

# Understanding the Trends of Indian Securities Market: A Comparative Study of BSE & NSE

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**Abstract** – Stock markets in India serves the companies by giving them the much-required funds for their long-term needs and at the same time providing the investors an opportunity to park their excess money in this market and experiencing the maximization of wealth which in turn gives them a chance to be the part of nation's development hence any stock market plays a vital role in economic development. In the recent past, Indian stock market has observed slight slowdown and is being affected due to economic upheavals occurring worldwide. The present study focuses on the trends of Indian security market based on the total number of listed companies, number of sub brokers, shares traded, capital raised in specific industries, average shares price annually etc. during the study period from 2013-2018-19. Also, by examining the investors grievances addressed and investigations carried out by the market regulators i.e., SEBI, the study concludes, although number of companies listed have increased considerably on BSE and reasonable amount of sub-brokers have also registered on security market still there is a declining trend observed in the quantity of total shares traded in cash segment in all during the study period. The present study recommends that brokers, sub-brokers and even the educational institutes may conduct investment awareness programs for more integrated approach and to attract more of the investors towards security market.

**Key Words** – Indian Stocks Market, NSE, BSE, SEBI, Investor Grievances

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## 1.1 INTRODUCTION

Capital markets have truly become the barometer of a country's economic performance. In India, the financial sector in general and capital markets in particular, have seen a comprehensive set of reforms in 90's and have acquired greater depth needed for sustained growth. Now, as the securities market in India has turned out to be the best performers amongst others. In India, most of the trading takes place through two main stock exchanges:

- Bombay Stock Exchange (BSE)
- National Stock Exchange (NSE)

Bombay Stock Exchange was found in 1875 and since then it is touching the milestones with every passing year, whereas National Stock Exchange was found in 1992 and involved in trading since 1994 (3<sup>rd</sup> largest Stock Exchange in the world in terms of number of transactions). Today, almost all the significant companies in India are listed on both of these stock exchanges. In count, BSE has about 5000 listed firms/companies, out of which about 500 listed firms constitute more than ninety percent of

BSE market capitalization and remaining securities are considered highly illiquid. Whereas the rival NSE has about 1600 firms/companies listed on it and enjoys a quite dominant share in spot trading with around 70% share of market and around a complete monopoly for derivatives trading. Although both the exchanges follow similar trading mechanism, settlement process and trading hours, etc. yet they compete for the flow of order to reduce costs, enhance innovation and to lead more market efficiencies.

The Indian securities market is classified into two sections on the basis of nature of securities whether securities are newly issued or those are already owned by the investors.

- (a) Primary Market, where the initial public offerings take place (IPO).
- (b) Secondary Market, where the securities already listed on the stock exchange are bought and sold.

## 1.2 MARKET REGULATION

Securities and Exchange Board of India (SEBI) has the overall responsibility of supervising, regulating and developing the policy issues related with the Indian Stock Market. Formed in 1992 as a regulating authority, SEBI enjoys quite autonomous status today and exercises a great control over several issues in Stock Market. Since its inception, it has consistently laid down the rules for promoting best market practices and enjoys vast powers to impose penalties also in case of defaults.

In India, the foreign/outside investment could start only after 1990s particularly which is also known as liberalization in the economy. Being an emerging market, India shows up all signs of being a high potential market which is developing as a faster growth engine. It has a growth at parity with global market. Several financial instruments like currency, derivatives, commodity have been introduced which has helped Indian stock market to lure more investors. Now they can invest in almost anything like shares, bonds and other complex instrument like future, options, swaps, forward etc.

An exchange affords the liquidity that facilitate its investors to quickly sell and purchase their holdings. The ultimate benefit of investing in stocks is that it offers comparatively more liquidity than other types of securities including immovable assets. But the growth has its own consequences and challenges. Currently, only a very low percentage of the household savings of Indians are invested in the domestic stock market but as financial market is more stable now, we might see more money joining the race. SEBI has put some hard measures to ensure investor protection but there is a lot of work to be done yet i.e., Investor Awareness Program.

