PREFACE

Stock market is today described as the barometer of the state of health of a nation’s economy. Indian capital market is broadly divided into primary market and secondary market, the former deals in fresh shares whereas the latter deals in already listed shares. Shares are floated in these markets by the companies with a view to raise long term funds. Hence, the stock market has dual functions of raising of new capital and providing liquidity to existing securities.

Today there are 20 recognised stock exchanges in India, including the Over the Counter Exchange of India (OTCEI) for small and new companies, the Bombay Stock Exchange (BSE), the oldest stock exchange in Asia and the National Stock Exchange (NSE), set up as a model exchange in order to provide national level services to the investors alike.

The Bombay Stock Exchange accounts for the largest number of listed companies in the world and also has screen based trading system called BOLT (BSE On–Line Trading System). On the other hand, the National Stock Exchange has recorded the largest trading volumes with the help of its fully automated screen based system – NEAT (National Exchange for Automated Trading).

The financial sector in India has developed quite significantly in both size and sophistication. A major fillip to strengthen the financial system was given by the rapid expansion of the stock market. A wide range of financial reforms were implemented in order to strengthen the Indian capital market viz repealing the
Capital Issues (Control) Act 1947, establishment of Securities Exchange Board of India (SEBI), introduction of dematerialisation, allowing access to Foreign Institutional Investors (FII’s) in Indian capital market, screen based on line trading, introduction of rolling settlement system etc. The setting up of NSE as an electronic trading platform set a benchmark of operating efficiency for other stock exchanges in the country. The establishment of National Securities Depository Services Ltd. (NSDL) in 1996 and Central Depository Services Ltd. (CSDL) 1999 has enabled paperless trading regime in the exchanges.

Introduction of dematerialisation in a phased manner by SEBI and with the advent of on line screen based trading; trading in Indian stock market became faster, transparent and efficient apart from eliminating the risks to the investors arising from bad deliveries delays in share transfer, fake and forged shares. Also the Electronic Fund Transfer (EFT) facility combined with dematerialisation of shares has created a conducive climate for reducing the settlement cycle in stock markets.

The Indian Capital Market has come a long way, from the early days of floor trading to the present day screen based and net based trading. It has been phasing out century old systems with a plethora of new products and mechanisms. Hence, the Indian capital market in general and stock market in particular has witnessed metamorphic changes over the years. The increasing influence of India’s Stock Market at the world level has evoked widespread academic and business interests.