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Introduction
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The nearly two hundred years of British rule resulted a comprehensive legal system in India. Today capital markets in India cannot live only on the British legacy. After she initiated economic reform in 1991, India quickly repealed or revised old laws, rules and regulations and legislated new ones in order to align herself with global capital market standards. The financial system consists of the money market and the capital market. The capital market discharges the important function of transfer of savings, especially of the household sector to companies, governments and public sector bodies. Capital market apart from the primary market also includes markets where securities that have been issued in the past are traded. These secondary markets are called stock markets or stock exchanges. It offers opportunities primarily for trading risk and boost liquidity.

With its long history Bombay Stock Exchange (BSE), has become an icon of capital markets in India. It has contributed significant to the importance of the city of Mumbai as the “Financial capital” of the country. It is also one of the oldest trade associations in the country. Amongst the 24 stock exchanges in the country, it has been the only one to have the privilege of getting permanent recognition ab-initio under securities contracts regulation act of 1956.

The Indian capital markets underwent substantial reforms during the 1990’s. The regulatory framework strengthened under the Securities and Exchange Board of India (SEBI), clearing system improved with the setting up of the National Security Clearing corporation Ltd. (NSCCL) and National Security Depository Ltd. (NSDL) both in 1996 Market participants have become better
institutionalized with the entry of Foreign Institutional Investors (FIIs) and Mutual funds (MFs).¹

The financial sector in any economy serves as an indicator of what is going to happen and shows the vibrancy of what is in store. If we just take a cursory view at the trends shown in capital markets within the Indian economy we see the financial sector seems to be dragging alone for quite some time now.

For years, the BSE has been the epicenter of commerce and trade. Apart from glory, the BSE has also had its share of controversies skeptics often allege that it is an archaic organization, a coterie of factions politicking among themselves at the risk of the country.

Nevertheless, the fact remains that the BSE is a vital intermediary in the process of resource allocation whose importance cannot be shrugged off. Indications suggest that there is more in store at the BSE. The vision 2000 and the vision 2005 plan, suggest that the exchange has actually started looking into the future. The vision 2005, is supposed to be a plan to place the BSE in a position of strength and service in the year 2005.

Amongst other things, the BSE vision 2000 document states that the BSE plans to expand the BOLT to 500 cities by March 2000, set up its own VSAT network and expand abroad. But industry experts opine that the present structure of the BSE would not allow for the realization of vision 2000.²

The Indian financial system is a vast universe, (as shown in appendix). This universe is regulated and supervised by two government agencies under the ministry of Finance.

(i) The Reserve Bank of India (RBI), India’s Central Bank and
(ii) The Securities Exchange Board of India, the country’s capital market regulator.

The Indian capital markets change amazingly quickly. Some parts of this work may well be out-of-date by the time; it takes a final shape of thesis. Because of this rapid and incessant changing of rules and regulations, there is lack of comprehensive information materials about our market. Therefore, please do not assume that the information in this thesis continues to be remain unchanged.

Despite detailed regulation by the Ministry of Finance, the pre-reform stock market was scandal-prone, speculation-ridden, and only accidentally friendly to the final investor. In the days when a corporate security was a physical certificate, transporting it across the country was a slow and hazardous business. Hence the official model was to have as many stock exchanges as possible so that they could be close to investors, and allow for infrequent transfers. But the larger the number of stock exchanges, the lower the average turnover on each, and the lower the liquidity. To counteract liquidity, the government bestowed a monopoly of trade in a city to each stock exchange. The business in the city stock exchanges was highly cyclical, going up during booms and dwindling in slumps. In the speculative environment, it was always possible that investors, cash or securities, entrusted to a stock exchange member for trading, would be sucked in without trace; brokers and failures and malpractice were an ever-present danger. In the changed scenario of screen-based trading and dematerialisation, monopoly of stock exchanges in their respective cities is superfluous.

The Indian capital market has come a long way from the pre-reform era. The future beckons in the form of Net-based trading.
Step to step the transition will be made easier. Companies will provide better governance. SEBI will contribute sensible regulation, and the stock exchanges will provide greater professionalism. What this will give the investor is a resurgent buoyant capital market where he can put his hard-earned money with confidence and trust.

