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A STUDY ON OVERVIWEW OF INDIAN STOCK MARKET

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ABSRACT:

The stock market refers to the collection of markets and exchanges where regular activities of buying, selling, and issuance of shares of publicly-held companies take place. Such financial activities are conducted through institutionalized formal exchanges or over-the-counter (OTC) marketplaces which operate under a defined set of regulations. There can be multiple stock trading venues in a country or a region which allow transactions in stocks and other forms of securities. The stock market or equity market and is primarily known for trading stocks/equities, other financial securities - like exchange traded funds (ETF), corporate bonds and derivatives based on stocks, commodities, currencies, and bonds - are also traded in the stock markets. While both terms - stock market and stock exchange - are used interchangeably, the latter term is generally a subset of the former. If one says that she trades in the stock market, it means that she buys and sells shares/equities on one (or more) of the stock exchange(s) that are part of the overall stock market. The leading stock exchanges in the U.S. include the New York Stock Exchange (NYSE), Nasdaq, and the Chicago Board Options Exchange (CBOE). These leading national exchanges, along with several other exchanges operating in the country, form the stock market of the U.S.Stock market is a place where people buy/sell shares of publicly listed companies. It offers a platform to facilitate seamless exchange of shares. In simple terms, if A wants to sell shares of Reliance Industries, the stock market will help him to meet the seller who is willing to buy Reliance Industries. However, it is important to note that a person can trade in the stock market only through a registered intermediary known as a stock broker. The buying and selling of shares take place through electronic medium. We will discuss more about the stock brokers at a later point.

INTRODUCTION

The stock market refers to the collection of markets and exchanges where regular activities of buying, selling, and issuance of shares of publicly-held companies take place. Such financial activities are conducted through institutionalized formal exchanges or over-the-counter (OTC) marketplaces which operate under a defined set of regulations. There can be multiple stock trading venues in a country or a region which allow transactions in stocks and other forms of securities. The stock market or equity market and is primarily known for trading stocks/equities, other financial securities - like exchange traded funds (ETF), corporate bonds and derivatives based on stocks, commodities, currencies, and bonds - are also traded in the stock markets. While both terms

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There are two main stock exchanges in India where majority of the trades take place -

•Bombay Stock Exchange (BSE) and the
•National Stock Exchange (NSE).

Apart from these two exchanges, there are some other regional stock exchanges like Bangalore Stock Exchange, Madras Stock Exchange etc but these exchanges do not play a meaningful role anymore.

*** National Stock Exchange (NSE)**

NSE is the leading stock exchange in India where one can buy/sell shares of publicly listed companies. It was established in the year 1992 and is located in Mumbai. NSE has a flagshiindex named as NIFTY50. The index comprises of the top 50 companies based on it

tradingvolumandmarket capitalisation. This index is widely used by investors in India as well asglobally as the barometer of the Indian capital oil markets.

*** Bombay Stock Exchange (BSE)**

BSE is Asia's first as well as the oldest stock exchange in India. It was established in 1875 and is located in Mumbai. It has a total of ~5,295 companies listed out of which ~3,972 are available for trading as on August 21, 2017. BSE Sensex is the flagship index of BSE. It measures the performance of the 30 largest, most liquid and financially stable companies

across key sectors.

Historically, stock trades likely took place in a physical marketplace. With the invent of new technologies and due to the covid-19 pandemic, the stock market works electronically, through the internet and online stockbrokers. Each trade happens on a stock-by-stock basi but overall stock prices often move in tandem because of news, political events, economic reports and other factors.

SIGNIFICANCE OF THE STUDY:

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Stock market is the best indicator of how well the economy is doing. Stock markets cover all industries across all sectors of the economy. This means they serve as a barometer of what cycle the economy is in and the hopes and fears of the population who generate growth and wealth. Stock market have been the regulated where people can buy and sell shares of different companies. Stock markets today are emerging as a very popular and a create jobs in the economy. The present study analysesthe impo better financial market instrument for a large number of investors. A large variety of stocksor shares are available in Indian stock market to cater the needs and expectations of all types of investors. The rapid growth in the number of intermediaries and stock market applications indicate the increasing importance of stock market investments. Still large section of Indian investors has little information to take prudent investment decisions. Such information drought is the breeding grounds for misguidance, leading the investors to opt applications indicate the increasing importance of stock market investments. Still large section of Indian investors has little information to take prudent investment decisions. Such information drought is the breeding grounds for misguidance, leading the investors to optfor a particular stock or share without an in-depth analysis, resulting in the dissatisfaction over the return. Stock market enable companies to be traded publicly and raise capital. The transfer of capital and ownership is traded in a regulated, secure environment. Stock markets promotefor a particular stock or share without an in-depth analysis, resulting in the dissatisfaction over the return. Stock market enable companies to be traded publicly and raise capital. The transfer of capital and ownership is traded in a regulated, secure environment. Stock markets promoteapplications indicate the increasing importance of stock market investments. Still large section of Indian investors has little information to take prudent investment decisions. Such information drought is the breeding grounds for misguidance, leading the investors to optfor a particular stock or share without an in-depth analysis, resulting in the dissatisfaction over the return. Stock market enable companies to be traded publicly and raise capital. The transfer of capital and ownership is traded in a regulated, secure environment. Stock markets promote investment. The raising capital allows companies to grow their businesses, expand operations rtant Indian stock market (NSE and BSE) with respect to their market capitalisation, year effect, risk and return from 2000 to 2020.The study also includes the much more data regarding the history and functioning of BSE and NSE.

