

## The Indian Capital Market– An Overview



### Commerce

**KEYWORDS :** Capital Market, Stock Market, Stock Exchange, Financial Market

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### ABSTRACT

*Capital market plays as significant role as money market in the national economy. A developed, dynamic and vibrant capital market can immensely contribute for speedy economic growth and development. The present paper highlights of the working and the performance of financial markets and stock exchanges worldwide. It also covers the functioning of Indian stock market too. The Indian stock market is one of the top most stock exchanges worldwide and it registers the remarkable growth as time passes. In the present paper the researcher has tried to explore the performance of India in the field of financial market worldwide. The working, control and position of all stock exchanges in India have also been studied in the present paper.*

### 1. Introduction

At the end of **Barter System** and after the wonderful invention of money the markets became more meaningful as well as the growth of commerce was noticeable. People started their business not only by their own money but also by the borrowed money. The task of mobilization and allocation of savings could be attempted in the old days by a much less specialized institution than the stock exchange. But as the business and industry expanded and the economy turned into more complex in nature, the need of permanent finance arose. According to **Bhalla (2010)**, "Entrepreneurs needed money for long term whereas investors demanded liquidity the facility to convert their investments into cash at any given time. The answer was a ready market for investments and this was how the **Stock Exchange** came into being."

### 2. Classification of Financial Markets in India

According to the period of maturity of the financial assets with which the markets are dealing, the markets can be classified as (a) Money Market (b) Capital Market.

**Chart 1**

**Classification of Financial Markets**



Source: Prepared from <http://www.kasikornsecurities.com/EN/Knowledge Center>

### 3. Performance of Stock Exchange World-wide

**Table 1**

**Market Capitalization-wise Performance of Major Stock Exchanges Worldwide**

No.	Economy	Stock Exchange	As at 31 December 2010 (USD Billions)	As at 31 May 2010 (USD Billions)
1	United States	NYSE Euronext	15970	18,917
2	United States Europe	NASDAQ OMX	4931	6,456
3	Japan	Tokyo Stock Exchange	3827	4,373

4	United Kingdom	London Stock Exchange	3613	3,396
5	China	Shanghai Stock Exchange	2717	2,379
6	Hong Kong	Hong Kong Stock Exchange	2711	3,046
7	Canada	Toronto Stock Exchange	2170	2,218
8	India	Bombay Stock Exchange	1631	1,399
9	India	National Stock Exchange of India	1596	1,396
10	Brazil	BM&F Bovespa	1545	1,047
11	Australia	Australian Securities Exchange	1454	1,465
12	Germany	Deutsche Borse	1429	1,985
13	China	Shenzhen Stock Exchange	1311	1,457
14	Switzerland	SIX Swiss Exchange	1229	1,630
15	Spain	BME Spanish Exchanges	1171	1,195
16	South Korea	Korea Exchange	1091	1,296
17	Russia	MICEX	0949	693
18	South Africa	JSE Limited	0925	1,007

Source: prepared from [http://en.wikipedia.org/wiki/List\\_of\\_stock\\_exchanges](http://en.wikipedia.org/wiki/List_of_stock_exchanges)

### 4. The Indian Stock Market

After the initiation of reforms in 1991, the Indian secondary market now has three tire forms.

- Regional stock exchanges: A stock exchange that operates outside of the country's main financial center.
- The National Stock Exchange (NSE)
- The Over the Counter Exchange of India (OTCEL)

There are at present 23 stock exchanges in India – 19 regional stock exchanges, the BSE, the NSE, the OTCEI and the Inter Connected Stock Exchange of India (ICSE/ISE). The ISE is the stock exchange of stock exchanges. ISE has received 'in principle' approval from SEBI. The 15 exchanges participating in ISE are Bangalore, Bhubaneswar, Chennai, Kochi, Coimbatore, Guwahati, Hyderabad, Jaipur, Ludhiana, Indore, Magadh, Mangalore, Saurashtra Kutch, Uttar Pradesh, and Vadodara. The exchanges that are not part of ISE are Delhi, Calcutta, Ahmedabad, Pune, OTCEI, BSE and NSE.

Map 1



**Table 3**  
**Stock Exchanges in India**

No.	Name of the Stock Exchange	Year of Formation	Headquarters	Remarks	Valid up to
1	Ahmedabad Stock Exchange Ltd. (ASE)	1894	Ahmedabad (Gujarat)	ASE is the second oldest exchange of India. It was constituted in the year 1894 as a Public Charitable Trust. Ahmedabad Stock Exchange (ASE) started under a banyan tree and therefrom progressed year after year. It holds a unique place in India.	Permanent
2	Bangalore Stock Exchange Ltd. (BgSE)	1963	Bangalore (Karnataka)	The stock exchange is managed by a Council of Management, consisting of members appointed by the SEBI	Permanent
3	Bhubaneswar Stock Exchange Ltd. (BHSE)	1989	Bhubaneswar (Orissa)	It is one among the 21 odd regional stock exchanges in India.	June 04, 2014
4	Bombay Stock Exchange Ltd. (BSE)	1875	Mumbai (Maharashtra)	Emerges as the premier Indian stock exchange by establishing global benchmarks.	Permanent
5	Calcutta Stock Exchange Ltd. (CSE)	1908	Kolkata (West Bengal)	It is the second largest bourse in India.	Permanent
6	Cochin Stock Exchange Ltd. (CSE)	1978	Kochi (Kerala)	It is a capital stock market in Kochi, Kerala in India.	November 07, 2013
7	Delhi Stock Exchange (DSE)	1947	New Delhi	It is India's fifth exchange. The exchange is one of the premier Stock Exchange in India.	Permanent

8	Guwahati Stock Exchange Ltd.	1983	Guwahati (Assam)	The GSE is limited by guarantee by the member-brokers.	April 30, 2013
9	Inter Connected Stock Exchange of India Ltd. (ICSE)	1998	Mumbai (Maharashtra)	It is a stock exchange of stock exchanges, members of the stock exchanges being traders on the ISE.	November 17, 2014
10	Jaipur Stock Exchange Ltd. (JSEL)	1989	Jaipur (Rajasthan)	JSE is the third largest exchange in India in terms of membership.	January 08, 2015
11	Ludhiana Stock Exchange Ltd. (LSE)	1983	Ludhiana (Punjab)	Ludhiana Stock Exchange became the second bourse in India to introduce modified carry forward system after BSE on April 6, 1998.	April 27, 2014
12	Madhya Pradesh Stock Exchange Ltd. (MPSEL)	1928	Indore (Madhya Pradesh)	It was granted permanent recognition under the provisions of the Securities Contract (Regulation) Act, 1956 ("SCRA"), by the Government of India in 1988.	Permanent
13	Madras Stock Exchange Ltd. (MSE)	1937	Chennai (Tamilnadu)	The MSE is the fourth stock exchange to be established in the country and the first in South India.	Permanent
14	Magadh Stock Exchange Association Ltd. (MSEA)	1986	Patna (Bihar)	In September 2005, the Magadh Stock Exchange was corporatized and demutualised in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956.	Derecognised from September 3, 2007
15	National Stock Exchange of India Ltd.	1992	Mumbai (Maharashtra)	It is mutually-owned by a set of leading financial institutions, banks, insurance companies and other financial intermediaries in India but its ownership and management operate as separate entities.	Permanent
16	OTCEI	1990	Mumbai (Maharashtra)	It is the first exchange for small companies.	August 22, 2014
17	Pune Stock Exchange Ltd. (PSE)	1982	Pune (Maharashtra)	PSE is a company limited by guarantee.	September 01, 2014
18	Uttar Pradesh Stock Exchange Association Ltd.(UPSE)	1982	Kanpur (Uttar Pradesh)	It plays an important role in the development of the capital market of North India.	June 02, 2014
19	Vadodara Stock Exchange Ltd. (VSE)	1986	Vadodara (Gujarat)	It is the third largest stock exchange in the state of Gujarat after Ahmadabad and Rajkot.	January 03, 2015

20	MCX Stock Exchange Ltd	2008	Mumbai (Maharashtra)	It is an India-wide electronic platform for trading in currency futures under the regulatory control of SEBI and RBI.	September 15, 2014
21	United Stock Exchange of India Limited	2010	Mumbai (Maharashtra)	It is situated in BSE Ltd. building. USE also has Bombay Stock Exchange as a strategic partner.	March 21, 2015

Government policies during 1980's also played a vital role in the development of the Indian Stock Markets. There was a sharp increase in number of Exchanges, listed companies as well as their capital.

The Hyderabad Securities and Enterprises Ltd (erstwhile Hyderabad Stock Exchange), Coimbatore Stock Exchange Ltd, Saurashtra Kutch Stock Exchange Ltd and Mangalore Stock Exchange have been granted exit by SEBI vide order dated January 25, 2013, April 3, 2013, April 5, 2013 and March 3, 2014 respectively.

### 5. Control

Securities Contracts (Regulation) Act, 1956 provides for direct and indirect control of virtually all aspects of securities trading and the running of stock exchanges and aims to prevent undesirable transactions in securities. It gives Central Government regulatory jurisdiction over (a) stock exchanges, through process of recognition and continued supervision, (b) contracts in securities and (c) listing of securities on stock exchanges.

### 6. Organizational Structure of the Secondary Market

The organizational forms of the various stock exchanges in India are:

- i. **BSE** : A tax-paying company incorporated under the Companies Act, 1956. Prior to August 2005 it was Voluntary non-profit making association of persons.
- ii. **NSE** : A tax-paying company incorporated under the Companies Act, 1956 and promoted by leading financial institutions and banks.

- iii. **Ahmedabad, Patna, Indore** : Voluntary non-profit making association of persons.
- iv. **Kolkata, Delhi, Bangalore, Cochin, Kanpur, Guwahati, Ludhiana, Mangalore, Chennai** : Public Limited company
- v. **Hyderabad, Pune, Rajkot, Magadh** : Company limited by guarantee
- vi. **OTCEI** : A company under section 25 of the xx-Companies Act, 1956

In order to provide an opportunity to investors to invest/trade in the securities of local companies, it is mandatory for the companies, wishing to list their securities, to list on the regional stock exchange nearest to their registered office. If they so wish, they can seek listing on other exchanges as well. Monopoly of the exchanges within their allocated area, regional aspiration of the people and mandatory listing on the regional stock exchange resulted in multiplicity of exchanges. As a result, at the end of March 2008, there were 19 regional stock exchanges registered with SEBI having a total of 8517 registered brokers and 43874 registered sub-brokers trading on them.

The stock exchanges need to be recognized under the Securities Contracts (Regulation) Act, 1956. SEBI has approved and notified the Corporatization and Demutualisation Scheme of 19 stock exchanges. BSE has successfully completed the process of Demutualisation Scheme in terms of The BSE (Corporatization and Demutualisation) Scheme, 2005 on May 16, 2007. NSE since inception has adopted a demutualised structure and its model of demutualization compares well with the international models of demutualised stock exchanges as seen from.

### 7. Conclusion

The present paper includes the highlights of the financial markets and stock exchanges worldwide. It also covers the glorious history and functioning of Indian stock market too. The Indian stock market is one of the top most stock exchanges worldwide and it registers the immense growth year by year.

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