This present study attempts to identify the trends of Indian security market using various parameters and challenges faced by SEBI in protecting interest of investors and making exchange a fair game.

## 1.3 LITERATURE REVIEW

In his study regarding different aspects of Indian securities market, Rao (1999) anticipated that in the post liberalization era, the role of stock market has extended and it was not confined to mobilizing the funds only but it also came in the position of building stabilizer to enhance liquidity and market monitoring of capital management. Yet after the initial booming period, the stock market experiences the slowdown as the investors lost their confidence and explored different options of investment other than the securities in stock market specifically in respect of primary market which almost dried up in late 90's.

Sabarinathan (2010), in his study observed the major developments about the SEBI's regulation of Indian

securities market. A critical review was formed in the study based on secondary data. The study concluded that with the advent of an act of Parliament 1992, SEBI was armed with absolute powers to ensure safety and efficiency in Indian stock market and has come up with well-designed reforms measures and stringent norms. As a result of these initiatives taken by SEBI, a noteworthy growth could be seen in total capitalization and other growth parameters since then. The study articulated that India has become one of the most promising market for new issues and the universally accepted benchmarks in the disclosure requirements and accounting policies were introduced by SEBI which have been followed by listed companies. It is asserted that Indian security market is amongst the safest and most efficient trading destinations globally all thanks to stern policies by authority to regulate the market. However, due to ineffective enforcement of the compliance is often pushing the companies more towards big scams.

In a study by Jadhav (2011), a remarkable progress has been observed by Indian securities market since 90's in terms of implementing standardized practices, widening and deepening the capital markets and achieving new milestones every passing year. However, the study revealed some of the problems relating to capital markets i.e., existence of huge number of illiquid stocks, lack of depth of maintaining accounts and concentration of trading with few brokerage houses only and lower delivery ratio. It was identified during his study that transparency is limited in both primary and secondary market and concluded that markets have achieved tremendous stability despite global recession based on strong foreign funds inflow in Indian markets.

It is also believed that there exists a scope for improvement for promotion of more transparency due to constant efforts by SEBI. In a study, Bala (2013), by studying various literature about Indian securities market, attempted to define stock market. It was stated that corporate and entrepreneurs used to raise funds in stock market through public issues mainly. The study considered Bombay Stock exchange, National Stock Exchange and Calcutta Stock Exchange as three major stock exchanges. It is concluded in his study that risk of stock market can be calculated on the basis of historic volatility of underlining security and the volatility of stock market is largely influenced by money supply, rate of inflation, fiscal deficit and political stability of the country and identified these as the main factors to cause variations.

## 1.4 RESEARCH METHODOLOGY

The study is entirely based on the secondary data and is descriptive in nature. The data was collected from various sources amongst which annual reports from SEBI were most important. The time

period for study is six years from 2013 to 2018-19 (up to December'18). The study is undertaken by examining on total number of companies listed on stock exchanges, industry-wise capital raised by five industries, number of sub-brokers registered, number of shares traded, annual averages of share prices etc. The comparison between BSE and NSE in terms of peculiar trends during past six years was also undertaken in study. On the road of development of Indian security market, various challenges faced are also studied by examining the total investor's grievances received and the nature of investigations carried out during the study period.

## 1.5 RESEARCH OBJECTIVES

- To study the relative trends in Indian stock market for the time period from 2013-14 to 2018-19 (upto Dec.'18).
- To study the challenges in Indian security market which are faced by investors and SEBI.
- To draw the comparison between two prominent stock exchanges i.e., BSE and NSE in terms of, total number of companies listed on BSE & NSE, quantity of shares traded, average annual prices of indices and registration of sub-brokers.