OBJECTIVES:

1. To study about the emerging stock markets in india such as NSE and BSE.

2. To study about the year effect of the Indian stock market (BSE and NSE) from

2000 to 2020.

3. To examine the market capitalisation of Indian stock market (NSE and BSE)

from 2000 to 2020.

4. To examine the trend of risk and return of Indian stock market (NSE and BSE)

from 2000 to 2020.

5. To study about the type of trading preferred by the investors in stock market.

METHODOLOGY:

The purpose of this study is to analyse the market capitalisation, year effect and the risk and returns of the important stock market (NSE and BSE) of about 20 years from 2000 to 2020 and to analyse the investment pattern of traders in stock market. In order to assess the objective both primary data and secondary data were used. The primary data was collected from 30 respondents from Thrichur district by using google form. The secondary data was collected from various journals, articles, publications and online websites.

REVIEW OF LITERATURE:

Kian –Pinhg Lim & Robert Brooks (2011) provides a systematic review of the weak-form market efficiency literature that examines return predictability from past price changes, with an exclusive focus on the stock markets. Our survey shows that the bulk of the empirical studies examine whether the stock market under study is or is not weak-form efficient in the absolute sense, assuming that the level of market efficiency remains unchanged throughout the estimation period. However, the possibility of time-varying week-form market efficiency has received increasing attention in recent years. We categorize these emerging studies based on the research framework adopted, namely non-overlapping sub-period analysis, time-varying parameter model and rolling estimation window.

Anju Bala (2013) evaluated that stock market is one of the most vibrant sectors in the financial system, marketing an important contribution to economic development. Stock market is a place where buyers and sellers of securities can enter into transaction to purchase and sell shares, bonds, debentures etc. In other words, stock market is a platform for trading various securities and derivatives. Further, it preforms an important role of enabling corporate, entrepreneurs to raise resource for their companies and business venture through public issues. Today long-term investors are interested to invest in the stock market rather than invest anywhere.

LIMITATIONS:

The study was conducted mainly based on the secondary data. As our study was during the time covid-19 pandemic and lock down, the data collection was narrowed by online sources. Many online sites have given insufficient information and data. So, there was a dependency on various sites. The unavailability of books and other physical materials had been a major limitation of our project.

STOCK MARKET AN OVERVIEW:

1. STOCK MARKET

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A stock market, equity market, or share market is the aggregation of buyers and sellers of stocks (also called shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange, as well as stock that is only traded privately, such as shares of private companies which are sold to investors through equity crowdfunding platforms. Investment in the stock market is most often done via stockbrokerages and electronic trading platforms. Investment is usually made with an investment strategy in mind.

2.HOW THE STOCK MARKET WORKS

stock markets provide a secure and regulated environment where market participants can transact in shares and other eligible financial instruments with confidence with zero- to low-operational risk. Operating under the defined rules as stated by the regulator, the stock markets act as primary market and as secondary markets.As a primary market, the stock market allows companies to issue and sell their shares to the common public for the first time through the process of initial public offerings (IPO).This activity helps companies raise necessary capital from investors. It essentially means that a company divides itself into a number of shares (say, 20 million shares) and sells a part of those shares (say, 5 million shares) to common public at a price (say, $10 per share).To facilitate this process, a company needs a marketplace where these shares can be sold. This marketplace is provided by the stock market. If everything goes as per the plans, the company will successfully sell the 5 million shares at a price of $10 per share and collect $50 million worth of funds. Investors will get the company shares which they can expect to hold for their preferred duration, in anticipation of rising in share price and any potential income in the form of dividend payments. The stock exchange acts as a facilitator for this capital raising process and receives a fee for its services from the company and its financial partners.Following the first-time share issuance IPO exercise called the listing process, the stock exchange also serves as the trading platform that facilitates regular buying and selling of the listed shares. This constitutes the secondary market. The stock exchange earns a fee for every trade that occurs on its platform during the secondary market activity.The stock exchange shoulders the responsibility of ensuring price transparency, liquidity, price discovery and fair dealings in such trading activities. As almost all major stock markets across the globe now operate electronically, the exchange maintains trading systems that efficiently manage the buy and sell orders from various market participants. They perform the price matching function to facilitate trade execution at a price fair to both buyers and sellers.A listed company may also offer new, additional shares through other offerings at a later stage, like through rights issue or through follow-on offers. They may even buyback or delist their shares. The stock exchange facilitates such transactions.The stock exchange often creates and maintains various market-level and sector-specific indicators, like the S&P 500 index or Nasal 100 index, which provide a measure to track the movement of the overall market. Other methods include the Stochastic Oscillator and

