



INDIAN SECURITY MARKET: TRENDS AND CHALLENGES

Dr. Babaraju K. Bhatt*

Apurva A. Chauhan**

Abstract: *Indian security market turned out to be among the best performers with Bombay Stock Exchange (BSE) Sensex rising 29 per cent in 2014. Most of the market players believed that the trend will continue in future also on the ground of new reforms, strong foreign fund inflows, revival of manufacturing sector, improvement in macro-economic situation and increase in corporate earnings growth. Despite of the sharp rise, the price to earning ratio was found lower in 2014 than five years average ratio. In 2015, due to financial problems in Greece and China, Indian security market is being affected and observed slight slowdown. The present study focuses on the trends of Indian security market based on industry-wise capital raised, number of companies listed, number of sub-brokers registered, number of shares traded, annual averages of share prices etc for the 5 years period i.e., 2009-10 to 2013-14. The challenges are also studied by examining the investor's grievances received by SEBI during five years and nature of investigations carried out by SEBI. It can be concluded that although there is increase in number of companies listed on BSE and good amount of sub-brokers are registered on security market still there is decline in the quantity of shares traded in cash segment. It is suggested that sub-brokers and even educational institutes should conduct investment awareness programs attract more investors to make investment in security market.*

Key words: *Indian Security Market, BSE, NSE, Investor Grievances.*

*Principal, Shri Manilal Kadakia College of Management & Computer Studies, Ankleshwar, Gujarat State, India and Ph. D Supervisor - Pacific Academy of Higher Education & Research, Udaipur

**Assistant Professor, Naran Lala School of Industrial Management & Computer Science, Navsari, Gujarat State, India and Research Scholar - Pacific Academy of Higher Education & Research, Udaipur



INTRODUCTION:

Security represents an ownership position in publicly traded corporation which is called as stock, a creditor relationship with government body or a corporation which is called as bond, or a right to ownership which is represented as option. Security is negotiable and interchangeable financial instrument which represents some type of financial value. Indian stock markets are one of the oldest markets in Asia. The ideal stock market is the one which provides limitless liquidity to investors' investment. The present study focuses on identifying the trend of security market using various parameters and challenges faced by individual investors while trading in the security market.

LITERATURE REVIEW:

(K.S. Chalapati Rao, 1999) studied various aspects of Indian Stock Market in the Post-liberalization period. The study anticipates that the role of stock market is not limited to only mobilizing the funds for investment but it also includes providing liquidity to investors and monitoring the company management. The paper examined the development in Indian Stock Market during 1994 to 1999. The study shows that after experiencing the boom in the early years of liberalization, the primary market almost dried up as the investors lost confidence in the stock market and shifted away from investing in shares and debentures. As a result, SEBI had to tighten the norms to prevent further damages.

(Sabarinathan, 2010) performed the critical review of the major developments of SEBI's regulation of Indian securities market based on secondary data. The study articulate that with the empowerment of Securities Exchange Board of India (SEBI) through an act of Parliament 1992, SEBI has come up with number of initiatives for regulating and developing the Indian Securities market and improving its safety and efficiency. There is a noteworthy growth in market capitalization, number of listed firms, trading volumes and turnover as a result of initiatives taken by SEBI. The study assert that India has one of the most sophisticated new issue market and the disclosure requirements and accounting policies followed by listed companies are comparable to the best regime in the world. The study also asserts that Indian security market is among the safest and most efficient trading destinations globally. However, study also revealed that Indian security market often faces scams which can be attributable to the ineffective enforcement of the compliance.



(Jadhav, 2011) examined the development of Indian security market. The study states that a remarkable progress has been made by Indian capital markets in post-liberalization phase in terms of implementing standard practices, widening and deepening the capital markets. The study identified some of the problems relating to Indian capital markets such as existence of huge number of illiquid stocks, low delivery ratio, lack of depth of maintaining accounts and concentration of trading with few brokerage houses. The study also revealed that transparency is limited in both primary and secondary market. The study concluded that markets have achieved tremendous stability and as a result of that foreign investors are attracted to invest in Indian markets although there is a scope for improvement for promoting more transparency.

(bala, 2013) studied Indian stock market with the help of various literature studies. The study defines stock market as a place where buyers and sellers of securities enter into transactions to purchase and sell share, bonds, debentures etc. The study states that corporate and entrepreneurs raises funds through public issue in stock market. Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Calcutta Stock Exchange (CSE) are three major stock exchanges of Indian Stock Market. Based on various literature studies, the study concluded that risk of stock market can be calculated on the basis of historic volatility and the volatility of stock market is largely influenced by money supply, inflation, fiscal deficit and political stability of the country.

RESEARCH METHODOLOGY:

The study is descriptive in nature and based on the secondary data collected from various reports of SEBI during the year from 2010 to 2014. The study is undertaken by examining on industry-wise capital raised, number of companies listed, number of sub-brokers registered, number of shares traded, annual averages of share prices etc for the 5 years time duration i.e., 2009-10 to 2013-14. The study also undertakes comparison between BSE and NSE in terms of trends during past five years. The challenges are studied by examining the investor's grievances received by SEBI during five years and nature of investigations carried out by SEBI.

OBJECTIVE OF THE STUDY:

- To examine the trend in Indian security market during the time period from 2009-10 to 2013-14



- To make comparison between BSE and NSE in terms of quantity of shares traded, registration of sub-brokers, number of companies listed and average annual prices of indices.
- To identify the challenges faced by SEBI and investors in security market.

ANALYSIS AND INTERPRETATION:

PART A: ANALYSIS OF TRENDS IN SECURITY MARKET:

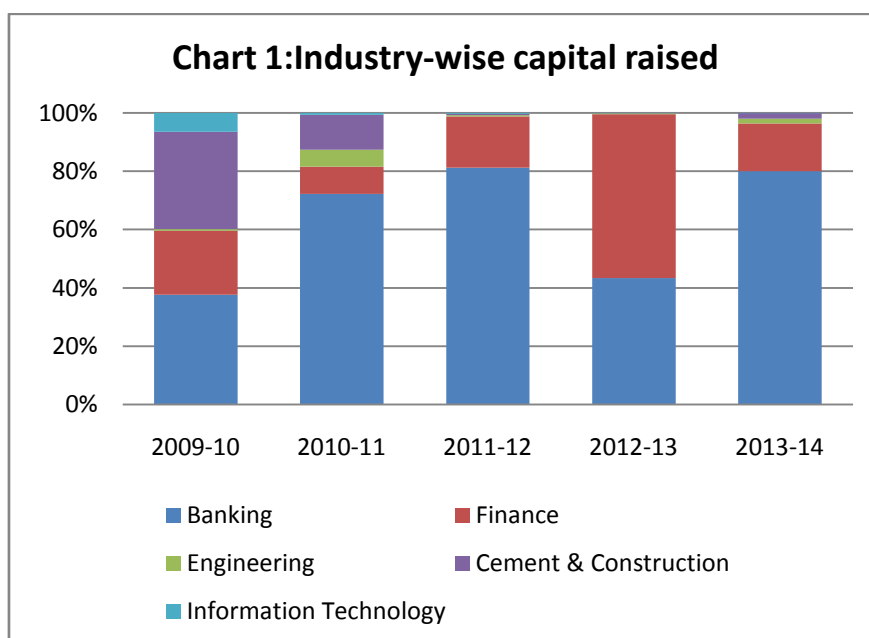
TABLE: 1

INDUSTRY-WISE CAPITAL RAISED IN INDIAN SECURITY MARKET

(Amount in Crores)

Industry	2009-10	2010-11	2011-12	2012-13	2013-14
Banking	3138	17248	35611	8273	29700
Finance	1826	2210	7708	10739	6058
Engineering	50	1394	217	74	591
Cement & Construction	2780	2841	187	9	731
Information Technology	540	170	138	4	19

*Source: SEBI reports



Above Table and Chart represents the amount of capital raised in various sectors through security market. Five sectors were selected randomly to analyze the trend in past five years in amount of capital raised through security market. It can be seen that the highest amount of capital was raised in banking sector in the year of 2009-10, 2010-11, 2011-12 and 2013-14. In 2012-13, finance sector have raised highest capital through security market. In



engineering sector, the amount of capital raised declined in 2012-13 but in 2013-14 it has increased remarkably. It can be seen in the above table that 2012-13 was not good year for Cement & Construction Sector and Information Technology Sector as compared to other years and other sectors in terms of amount of capital raised as the lowest capital was raised i.e., 9 crores and 4 crores respectively.

TABLE: 2

NUMBER OF COMPANIES LISTED ON BSE AND NSE IN CASH SEGMENT:

Year	BSE	Increase in no. of companies listed (BSE)	NSE	Increase in no. of companies listed (NSE)
2008-09	4,929	-	1,432	-
2009-10	4975	46	1470	38
2010-11	5067	92	1574	104
2011-12	5133	66	1646	72
2012-13	5211	78	1666	20
2013-14	5336	125	1688	22

*Source: SEBI reports

Table 2 depicts the trend in security market by observing number of companies listed on selected stock exchanges i.e., BSE and NSE. It can be seen that in 2010-11, there is increase in number of companies listed on both BSE and NSE. A year later i.e., in 2011-12, there is decline in the number of companies listed on both the selected stock exchange. Then after there is increase in number of companies listed on BSE in 2012-13 and 2013-14 where as downward trend is observed on NSE in terms of companies listed in 2012-13. In 2013-14 again it is increasing but in a very declining rate as compared to previous years. It can be interpreted that companies prefer BSE more for getting listed and raising capital as compared to NSE.

TABLE: 3

NUMBER OF SUBBROKERS REGISTERED ON BSE AND NSE

Year	BSE	NSE
2009-10	33710	40600
2010-11	38124	44783
2011-12	33852	42327
2012-13	31635	37600
2013-14	22652	28362

*Source: SEBI reports

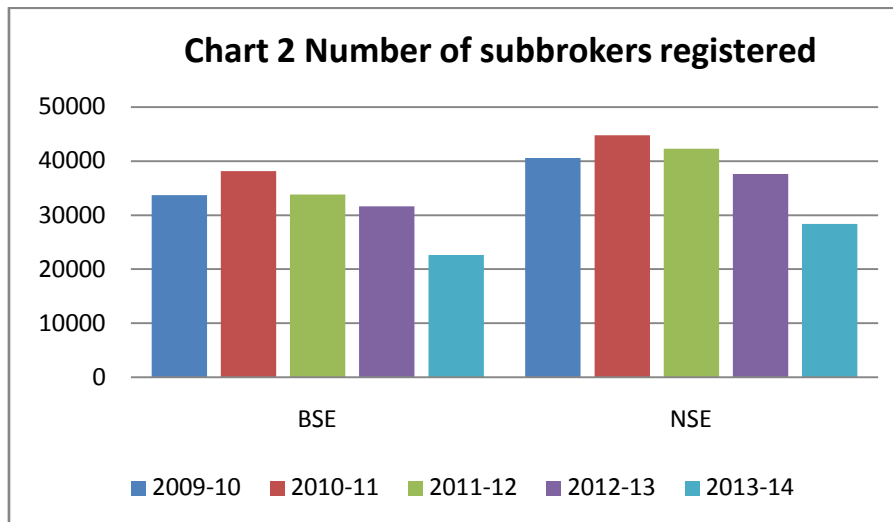


Table 3 and Chart 2 represent the number of sub-brokers registered on BSE and NSE. Sub-brokers are not the trading member of the stock exchange but they act on behalf of a trading member as an agent for assisting investors in dealing in securities through trading members. It is clear from Chart 2 that more number of sub brokers are registered on NSE as compared to BSE from 2009-10 to 2013-14. However, after 2010-11, there is continuous decline in terms of number of sub brokers registered on BSE and NSE. This can be attributed to stringent norms by SEBI regarding registration as a sub-broker.

TABLE 4: ANNUAL QUANTITY OF SHARES TRADED IN CASH SEGMENT (LAKHS.)

Year	BSE	NSE
2009-10	1136513	2205878
2010-11	990776	1810910
2011-12	654137	1605205
2012-13	563883	1644259
2013-14	479951	1505133

* Source: SEBI reports

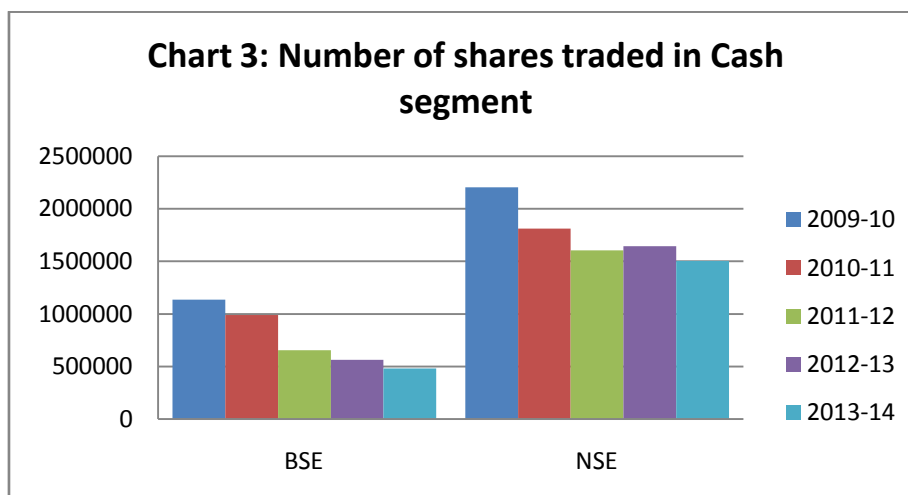




Table 4 and Chart 3 represents quantity of shares traded on BSE and NSE (in lakhs). It is clear that as compared to BSE, more number of shares is traded on NSE during the period from 2009-10 to 2013-14. However, there is continuous decline in terms of quantity of shares traded in cash segment on BSE and NSE. This can be attributed to investors' hesitation to invest in security market due to various reasons such as afraid to invest in security market, fluctuations in market and so on.

TABLE: 5

ANNUAL AVERAGE OF SHARE PRICES INDICES (Rs.)

Year	NSE	BSE
2009-10	4658	15585
2010-11	5584	18605
2011-12	5243	17423
2012-13	5257	18202
2013-14	6010	20120

*Source: SEBI reports

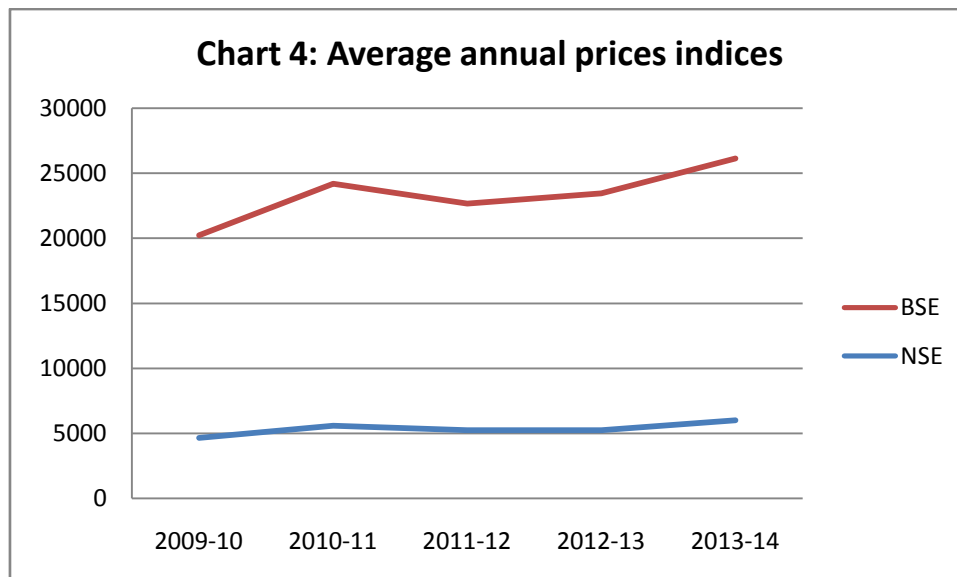


Table 5 and Chart 4 depicts the average annual share prices indices. It can be seen in the chart that average annual price indices of BSE is higher than NSE. Both the stock exchanges have experienced sharp growth in the year of 2010-11 and then after declined in 2011-12. BSE is increasing at the increasing rate from 2011-12 to 2013-14 as compared to NSE.

PART B: CHALLENGES FACED BY SEBI IN THE ROAD OF DEVELOPMENT OF SECURITY MARKET:



TABLE: 6

NUMBER OF INVESTOR GRIEVANCES RECEIVED BY SEBI

Year	No. of investor grievances received
2009-10	32335
2010-11	56670
2011-12	46548
2012-13	42411
2013-14	33550

*Source: SEBI reports

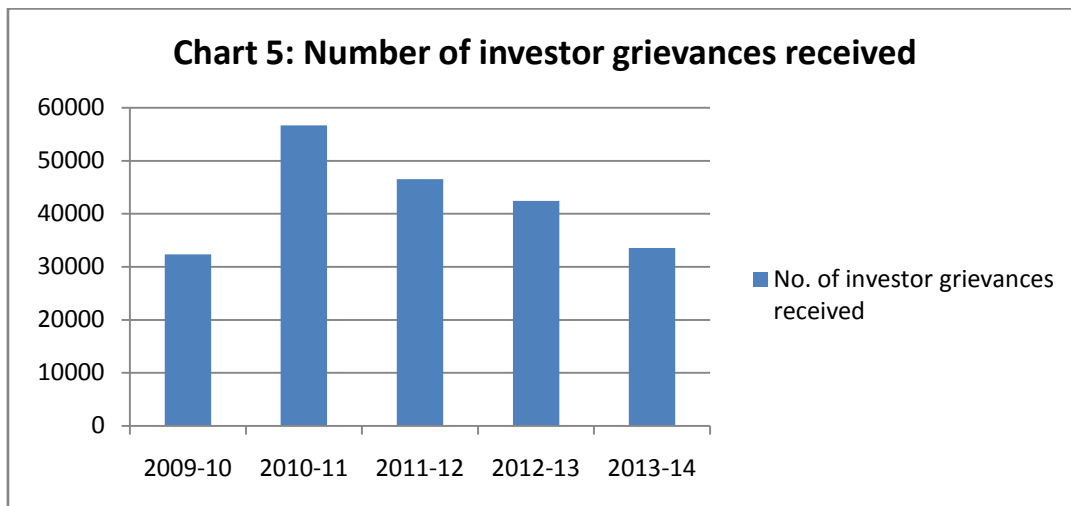


Table 6 and Chart 5 represents the number of investor grievances received by SEBI which is studied for identifying the challenges faced by SEBI. In 2010-11, highest number of grievances was received by SEBI. The number of investor grievances received is declining from the period from 2011-12 to 2013-14 which is a good sign.

TABLE: 7

NATURE OF INVESTIGATION TAKEN UP BY SEBI

	2009-10	2010-11	2011-12	2012-13	2013-14
Market manipulation and price ragging	44	56	73	86	67
Manipulation	2	6	35	43	6
Insider trading	10	28	24	11	13
Takeovers	2	4	2	3	6
Miscellaneous	13	10	20	12	16

*Source: SEBI reports

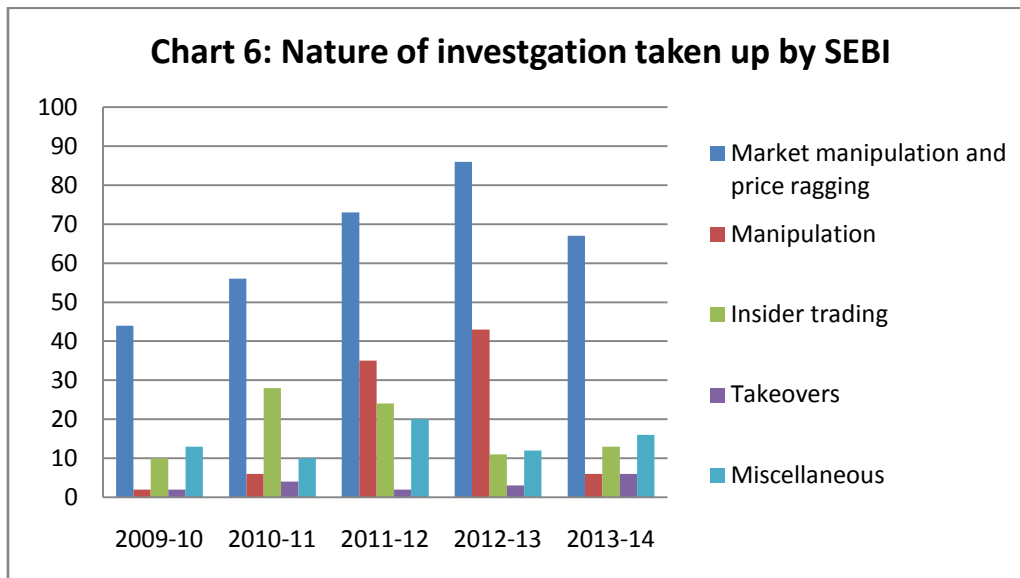


Table 7 and Chart 6 represents nature of investigations taken up by SEBI regarding market manipulations and price ragging and other manipulations which clearly shows that highest amount of investigations were made in 2012-13. In 2010-11, investigations regarding insider trading were highest. During the study period more investigations were taken up in market manipulations and price ragging.

CONCLUSION:

Indian security market has been rapidly growing during the last decade as a result of liberalization, privatization and globalization policy. It has played a vital role in providing platform to investors for parking their savings. The study has focused on identifying the trends in Indian Security Market from 2009-10 to 2013-14 and to identify the challenges faced by SEBI in terms of investors grievances. It can be concluded from the present study that the banking and finance sector have raised highest amount of capital from security market during the study period. There is a continuous increase in the number of companies listed on BSE whereas opposite trend is observed on NSE i.e., after 2010-11, there is a decline in the number of companies listed on NSE. More number of sub-brokers is registered on NSE as compared to BSE and continuous decline is observed in number of sub brokers registered on BSE and NSE which can be attributed to stringent norms by SEBI regarding registration as a sub-broker. Downward trend is observed in terms of number of shares traded in cash segment of BSE and NSE where as the average annual indices price of



BSE is continuously improving after 2011-12 in increasing rate. The number of grievances received from investors is declining from 2011-12 to 2013-14.

The study has identified market manipulations and price ragging, price manipulations and insider trading as a major challenge faced by regulatory bodies in the path of inclusive growth in security market. Thus it is imperative that sub-brokers and even educational institutes should conduct investment awareness programs regarding various manipulations in market in general and how to deal with them in a way attract more investors to make investment in security market in particular.

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