## 1.6 DATA ANALYSIS AND INTERPRETATION

### Part I: Analysis of relative trends in Indian Stock Market during 2013-14 to 2018-19 based on various parameters.

- (a) The summarized and comprehensive results for the statistical analysis of risk and return association starts from the presentation of values given in table 1 which shows the total amount of capital raised in various sectors during six years period taken for study. All the five sectors are selected randomly with an object to cover the variety of industries given in security market overall. An attempt has been made to analyze the trend of capital raising through the stock market. In the year of 2013-14, 2014-15 & 2015-16, the highest amount of capital raised in banking sector which is remarkable. While in 2016-17, 2017-18 & 2018-19, it can be seen that finance sector has raised the highest amount of capital. In Information & technology sector, the amount of capital raised is increasing significantly till 2017-18, but it has recently declined in 2018-19 being the lowest amount on the table of just 45 crores. Healthcare sector can be seen doing firmly along the major fluctuations throughout the study period but 2018-19 is not a productive

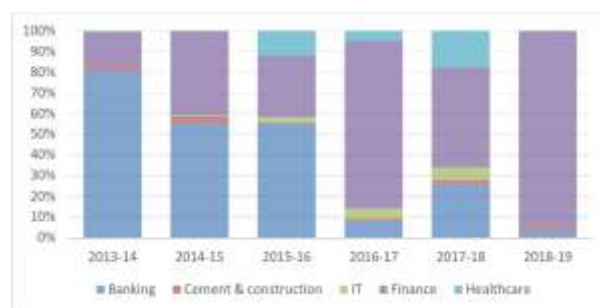
year for it in terms of money raising through capital market. For Cement & Construction Sector, 2015-16 was a major setback but it revived well thereafter. When compared all the sectors over table, finance sector seemingly doing well over the years now.

**TABLE - 1**

### INDUSTRY-WISE CAPITAL RAISED IN INDIAN SECURITY MARKET

Name of the Industry	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (upto dec.'18)
Information Technology	19	137	917	2167	1069	45
Cement & Construction	731	616	172	518	635	542
Finance	6058	7756	10269	35644	15019	32050
Healthcare	210	25	4046	2133	5500	58
Banking	20700	10639	18985	3628	8075	1131

\*Source: SEBI reports  
 \*(Amount in crores)



**FIGURE 1: INDUSTRY-WISE CAPITAL RAISED IN INDIAN SECURITY MARKET**

- (b) Table 2 observes the number of companies listed on selected stock exchanges during six years i.e., BSE & NSE and it represents the trend during the study period. The table depicts that from 2013-14 to 2015-16, there is an increase in the listed companies on BSE & NSE though both are increasing with a declining rate over above mentioned years. Only a year later, there starts a downward trend on BSE as the companies listed are decreasing with increasing rate till the recent year i.e., 2018-19 whereas NSE shows 2017-18 a year where it grows exponentially well but a sharp decline is observed in 2018-19 compared to previous years. Companies are indeed taking a not so positive approach towards getting those listed on the prominent stock exchanges of the economy. It can be due to SEBI's excessive focus on regulation of market conduct and lesser emphasis on prudential regulation.



TABLE-2

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

Year	BSE	Increase/Decrease in number of companies listed (BSE)	NSE	Increase/Decrease in number of companies listed (NSE)
2013-14	5336	-	1688	-
2014-15	5624	288	1733	45
2015-16	5911	287	1808	75
2016-17	5834	(77)	1817	9
2017-18	5619	(215)	1931	114
2018-19 (upto dec'18)	5232	(387)	1923	(8)

\*Source: SEBI reports

- (c) Sub-brokers act as agents on behalf of trading members who assist investors in dealing with securities on stock markets and they themselves are not trading members. The given table 3 and chart 2 make it clear that during the six-year study, there is a continuous decline in number of sub-brokers registered on both i.e., BSE & NSE. At the same time, a greater number of sub-brokers is seen registered on NSE as compared to BSE. Table 3 and figure 2 represent the number of sub-brokers registered on BSE and NSE. However, a slight increase can be noticed in last given year, 2018-19 but still the continuing downward trend in initial years of study can be attributed to the various norms by SEBI regarding sub-brokers registration which is stringent.

TABLE 3

## NUMBER OF SUBBROKERS REGISTERED ON BSE AND NSE

Year	BSE	NSE
2013-14	22652	28362
2014-15	18559	23226
2015-16	15769	19173
2016-17	13788	16822
2017-18	9397	11701
2018-19 (upto dec'18)	9406	11709

\*Source: SEBI reports

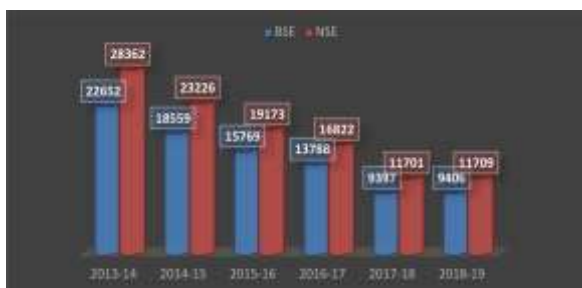


Figure 2: NUMBER OF SUBBROKERS REGISTERED ON BSE AND NSE

- (d) Table 4 & figure 3 depicts the total quantity of shares traded (in lakhs) on BSE & NSE during the six years of study period from 2013-14 to 2018-19. It can be clearly observed from data that as compared to BSE; a greater number of shares are traded on NSE. A wide range of fluctuations are shown over the six years with a growing trend till 2017-18 and a decline in 2018-19. Though the trend is towards growth for major period yet the decline in recent study year can be due to the slowdown of economy worldwide and hesitation of investor's due to other macro environmental factors. Recently, BSE has launched 'chatbot' and 'Ask Motabhai', for faster, more convenient access to stock market information in 2017.

TABLE 4

## ANNUAL QUANTITY OF SHARES TRADED IN CASH SEGMENT (LAKHS)

Years	BSE	NSE
2013-14	479951	153316
2014-15	856755	2361779
2015-16	762545	2177861
2016-17	707231	2624534
2017-18	771564	3710852
2018-19 (upto dec'18)	385983	2727353

\*Source: SEBI reports

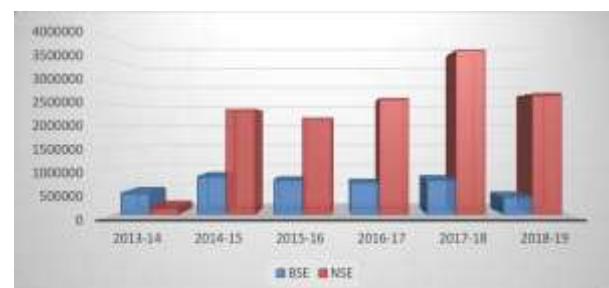


FIGURE 3: ANNUAL QUANTITY OF SHARES TRADED IN CASH SEGMENT

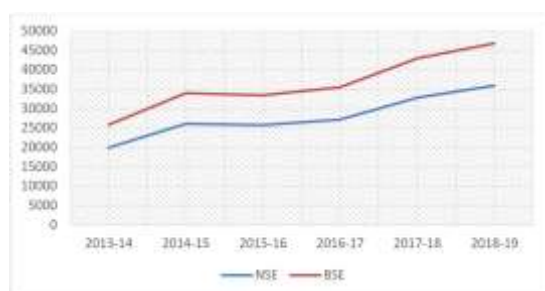
- (e) The given Table 5 & figure 4 shows the average annual share prices indices on BSE & NSE during respective study. The chart makes it very clear that average annual price indices are higher for BSE than NSE through the entire study period. An upward trend can be seen for both the stock exchanges in the year of 2016-17 and then a decline in 2017-18 but ending with an increase in last study year.

