



## STOCK MARKET: AN ADDITIONAL SOURCE OF INCOME

**Vrushal V. Deshpande**

Student of Mechanical Engineering, Dr. DY Patil Institute of Technology Pimpri, Pune

**ABSTRACT**

As a majority of the Indian population knows about the stock market. But they are not aware of how the stock market exactly works and how they can earn from it. So they opt for FD's, RD's, PPF, NPS, etc which gives a low return on investment and it takes a long time to reach their financial goal. So the purpose of this study is to create awareness among people about investing and creating your additional source of income without relying on anyone.

**KEYWORDS :** BSE, Stock market, Economy, Investment, IPO, Dividend

**INTRODUCTION**

The concept of the stock market come to India when BSE established in the year of 1875 as 'Native Share and Stockbroker's Association of Bombay'. Now in Asia India stock market stand out among the most settled stock market. A stock market is a place where stocks are bought and sold. Which is also called as the platform for trading various securities and derivatives without any barriers. The price of the stock is fluctuating daily and the day's price of the stock is determined by the stock market according to the process of bid and offer. In the stock market, a person has the right to bid and buy a share of a particular company and offer to sell that share at a valuable price. When the buyer and seller parties agree on a price the trade is executed in the stock market means the transfer of a stock or security from a seller to a buyer. The stock market is one of the most important ways for companies to raise financial capital by selling shares of ownership of the company via Initial Public Offering (IPO) for expansion of business and growth of the company. After releasing an IPO, people can bid and buy company shares. According to BSE, there are only 5 crore people from around 135 crores of the Indian population are investing in the stock market.

**Why should I invest in the Stock Market..?**

57% of the Indian population belongs to the middle class where the average annual income of the middle-class person is between (4-5 lac). These people don't prefer to invest in the stock market because of a lack of financial awareness, mindset about speculation, fear of fraud, insecurity of invested money, etc. They opt for FD's, RD's, PPF, NPS, etc. Options for investments which give very low return but guarantees security.

As per your convenience, you can set a short term or long term goal and invest accordingly. Both long term and short term capital gains are taxable. In the case of long term capital gain, tax is charged at the rate of 10% if the holding period is 1 year or more and gain is above Rs.1 lakh. In the case of short term capital gain, tax is charged at the rate of 15%. Some investors prefer to set long term vision to hold on to their stocks for the future dividend payout. The dividend is the distribution of profits by a corporation for its stakeholders. Most investors prefer to invest in dividend-paying companies as the dividend is tax-free up to a certain limit.

So, rather than investing all your savings into options like FD's, RD's, PPF, NPS, etc. by proper financial planning you can invest a part of saving into the stock market and earn more capital.

Below are some advantages of investing in the stock market:

- By investing in the stock market you can create a second source of income.
- More return on investment compared with bank FD's, bank

saving account interest, PPF.

- You can trade with a small amount.
- When you invest in Bank FD, it can be withdrawn only after maturity otherwise interest is deducted. Investment is not blocked for a specific time limit. If the market value of your share increases you can sell it within a short period.
- You can earn while the market is growing (bull market) as well as it is sleeping (bear market) if you have a deep study of market trends and have good confidence.

**How can I invest in Stock Market..?**

People can buy company shares using the Direct Stock Purchase Plan (DSPP) or via a stockbroker.

A stockbroker is a professional who executes buy and sell orders for stocks and other securities on behalf of clients. Zerodha, upstox, Sharekhan, Motilal Oswal, Angel broking, 5 paisa, Fyers, etc. are some popular brokers in India. A Direct Stock Purchase Plan (DSPP) is a program that enables an individual investor to purchase a company's stock directly from the company without the intervention of a broker. DSPP is not a very popular option as nowadays the broker offers very less brokerage and provides a very convenient and user-friendly platform to trade.

**Role of the stock market in a growing economy**

Stock trading in public companies plays a very important role in the economy. Stocks are a type of security that represents an ownership interest in a company. By earning capital from stock trading allows businesses to pay off debts, launch new products and expand operations. Consumer and business confidence is highly influenced by stock prices which in turn affect the overall economy. Also, the economic conditions impact stock market performance.

How the Government raises capital for development projects?

The government and even local authorities like municipalities may decide to borrow money to finance huge infrastructural projects such as sewerage and water treatment works or housing estates by selling another category of share known as bonds. These bonds can be raised through the stock exchange whereby the members of the public buy them. When the government or municipal council gets this alternative source of funds it no longer needs to overtax the people to finance development.

**CONCLUSION**

Investing in the stock market provides an additional way of income and by proper financial planning, deep study, and confidence you can own your own business with literally do nothing. With the stock market investment, you can be part of our growing economy. The activities of buying and selling stocks and share extremely significant for the allocation of capital within economies.

"In short, stock market is a place where you can create wealth."

#### REFERENCE

- [1] Sameer Yadav 4 april 2017 "stock market volatility – a study of indian stock Market" Global Journal For Research Analysis.
- [2] Najeb M.H. Masoud "The Impact of Stock Market Performance upon Economic Growth" International Journal of Economics and Financial Issues.
- [3] M. Raju et. al 2 July 2019 "A Research on The Stock Market Volatility of BSE and NSE in Indian Economy" International Journal of Recent Technology and Engineering.
- [4] Arindam MANDAL et. al January 2005 "The Indian Stock Market and the Great Recession" Theoretical and Applied Economics.
- [5] Zbigniew Kominek et. al October 2003 "Stock markets and industry growth: an eastern European perspective"