India is the world's eighth largest country with its population exceeding 900 million and in its size; the present infrastructure appears to be inadequate and will require massive incremental investment to sustain economic growth. In this context the government sought to embark on a liberalisation plan. Capital market is an effective and efficient mechanism for allocation of capital. Capital markets provide a forum for participation of all classes of investor, which include FIIs, MFs, and retail investors. Capital markets is going to be the key driver for mobilizing investments.\(^3\)

The gloalisation of the capital markets has encouraged issuer's the world over to increasingly look beyond the borders of their home markets to expand their investor base and raise funds by way of equity and debt. Simultaneously investors have increasingly sought to diversity their holdings and increase yields. This has led to the emergence of a vast global financial market transcending national boundaries and enabling massive cross-boarder capital flows from those who have funds and are in search of high returns to those seeking low cost funding while Indian companies have been tapping the foreign currency loan market since long, they were allowed to access the international equity market only after 1991, consequently upon the introduction of economic reforms and New Economic policy (NEP).
Besides, our aggregate domestic savings are insufficient to fund our diverse investment needs. Most of the saving are of short-term nature and can be channelised into key sectors such as infrastructure only a limited extent. Efforts need be made, therefore, to encourage institutions/schemes that raise longer-term money such as insurance and pension funds. Further, there is an imperative need to make India an attractive destination for foreign investments for which, from a long-term perspective, economic and political environmental has to be conducive.

Objectives of the study:

The present study has been undertaken to evaluate and examine the role of BSE in resource mobilisation in Maharashtra state since 1991. BSE and the reform era being the core of the study, efforts are being poured in top analyse the impact of reforms on the BSE. Precisely the whole study aims at the following objectives:

(1) To study the historical background and the important landmarks of the BSE. The different types of securities, intermediaries and the methodology of placing an order and the latest terms and technology used in the exchange.

(2) To examine the impact of economic reforms on the capital market and the challenges faced by the capital market.

(3) To acquaint with the trading clearing and settlement systems in the stock exchanges.

(4) To analyse the changes in the stock market due to the launch of the Derivatives products and to examine the different types of stock market indicator series used by the BSE.

(5) To assess and highlight the problems and prospects of the capital market in India in general and BSE in particular.
(6) To present an analytical overview of the BSE in the post liberalization era and comparative study of Maharashtra with the rest of the industrially advanced state in attracting foreign resources.

(7) To suggest some concrete remedial measures to overcome the problems and enhanced the resource mobilization of BSE.

Need for Research:

Securities market reforms brought winds of changing. The Indian stock broking business has gone through a sea change. The National Stock Exchange (NSE) emerged as a tech-savvy bourse and gave birth to a new tech-savvy class of brokerage firms. The new entrants like FIIs as also domestic financial sector players vied for a piece of action. Stock markets registered enormous growth and shown maturity and sophistication after 1990’s. With the inception of SEBI to govern the stock exchanges and other reforms initiated by the government of India bought a lot of changes in the way the stock exchange are operated and business done. Not only the financial sector but in all other sector of the economy a tremendous change took place. This changes were nothing but removal of restrictions, delicensing etc.4

Under these circumstances that the proposed study has been taken up to enable us to examine and evaluate the potential of BSE in mobilizing resources and the performance of Maharashtra during the liberalized regime.

It would help us to know:

(i) The impact of liberalized policy of the government of India on the capital.
(ii) Whether SEBI the watch dog has been successful or not in its working.

(iii) How far the stock exchanges have been successful in exploiting this opportunity.

(iv) The trend adopted by the Investing community while disposing off their money towards stock exchange.

(v) The analytical overview of the BSE in Resource mobilization and the progress achieve so far.

(vi) Role of Maharashtra in attracting foreign investment.

(vii) The mood foreign Investing communities while preferring Indian as their destination and the problems faced by them.

(viii) The areas where the investors face problems and the legislations etc. that needs to be altered.

(ix) The possible lines of action for making working of the stock exchanges more transparent and augment the resource.

(x) How to bring back the lost investors confidence in the stock market.

Review of the literature:

To domestic Indian investors and many foreign investors the Indian capital markets appear mysterious and puzzling. It is due to the fact that there is no current information material, which comprehensively addresses investors concern about this rapidly growing market. The lack of comprehensive information materials about Indian securities industry can be attributed to the rapid and incessant changing of rules and regulations. Until May 1995, the Bombay Stock Exchange operated as an Open Outcry market with thousands of traders on the floor who
communicated with each other shouting in the Gujarati language and by using hand signals. In fact open outcry system was prone to errors and mistakes. One cannot tell exactly what is going on there. The Indian trading floor was always therefore viewed with some suspicion.