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Stochastic Momentum Index.The stock exchanges also maintain all company news, announcements, and financial reporting, which can be usually accessed on their official websites. A stock exchange also supports various other corporate-level, transaction-related activities. For instance, profitable companies may reward investors by paying dividends which usually comes from a part of the company's earnings. The exchange maintains all such information and may support its processing to a certain extent.

FUNCTIONS OF A STOCK MARKET:

A stock market primarily serves the following functions:

Fair Dealing in Securities Transactions: Depending on the standard rules of demand and supply, the stock exchange needs to ensure that all interested market participants have instant access to data for all buy and sell orders thereby helping in the fair and transparent pricing of securities. Additionally, it should also perform efficient matching of appropriate buy and sell orders.For example, there may be three buyers who have placed orders for buying Microsoft shares at $100, $105 and $110, and there may be four sellers who are willing to sell Microsoft shares at $110, $112, $115 and $120. The exchange (through their computer operated automated trading systems) needs to ensure that the best buy and best sell are matched, which in this case is at $110 for the given quantity of trade.Efficient Price Discovery: Stock markets need to support an efficient mechanism for price discovery, which refers to the act of deciding the proper price of a security and usuallyperformed by assessing market supply and demand and other factors associated with the transactions. Say, a U.S.-based software company is trading at a price of $100 and has a market capitalization of $5 billion. A news item comes in that the EU regulator has imposed a fine of $2 billion on the company which essentially means that 40 percent of the company's value may be wiped out. While the stock market may have imposed a trading price range of $90 and $110 on the company's share price, it should efficiently change the permissible trading price limit to accommodate for the possible changes in the share price, else shareholders may struggle to trade at a fair price.

Liquidity Maintenance: While getting the number of buyers and sellers for a particular financial security are out of control for the stock market, it needs to ensure that whosoever is qualified and willing to trade gets instant access to place orders which should get executed at the fair price.

Security and Validity of Transactions: While more participants are important for

efficient working of a market, the same market needs to ensure that all participants are verified and remain compliant with the necessary rules and regulations, leaving no room for default by any of the parties. Additionally, it should ensure that all associated entities operating in the market must also adhere to the rules, and work within the legal framework given by the regulator.

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STOCK MARKET PARTICIPANTS:

Along with long-term investors and short-term traders, there are many different types of players associated with the stock market. Each has a unique role, but many of the roles are intertwined and depend on each other to make the market run effectively.

• Stockbrokers, also known as registered representatives in the U.S., are the licensed professionals who buy and sell securities on behalf of investors. The brokers act as intermediaries between the stock exchanges and the investors by buying and selling stocks on the investors' behalf. An account with a retail broker is needed to gain access to the markets.

• Portfolio managers are professionals who invest portfolios, or collections of securities, for clients. These managers get recommendations from analysts and make the buy or sell decisions for the portfolio. Mutual fund companies, hedge funds, and pension plans use portfolio managers to make decisions and set the investment strategies for the money they hold.

• Investment bankers represent companies in various capacities, such as private companies that want to go public via an IPO or companies that are involved in pending mergers and acquisitions. They take care of the listing process in compliance with the regulatory requirements of the stock market.

OVERVIEW OF STOCK MARKET:

STOCK MARKET AT GLOBAL LEVEL:

Stock markets are some of the most important parts of today's global economy. Countries around the world depend on stock markets for economic growth. However, stock markets are a relatively new phenomenon. They haven't always played an important role in globaleconomics. The first genuine stock markets didn't arrive until the 1500s. However, there were plenty of early examples of markets which were similar to stock markets. In the 1100s, for example, France had a system where courtiers de change managed agricultural debts throughout the country on behalf of banks. This can be seen as the first major example of brokerage because the men effectively traded debts. Later on, the merchants of Venice were credited with trading government securities as earl y as the 13th century. Soon after, bankers in the nearby Italian cities of Pisa, Verona, Genoa, and Florence also began trading government securities. The world's first stock markets are generally linked back to Belgium. Bruges, Flanders, Ghent, and Rotterdam in the Netherlands all hosted their own "stock" market systems in the 1400s and 1500s.However, it's generally accepted that Antwerp had the world's first stock market system. Antwerp was the commercial centre of Belgium and it was home to the influential Van der Buerse family. As a result, early stock markets were typically called Beursen. All of these early stock markets had one thing missing: stocks. Although the infrastructure and institutions resembled today's stock markets, nobody was actually trading shares of a company. Instead, the markets dealt with the affairs of government, businesses, and individual debt. The system and organization were similar, although the actual properties being traded were different.

The top 10 biggest stock exchanges in the world.

1. New York Stock Exchange

The New York Stock Exchange (NYSE) is additionally referred to as 'The Big Board'.

The NYSE is the first on the list of the largest stock exchanges in the world and is a highly esteemed stock exchange in the USA. The NYSE has remained the largest stock exchange in the world by market capitalisation ever since the end of World War. It is located at 11, Wall Street, Lower Manhattan, New York City. It consists of 2,400 listed companies which span sectors such as finance, healthcare, consumer goods and energy. The blue-chip companies which are listed under NYSE are Berkshire Hathaway Inc, Coca-Cola, Walt Disney Company, Mc Donald's Corporation, etc. Date of establishment: May 17, 1792. Valuation: $19.3 Trillion

2. NASDAQ

Second on the list of the largest stock exchange in the world is NASDAQ, an

abbreviation of National Association of Securities Dealers Automated Quotations.

Nasdaq, an American stock exchange is headquartered at 151 W, 42nd Street, New

York City. Nasdaq never operated on a usual open outcry system, instead, it has always used a computer and telephone-based system of trading, which has made the NASDAQ the world's first electronically traded stock market. The enlistment of the world's humongous tech giants such as Apple, Microsoft, Google, Facebook, Amazon, Tesla, and Intel make NASDAQ 'The Mecca of Technology Companies'. Date of establishment: February 4, 1971. Valuation: $13.8 Trillion

3. Shanghai Stock Exchange

The Shanghai Stock Exchange (SSE) is a Chinese stock exchange situated in the city of Shanghai, China. It is one of the three stock exchanges plying autonomously in the People's Republic of China. Date of establishment: November 26, 1990. Valuation: $4.9 Trillion

4. Hong Kong Stock Exchange

The Hong Kong Stock Exchange (SEHK) is located in Hong Kong and is the world's

fifth-largest and Asia's third-largest stock exchange on the basis of market

capitalization. It is one of the three stock exchanges in China. SEHK consists of 2,315 listed companies with a wholesome market capitalization of HK$29.9 trillion. It is reported as the fastest-growing stock exchange in Asia. Date of establishment: February 3, 1891. Valuation: $4.4 Trillion

EURONEXT;

Stands for European New Exchange Technology. With it's registered office in Amsterdam and corporate address at La Défense in Greater Paris, EURONEXT was established in 2000 to represent Europe's economy which is also the reason why it operates in euros. It is the sixth-largest stock exchange in the world with a market capitalization worth €4.1 trillion. Date of establishment: September 22, 2000. Valuation: $3.9 Trillion.

6) Shenzen Stock Exchange

The Shenzhen Stock Exchange (SZSE) is one of the three independently working stock exchanges in China. Although it was founded in 1987, it wasn't established until 1990. It is the 7th largest stock exchange in the world and has approximately 1,300 listed companies with a combined market capitalization of $3.9. Date of establishment: December 1, 1990. Valuation: $3.5 Trillion

FINDINGS AND SUGGESTIONS:

Stock market is the physically existing institutionalised set up where instruments of security stock market like shares, debentures, bonds, securities are traded. Stock market makes a floor available to the buyers and sellers of stocks and liquidity comes to the stocks.At this scenario the importance of investing in stock market is getting higher. The number

of investors and the number of stock market out of which a majority are online markets , are increasing day to day. Currently investing in stock market and having an intraday trading is considered as the best way to earn money. Considering its importance the present study concentrate on 'A Study on Indian Stock Market: NSE and BSE'. The objectives of the study are to study about the emerging stock markets in India such as NSE and BSE, to study about the trend of year effect of the Indian stock market (BSE and

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data were used. The primary data were collected from 30 respondents from Thrichur district by using google form. The secondary data was collected from various journals, articles, publications and online websites.

6.1 Findings of the study

• Due to covid-19 pandemic, Sensex lost 3,934.72 points (13.15%) to 25, 981.24 and Nifty lost 1,135 points (12.98%) to 7610.25.

• The biggest stock market crashes in India were caused mainly due to covid19

pandemic, 2008 financial crisis, Harshad Mehta scam.

• Nifty has less risk and higher liquidity than Sensex. Nifty suffer lower market

impact cost than Sensex.

• Covid-19, strong correlation with the trends and indices of the global market as BSE Sensex and Nifty 50 fell by 38%. The total

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market cap lost a staggering 27.3% from the start of the year.

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