	1986	1986	Company limited by guarantee
17	Bhubaneswar	11989	1989	
18	Saurashtra	1989	1989	
19	OTC Exchange of India	1989	1989	
20	Vadodara (Baroda)	1990	1990	Public limited company
21	Coimbatore	1991	1991	
22	Meerut	1991	1991	
23	National Stock Exchange (Delhi)	1992	1993	Company limited by guarantee
24	Inter-connected Stock Exchange of India	1998		

The OTCEI has been promoted by all India financial institutions, namely, UTI, ICICI, IDB-I, IFCI, LIC, GIC, SBI Capital Markets and Can Bank Financial Services Ltd. The number of shares held and shareholding pattern of the promoters are shown in Table- 2.

Table- 2
Share of Promoters in OTCEI

S. No.	Institution	No. of Shares Held pattern (%)	Share holding
1	UTI	20,00,000	20
2	ICICI	20,00,000	20
3	IFCI	8,00,000	8
4	LIC	8,00,000	8
5	IDBI	17,00,000	17
6	GIC	1,60,000	1.6
7	SBI Capitals Ltd.	11,00,000	11
8	Can Bank Financial Service	8,00,000	8
9	New India Insurance	1,60,000	1.6
10	Oriental Insurance	1,60,000	1.6
11	United India Insurance	1,60,000	1.6
12	National Insurance	1,60,000	1.6

The top executives of the promoters are on the .Board of Directors of the OTCEI. The operations are supervised by SEBI and the Government of India.

There were System Testing going on and opinions, suggestions or feedback on the New Proposed Timings are being invited from the brokers across India. And finally on 18 November 2009 regulator decided to drop their ambitious goal of longest Asia Trading Hours due to strong opposition from its members. On 16 December 2009, NSE announced that it would advance the market opening to 9:00 am from 18 December 2009. So NSE trading hours will be from 9.00 am till 3:30 pm India Time. However, on 17 December 2009, after strong protests from brokers, the Exchange decided to postpone the change in trading hours till 4 Jan 2010. NSE new market timing from 4 Jan 2010 is 9:00 am till 3:30 pm India Time. The hours of operation for the BSE quoted above are stated in terms the local time (i.e. GMT +5:30) in Mumbai, India. BSE's normal trading sessions are on all days of the week except Saturdays, Sundays and holidays declared by the Exchange in advance.

Table No. : 3
Hours of operation of BSE and NSE

Session	Timing
Beginning of the Day Session	8:00 - 9:00
pre-open trading session	9:00 - 9:15
Trading Session	9:15 - 15:30
Position Transfer Session	15:30 - 15:50
Closing Session	15:50 - 16:05
Option Exercise Session	16:05 - 16:35
Margin Session	16:35 - 16:50
Query Session	16:50 - 17:35
End of Day Session	17:30

Table No. : 4
Distribution of Trading Days During 2009-2010

% change	**Sensex**		**Nifty**	
	Increase	**Decrease**	**Increase**	**Decrease**
BSE	110	95	112	100
NSE	16	16	20	16
	6	2	2	2
			1	00
Total	**132**	**113**	**135**	**118**

Source : SEBI

The Table below sums up the daily movement of indices for BSE Sensex and Nifty in 2009-2010. During 245 trading days for BSE Sensex it recorded increase for 132 days and decrease for 113 days. Similarly, Nifty reported increase for 135 days and decrease for 118 days out of 253 days. Thus stock price in India demonstrated resistance during 2009-2010.

IV INVESTMENT & SUGGESTIONS

(a) Suggestions- Suggestions to Shareholders in share market leading Companies. Now a day's Indian capital market is attracting more and more foreign institutional investors (FII's) because of economic stability and increasing growth rate, it leads to gradual increase in the stock market indices. This is the right time to invest in share and equity share because of above reason. Interest rates are falling gradually and equity markets are booming because of this reason investors can move from bank deposits to equity share and equities. Five basic norms of smart investing:

(i) Investors must have a portfolio approach to wealth.
(ii) One must analyze one's risk appetite.
(iii) One must possess a long-term outlook
(iv) Never forget to do homework and analysis.

(b) Limitations-

(i) Protection is not automatically provided by no-par stock.
(ii) The management in the absence of standard value may split up the price received into two parts, i.e. nominal amount may be credited to the stated paid-up capital and the remainder credited to capital surplus which may later on be utilized in distributing the dividends.
(iii) The existence of a sizable surplus may lead the Board of Directors to think that the surplus is the result of accumulated earnings and is available for distribution as dividends. But, in reality, it may be the sale proceeds of no-par stock.
(iv) The flexibility of setting up the capital account may be responsible for the undue payment for the promoters' services and for goodwill.
(v) The declaration of no-par stock dividend may divide the capital amount into a large number of shares.

V CONCLUSION

However, in the later time periods, the influence of other stock markets increased on our BSE or NSE, but at a very low almost insignificant level. However, as a consequence of implementation of reforms measures, the Indian capital market has shown rapid growth in the recent past with foreign investor, more stock exchanges and increased market intermediaries. The old manual system of settlement and transfer has almost failed to handle the growing volume of paper that has loaded the market .thus to eliminate paperwork, facilitate scripless trading and electronic book entry of the transfer of securities, shorten settlement period and to improve liquidity in the stock market, it was found necessary to replace the old system of transfer and settlement with the new and modern system of depositories. Accordingly the government of India enacted the depositories act in 1996 for the orderly growth and development of Indian capital market.

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