Information available in or from Indian capital market is unfortunately more often inaccurate or imprecise than that available in or from developed countries. The reality is that the quantity consciousness or quality control in respect of information in India is generally poor by international standards. Information is fragile and perishable like an egg and its handling requires some skill and care. Informations are not sufficient or carefully prepared at the source. It may be damaged in the communication process.

Apart from this, it was found that no prior work has been done on this particular topic. Due to non-availability of thesis or any material on this particular topic in various Libraries or seminars of various departments. No comparative review of the literature could be done. However Center for Monitoring Indian Economy (CMIE) a database institute had carried out a successful and a comprehensive collection of an analytical data pertaining to Indian capital market as a whole and in particular to BSE. A lot of help has been taken from CMIE statistic to complete the work. Data collected from BSE library were also found to be fruitful to complete the work. And CMIE as well as BSE data depicted the resource mobilization capacity and overall performance of BSE.
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Hypothesis:

Keeping in view the objectives of the study the following hypothesis has been developed for the verification and confirmation.

(a) Like other sectors of the economy, capital market (Specially the stock exchange) too exhibited exorbitant increase in Resource mobilization after liberalization.

(b) Number of listed companies, Market capitalization, volume of trades etc increased manifolds at BSE.

(c) BSE has induced the economic growth rate of the country as a whole and specially its native state i.e. Maharashtra.

(d) Guidance/Supervision and working environment has become more liberalized and transparent in the liberalized era.

Methodology Adopted:

Significant part of the study depends on secondary sources and brief comments notes etc. through primary sources. The primary information's were gathered through seminar on capital markets, discussion with persons/friends in stock broking business etc. Materials for the present study were collected from the published records of BSE library, various data base information services like CMIE, prime database etc. Economic survey Mumbai University library (Kalina), Financial Express Thinktank Indian express Newspapers (Bombay) Lalbaug-Mumbai, NABARD Bandra-Kurla complex Mumbai, and from various magazines, newspapers, articles web sites etc. Data and information so collected were analysed in the light of the recent trends in the capital market.
Design of the study:

Keeping in view the objectives, hypothesis and methodology of the study the whole study has been divided into eight chapters. The first chapter deals with the introduction of the study. The second deals with the brief profile of BSE. The third highlights capital market and the reforms process undertaken by the government of India. The fourth contains the basis of trading clearing and settlement in stock exchanges. In fifth, Newly launched Derivatives products are explained and the stock market indicator series used by the BSE. The sixth covers the performance Evaluation of BSE and Maharashtra after liberalization through statistical analysis. And it has been observed that the performance of BSE as compared to pre-reform era its quite satisfactory but in the second half of 90’s due to irregularities noticed scams etc. the investor lost confidence and thereby BSE lost its large number of investors. And comparative status of Mahararashtra with rest of the industrially advanced states in mobilizing foreign investment is comparatively better. In seventh chapter the problems and prospects of the capital market in general and BSE in particular are enumerated. Finally in the last chapter i.e. eight chapter the concluding remarks and suggestions are mentioned with the main findings of the study in order in order to enhance the resource mobilization, bringing back the investor confidence and streamline the working of the stock exchanges and various intermediaries.

Limitations of the study:

Such an investigation requires an extensive study of the available literature but the paucity of literature provides hindrance in this respect. In addition, the non-availability of statistical data and other relevant information pertaining to the BSE in context to
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Maharashtra have been major hindrances for researches. The data available are many times inaccurate, ambiguous and scattered and thus one has to face innumerable difficulties in compiling/collecting and comprehending the desired/relevant information for the comparison of data. In spite of the necessary care and caution, it cannot be derived that the study does have the limitations that restrict analyzing the incomplete and unscientific data. The paucity of data has been an important factor in the coverage of the time period, which has been limited to ten years only and in some tables up to five years only.

Apart from the difficulties in obtaining the relevant information, problems were also faced in analyzing the data. This is because of various discrepancies in data. Data specially pertaining to Maharashtra were not available. Even such data’s are not with BSE and often database companies. Therefore foreign direct investment had been considered as a base to judge the performance of Maharashtra state. Even though the present study has been carried out under several limitations, genuine effort has been make to draw fruitful conclusion. This, is turn may provide a useful base for bringing about improvement in the working and growth of BSE as well as accelerating the pace of economic growth and development of the Maharashtra and the country as a whole.
References:


