

Indian Stock Market

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Abstract: Firm's financial information is essential to stakeholders' decision making. Although not always financial statements show the firm's real image. This study examines listed firms from Portugal and UK. Firms have different purposes to manipulate earnings: some strive for influencing investors' perception about a particular company, some try to provide better position for gaining finance from credit institutions or paying less tax to tax authorities. Usually, this behaviour is induced when firms have financial problems. Consequently, the study also aims to see the impact of financial crisis on earnings management. We try to answer question how does extent of firms' involvement in earnings management change when the world undergoes financial crisis. Furthermore, we also compare two countries with different legal forces in terms of quality of accounting to see the main differences. We used a panel data methodology to analyse financial data from 2004 till 2014 of listed firms from Portugal and UK. Beneish (1999) model was applied to categorize manipulator and non-manipulator firms. Analysing accounting information according to Beneish's ratios, findings suggest that financial crisis had certain impact on firms' tendency to manipulate financial results in UK although it is not statistically significant. Moreover, besides the differences between Portugal and UK, results contradict the common view of legal systems' quality, as UK firms tend to apply more accounting techniques for manipulation than the Portuguese ones. Our main results also confirm that some UK firms manipulate ratios of receivables' days, asset quality index, depreciation index, leverage, sales and general administrative expenses whereas Portuguese firms manipulate only receivables' days. Finally, we also find that the main reason to manipulate results is not to influence the cost of obtained funds neither to minimize tax burden since net profit does not explain the ratios used in the Beneish model. Results suggest that the main.

Keywords: decision making

I. INTRODUCTION

The share market is a platform where shares/stocks are sold or traded. However it's not just shares, but even bonds, mutual funds and derivative contracts that are traded in this market. Again, it is classified into two types - the Primary and Secondary stock market. When a company registers itself for the first time to sell its shares and raise funds, it enters the primary market. This is called the Initial Public Offering or IPO, after which the company becomes public and trades in public. The secondary market is the market where already listed companies trade/sell stocks. An investor buys shares in the secondary market at its current price. It also offers the investor an opportunity to sell all its shares and exit the market.

India may not be the best competition when it comes to global investment opportunities and market caps, however the potential that it presents in terms of growth is vast. Investing in the Indian Stock Market is not such a bad idea provided you play it smart. The Indian stock market is a marketplace where publicly traded companies sell shares of their stock to investors. This market is regulated by the Securities and Exchange Board of India (SEBI) and operates with the goal of ensuring that the market functions efficiently and transparently while protecting investors from fraudulent activities. The two most basic terms one needs to familiarise with in the Indian stock market are the BSE and NSE. Trading in the stock market takes place in two stock exchanges – the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both are rivals in the stock exchange market, however they have the same process and trading mechanisms. Almost all the significant firms of India are listed on both the exchanges. NSE has a dominant share in spot trading and is almost a total monopoly player in derivatives trading.



Bombay Stock Exchange (BSE)

BSE is located at Dalal Street, Mumbai. It is the oldest and the first stock exchange in Asia. It was established in 1875 and was formerly known by the name of –The Native Share & Stock Brokers Association. In 1986, Sensex was introduced as the first equity index. This is to provide a base for identifying the top 30 trading companies of the exchange in more than 10 sectors. Apart from Sensex, other important indices of Bombay Stock Exchange include BSE 100, BSE 200, BSE 500, BSE MIDCAP, BSE SMLCAP, BSE PSU, BSE Auto, BSE Pharma, BSE FMCG, and BSE Metal. As of October 19, 2021, BSE has an overall market capitalization of over Rs 118.80 crore. It ranks amongst the 10 most valued exchanges globally. BSE also came out with an IPO and is listed in NSE. Its product offerings include equities, equity derivatives, commodities and currency derivatives.

National Stock Exchange (NSE)

NSE is young when compared to BSE, it is still one of the largest exchanges in the country. NSE came into the picture in the year 1992 with Vikram Limaye as its CEO. It was recognised as a stock exchange by SEBI in 1993 and commenced operations in 1994. It started with the launch of the wholesale debt market, followed shortly after by the launch of the cash market segment. In the year 1995-96, NSE launched the NIFTY 50 Index and commenced trading and settlement in dematerialised securities. Nifty lists out the top 50 companies which traded on the NSE stock exchange market.

Apart from Nifty, other key indices of NSE include Nifty Next50, Nifty500, Nifty Midcap150, Nifty Smallcap250 and Nifty MidSmallcap 400. National Stock Exchange expanded its product offerings as well. Among other services such as clearing and settlement, it also offers equity and equity derivatives instruments, commodities and currency derivatives.



Objectives

- To take an overview of the Indian stock market and encapsulate various investment avenues available.
 - To know various options available in the capital market to invest.
 - To know investor’s perception regarding investment in the stock market.
 - To study investment behavior of investors and the factors that affect their investment decisions.
 - To know the satisfaction level of investors regarding return of different investment avenues.
- People created the stock market to make purchasing and selling financial assets simpler and less time-consuming. The primary function of a stock exchange is to assist companies raise capital. It was established to provide the necessary funds for the country’s enterprises to operate.



Types of Investment in the Indian Stock Market

The Indian stock market provides investors with a range of investment options, each with its own level of risk and potential return. In this section, we'll take a closer look at the different types of investment available in the Indian stock market.

Stocks: Stocks are the most basic form of investment in the Indian stock market. When an investor purchases a stock, they are buying a share of ownership in a company. The price of the stock is determined by the forces of supply and demand in the market, and investors can earn a return on their investment through capital gains or dividends.

Mutual Funds: Mutual funds are professionally managed basket of portfolios of stocks and bonds. Investors pool their money together and hire a professional fund manager to invest the money in a diversified portfolio of assets. Mutual funds provide investors with exposure to a range of stocks, making them a good option for investors looking to diversify their portfolio.

Exchange-Traded Funds (ETFs): ETFs are similar to mutual funds but are traded on stock exchanges like individual stocks. ETFs are also managed by professional fund managers and provide investors with exposure to a range of stocks. However, unlike mutual funds, ETFs can be bought and sold throughout the trading day, making them a more flexible investment option.

Initial Public Offerings (IPOs): An IPO is the first time a company's stock is offered for sale to the public. Investors can purchase shares of the company during the IPO and potentially earn a return on their investment if the company's stock price increases.

Futures and Options: Futures and options are derivative instruments that allow investors to speculate on the future direction of the market. Futures are contracts that obligate the buyer to purchase or sell an underlying asset at a specific price on a specific date, while options provide the buyer with the right, but not the obligation, to buy or sell an underlying asset at a specific price on a specific date.

Demat and Trading Accounts: A Demat account, short for a dematerialized account, keeps securities in electronic form. To keep their shares and other securities, investors must create a demat account. In addition, a trading account is required to place buy and sell orders on the stock market. Both of these accounts may be created with a stockbroker.

Merits of Indian Stock Market

Return on investment: As the majority of the listed shares are equity shares their value is directly related to the value of the company, thus when a company is doing well there is a substantial capital appreciation in the shares of the company which provides good returns.

Right to vote: The equity shares give a right to vote to the shareholders on the matters concerning their interests. Therefore, the Companies Act, 2013 requires the approval of shareholders in an annual general meeting or extraordinary general meeting to take important decisions. This enables the investors of the company to have a say in the companies' operations.

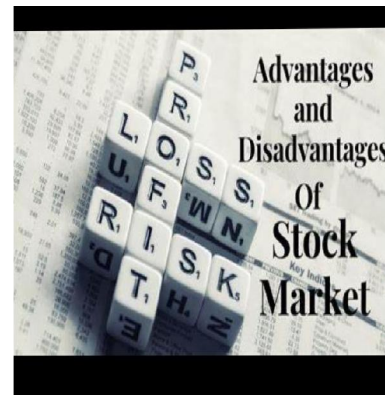
Contribution to economic growth: The stock exchanges have notably contributed to the growth of the economy, and the growth of the economy has aided the development of the stock exchanges. The first stock exchange Bombay Stock Exchange was established in 1875 and the National Stock Exchange was established in 1992.

Easy to buy and sell: Stock market investments are one of the most liquid forms of investments, unlike fixed deposits in banks or government bonds, there is no stipulated investment period. And as compared to real estate transactions the process of transfer of title has considerably less legal formalities and quicker.

Tax benefits: Where earnings from several other investment options are subject to high tax rates the strategic security investments save up on tax payment, Section 112A of the Income Tax Act, 1961 allows the investors to claim tax benefit on the long term capital gains, the term varies for the listed and unlisted status of the company and the type of security itself.

Demerits of Indian Stock Market

Lack of Professionalism: The majority of stock brokers lack professionalism. They lack proper education, business skills, infra-structural facilities etc. which inhibits them to provide proper service to clients. They are



not able to guide and counsel their clients in the manner expected of them

Fake shares: Frauds involving forged share certificates are quite common. Investors who buy shares unfortunately may get such fake certificates. They would not be able to trace the seller and their entire investment in such fake shares would be a loss.

Poor services: The number of brokers is less and many brokers provide very poor service to investors, There are more than 50,000 sub-brokers and they are totally unregulated. There are many instances of sub brokers committing fraudulent acts and investors losing money.

Broker defaults: Due to excess speculation in specific shares, broker defaults occur. Such defaults destabilize stock exchanges and results in payment crisis.

Less Floating Stocks: There is a scarcity of floating stock in Indian stock exchanges. The shares and debentures offered for sale are a small portion of total stocks. The financial institutions and joint stock companies which control over 75 percent of the scrips do not offer them for sale.

High brokerage and low margin: Although the market has now become much more accessible the brokers are still needed for the smooth functioning of the market. The brokerage charge by them is high leading to lower profit margins for the investors making the investment option less attractive.

Subject to higher risk: Apart from the volatility of the market as explained above, the equity investment carries the highest amount of risk even in terms of corporate finance. According to Section 53 of Insolvency and Bankruptcy Code, 2016– the waterfall section the shareholders are paid at last after paying all other debts of the corporate debtor, even the debt instruments to both secured and unsecured creditors.

Factors Affecting the Indian Stock Market

The Indian stock market is a dynamic and complex system that is influenced by a variety of factors. In this section, we'll take a closer look at some of the key factors that can affect the performance of the Indian stock market.

Economic Indicators: Economic indicators such as GDP growth, inflation rates, and interest rates can have a significant impact on the Indian stock market. For example, a strong GDP growth rate can boost investor confidence and lead to increased investments in the stock market, while high inflation rates and interest rates can have a negative impact on the market by increasing the cost of borrowing and decreasing consumer spending.

Global Events: Global events such as changes in trade policies, geopolitical tensions, and natural disasters can also have an impact on the Indian stock market. These events can cause fluctuations in the market as investors respond to new information and adjust their Investment strategies accordingly.

Corporate Earnings: Corporate earnings reports are an important factor that can affect the performance of the Indian stock market. If a company reports strong earnings, investors may be more willing to invest in the stock, leading to an increase in its price. Conversely, if a company reports weak earnings, investors may sell their shares, causing the stock price to decline.

Investor Sentiment: Investor sentiment is another important factor that can influence the Indian stock market. If investors are optimistic about the market's direction, they may be more willing to invest, which can drive up prices. Conversely, if investors are pessimistic, they may sell their shares, which can cause prices to decline.

Government Policies: Government policies can also have an impact on the Indian stock market. For example, changes in tax policies, subsidies, and regulations can influence the performance of specific sectors and companies, which can in turn affect the overall performance of the stock market.

Analysis of Recent Trends in the Indian Stock Market

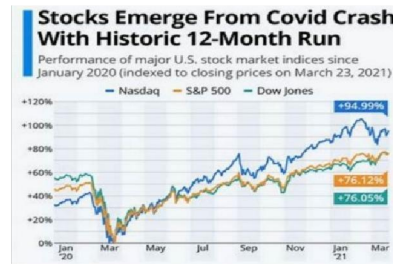
The Indian stock market has witnessed several fluctuations in recent times. BSE Sensex, Nifty 50 and BANKNifty are the key indices that reflect the market's overall performance. As of March 22, 2023, the BSE Sensex stands at 58,214.59, while the NSE Nifty50 is 17,151.90. Indian stock market has faced a downfall in the past couple of years due to the COVID-19 pandemic. The pandemic led to a significant decline in the market during the early stages of 2020, but it has since shown signs of recovery. However, experts suggest that the market is still not out of the woods, and investors must be cautious. Foreign investor participation is another trend observed in the Indian stock market. According to a report by the National Securities Depository Limited (NSDL), foreign portfolio investors (FPIs) have invested a net amount of ₹2.87 lakh crore in the Indian equity market in the fiscal year 2021-22. This indicates a positive sentiment among foreign investors toward the Indian market.

Ever since COVID 19 strike, markets loom under fear as uncertainty prevails. It has sent markets around the world crashing to levels not witnessed since the Global Financial Crisis of 2008. Following the strong correlation with the trends and indices of the global market as BSE Sensex and Nifty 50 fell by 38 per cent. The total Market Capitalization lost a staggering 27.31% from the start of the year. The stock market has reflected the sentiments this pandemic unleashed upon investors, foreign and domestic alike. Companies have scaled back; layoffs have multiplied and employee compensations have been affected resulting in negligible growth in the last couple of months. Certain sector such as hospitality, tourism and entertainment has been impacted adversely and stocks of such companies have plummeted by more than 40%.

Abstract/Summary

Indian securities markets have undergone many changes during the last decade. Exponential growth in trading volumes is pushing existing trading systems and processes to capacity and increasing settlement risk. With Indian market moving to a rolling settlement cycles in line with global markets, SEBI is continuing its efforts to increase the efficiency and transparency in Indian markets. Indeed it has been SEBI endeavor to make the Indian markets, one of the most competitive and efficient markets of the world.

Income, Savings mobilization and promotion of investment are functions of the stock and capital markets which are a part of the organized financial system in India.



This Project titled ‘An Overview of Indian stock market’ is an attempt to understand the stock market and role played by Indian retail Brokerage Firms in stock market. The objective of brokerage firms is to help the investor to minimize the risk involved in investment and maximize the return. Some of the main characteristics of the brokerage industry include growth in e-broking; growing derivatives market, decline in brokerage fees etc. An endeavor was also made to understand the role played by India bulls Securities compared to its competitors in Indian retail brokerage market. The role played by Indian retail brokerage industry is of immense significance, taking into account the health of the capital markets and the intensity of competition among the brokerage companies.



II. CONCLUSION

In conclusion, the Indian stock market offers a range of investment opportunities for investors looking to grow their wealth over time. By understanding the basics of the stock market, including how it works, the different types of investments available, and the factors that can affect its performance, investors can make informed decisions and potentially earn a significant return on their investment.

However, investing in the stock market comes with risks, and it’s important for investors to do their own research and consult with financial experts before making any investment decisions. Investors should also consider their own investment objectives and risk tolerance before choosing an investment option. The Indian stock market has a rich history and has seen significant growth over the years. While there are ups and downs in the market, many investors have been able to achieve significant returns by investing in quality companies and making smart investment decisions. The future of the Indian stock market looks promising, with the Sensex index poised to scale new heights in the coming years. Driven by a strong economy, technological advancements, and a young, aspirational population, the stock market is expected to offer attractive investment opportunities for discerning investors. However, as with any investment, it’s crucial to adopt a well-researched and diversified approach to minimize risks and maximize returns. So, as the Indian stock market continues its upward march, investors must stay informed, agile, and ready to seize the opportunities in the exciting world of the Sensex index and the Indian stock market.



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