**TABLE 5**

**ANNUAL AVERAGE OF SHARE PRICES INDICES  
(Rs.)**

Year	BSE	NSE
2013-14	19958	5924
2014-15	26111	7879
2015-16	25795	7685
2016-17	27174	8367
2017-18	32842	10123
2018-19 (upto dec'18)	35981	10882

\*Source: SEBI reports



**FIGURE 4: ANNUAL AVERAGE OF SHARE  
PRICES INDICES**

**Part II: Challenges faced by SEBI during ensuring investors protection and steps taken to make investigations are as follows:**

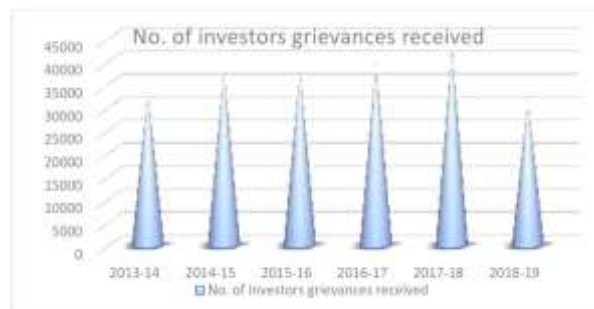
- (f) The below presented Table 6 & figure 5 here represents the number of investor grievances received by SEBI which has been studied for identifying the challenges faced by SEBI to boost the confidence of stockholders and investors in security market. The highest number of grievances being received by SEBI is in year 2017-18. After a continuing upward trend till 2017-18, there can be seen a sharp decline in grievances received by SEBI which can be attributed to various initiatives taken by SEBI in recent past.

**TABLE 6**

**NUMBER OF INVESTORS GRIEVANCES  
RECEIVED BY SEBI**

Year	No. of investors grievances received
2013-14	33550
2014-15	38442
2015-16	38398
2016-17	40000
2017-18	43132
2018-19 (upto dec'18)	31669

\*Source: SEBI Reports



**FIGURE 5: NUMBER OF INVESTORS  
GRIEVANCES RECEIVED BY SEBI**

(g) The given Table 7 and figure 6 here represents nature of investigations taken up by SEBI regarding various grievances like market manipulations and price ragging and other manipulations. The chart shows clearly that highest number of investigations are made in 2016-17 whereas in 2018-19, investigations regarding insider trading are highest in number in last year of study. It is found from data that during the six-year study period maximum investigations are taken up in market manipulations and price ragging and investigations being least in takeovers.

**TABLE 7**

**NATURE OF INVESTIGATION TAKEN UP BY  
SEBI**

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (upto dec'18)
Market manipulation & Price Rigging	67	41	84	185	40	42
Issue Related Manipulation	6	3	9	8	1	0
Insider Trading	13	10	12	34	15	46
Takeovers	6	3	2	3	1	2
Miscellaneous	16	13	26	15	60	7

\*Source: SEBI report



**FIGURE 6: NATURE OF INVESTIGATION  
TAKEN UP BY SEBI**

**1.7 CONCLUSION**

In conclusion, the study reiterate that the securities market here has come to play a crucial role in the financial intermediation process and have rightly been regarded as torch bearer of the reforms and regulatory processes. While impactful role of SEBI

and liberalization in securities market has resulted in many improvements in functioning of stock markets, there are several aspects still needs attention so that Indian stock market would play an important role in economic and industrial development and explore its true potential. The sluggish trends in BSE & NSE which are observed through quantity of shares traded in cash segment declined in 2018-19, needs to be reversed by restoring investor's confidence in the market. The trading needs to be broad based and various intermediaries should be strengthening to conform to international standards.

The data analysis concludes that banking and finance sector have raised highest amount of capital from security market during the six years of study period. A continuous decrease in the number of companies listed on BSE & NSE is a new challenge. Though SEBI is armed with near absolute power and needs to convince no judge before imposing serious restraints on economic activity, the task here requires calm reflection on the problems on one hand, and a mind open to fresh ideas and innovative thinking on other. This present 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 also a review is overdue, it has been nearly six years since the new takeover regulations came into effect. The measures to direct clean and transparent trading should be initiated and sub-brokers and investors should be made aware about several manipulations of stock market.

Socio-economic changes in the south east Asian region needs a conscious attention study. A stock market-oriented system with appropriate regulation leads to growth with stability, otherwise there may be shocks both internally and externally which might destabilize the economy. Thus, it is important that investors awareness program is now regularly organized by SEBI to educate and create awareness among the investors.

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