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A review on performance of secondary securities market (Equity market) of India during 2016-17

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Abstract
Stock market is a platform for trading various securities and derivatives. Stock markets acts as a barometer which is also used to measure the performance of the Indian economy with its development. A number of developing countries in association with the International Finance Corporation and the World Bank took steps to establish and revitalize their stock markets as an effective way of mobilizing and allocation of funds. In line with the global trend, reform of the Indian stock market also started with the establishment of Securities and Exchange Board of India (SEBI), although it became more effective after the stock market scam in 1991. With the establishment of SEBI and technological advancement Indian stock market has now reached the global standard. Indian stock market has gained new milestones and its fluctuating has surprised our economy with the expansion in the equity, debentures, bonds and real estate. This paper is an attempt to study on performance of Secondary Securities Market of India during 2016-17 with special reference in Equity Segment with the help of secondary resources like latest Research Studies, Reports etc.

Keywords: stock market, SEBI, economy

Introduction

Adopted the Liberalization, Privatization and Globalization, the Indian capital market has been assigned very dominating place in financing and loaning industry. Instead of showing high growth, high public savings and a high degree of self-reliance, India was actually showing one of the lowest rates of growth in the developing world with a rising public deficit and a periodic balance of payment crises. Between 1950 and 1990, India's growth rate averaged less than 4 per cent per annum. The strategy of industrialization, which protected domestic industries from foreign competition, was also responsible for high cost and low growth in the economy. (Kochhar *et al.* 2006, Virmani 2004).

In 1875 Bombay stock exchange was established with the view to expand and regenerate finance industry. At that time International standards were confronting with the Indian economy. Stock market has been assigned an important place in financing the Indian corporate sector. It is one of the most lively sectors in the financial system, marking an important contribution to economic development. It is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, debentures, bonds etc. The main attraction of the stock markets is that they provide for entrepreneurs and governments a means of mobilizing resources directly from the investors and to the investors they offer liquidity.

Stock Market is a place where stocks are bought and sold. The stock market determines the day's price for a stock through a process of bid and offer. You bid to buy a stock and offer to sell the stock at a price. Buyers compete with each other for the best bid, i.e. the highest price quoted to purchase a particular stock. Similarly, sellers compete with each other for the lowest price quoted to sell the stock. When a match is made between the best bid and the best offer a trade is executed. In automated exchanges high- speed computers do this entire job. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital- raising platform. More than 5000 companies are listed on BSE making it world's No. 1 exchange in terms of listed members.

According to The Securities Contracts (Regulation) Act, 1956, "Stock Exchange means anybody of individuals whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities".

The financial markets have two major components:

(A) Money Market: The Money market refers to the market where borrowers and lenders exchange short- term funds to solve their liquidity needs. Money market instruments are generally financial claims that have low default risk, maturities under one year and high marketability. Since their maturity period is very short, they are also called Near Money. These securities include chiefly Call Money, Treasury Bills, Commercial Bills, Certificate of Deposits, Commercial Paper, etc.

(B) Capital Market: The Capital market is a market for financial investments that are direct or indirect claims to capital. It is wider than the Securities Market and embraces all forms of lending and borrowing, whether or not evidenced by the creation of a negotiable financial instrument. The Capital Market comprises the complex of institutions and mechanisms through which intermediate term funds and long-term funds are pooled and made available to business, government and individuals. The Capital Market also encompasses the process by which securities already outstanding are transferred.

Literature Review

Anju Bala (2013) has studied that listing of corporate on various stock exchanges impact the liquidity in the market. Risk in the stock market cannot be eliminated but that can be measured with help of volatility and variability of previous trends. Stock market is always related with the demand and supply forces, fiscal deficit and political stability.

Naresh Chandra Sahu (2011) have studied that stock market is not that much strong that it can affect the real GDP growth of the country. Because only less than 2% of population in India involved with the stock market investment.

Sinha and Pan (2006) [2] have studied on The Power (Law) of Indian Markets: Analyzing NSE and BSE trading statistics. They analyzed the nature of fluctuations in the Indian financial market. They have looked at the price returns of individual stocks, with tick-by-tick data from the National Stock Exchange (NSE) and daily closing price data from both NSE and the Bombay Stock Exchange (BSE), the two largest exchanges in India. They found that the price returns in Indian markets follow a fat tailed cumulative distribution, consistent with a power law having exponent three, similar to that observed in developed markets.

Objectives of the study

- To analyze the Trend of Indian stock market during 2016-17.
- To study the performance of Major Indicators of the Indian securities market during 2016-17.
- To study the changes in Turnover of Major Stock Exchanges in India during 2016-17.
- To study the changes in Market Capitalization of Indian Stock Market during 2016-17.
- To study the Activities of Indian Stock Exchanges in 2016-17.

Research Methodology

This is a descriptive research study that includes the study of various reports, research papers and books relevant to the subject. This research study is totally depending on secondary sources. The secondary data was collected from reports of various exchanges, SEBI annual report, books, existing researches and reports, newspaper articles, internet and magazines available online. The analysis is based on the companies listed under NSE/BSE and other recognized stock exchanges in India during the financial year 2016-17. The study was mainly analytical and partly descriptive in nature.

Scope of the study

The scope of the study is limited to only the Equity Market Segment in various Exchanges in India during F.Y. 2016-17.

Time duration of study

This research study has been done by the researcher for the period of one year that is starting form 01 April, 2016 to 31 March, 2017. During the study performance of Secondary Market of India is calculated.

Equity market in India during 2016-17

2016-17 witnessed the benchmark indices rising significantly backed by resurgence post the demonetization, political outcomes in state elections and rising foreign inflows even as the international developments were not very encouraging. There were a multitude of global events in 2016-17 which influenced the markets including the slowdown in Chinese economy, weak global trade growth, the Brexit, US presidential elections, policy normalization by the Federal Reserve and the attendant uncertainties around each of these events. Nonetheless, the domestic macro-economic and political conditions remained favourable. Strong growth rates, benign inflation and contained twin deficits despite the recovery of global crude oil prices, positive policy actions including implementation of key structural reforms like demonetization, progress on the GST, Aadhar linked public policy initiatives, return to a normal monsoon rainfall, and reduced external vulnerabilities were vital for institutional investors' confidence in the India growth story and also in its markets.

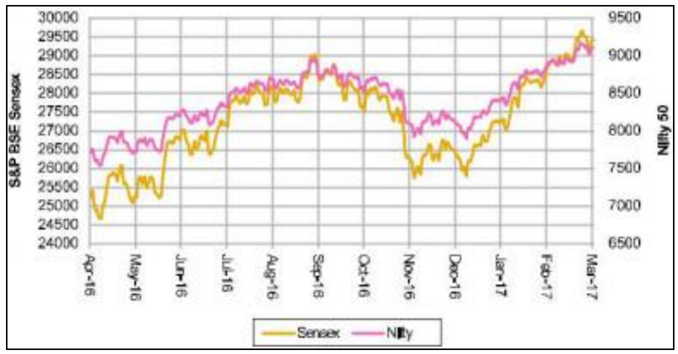

Fig 1: Movement of benchmark stock market indices

At the end of 2016-17, the benchmark indices S&P BSE Sensex (henceforth referred to as Sensex) and NIFTY 50 (henceforth referred to as NIFTY) increased by a significant 16.9 per cent and 18.5 per cent respectively over March 31, 2016. The Sensex closed at 29,621 on March 31, 2017, recording an increase of 4,279 points over 25,342 as on March 31, 2016. The Nifty registered an increase of 1,435 points to close at 9,174 on March 31, 2017 over 7,738 at the end of March 31, 2016.

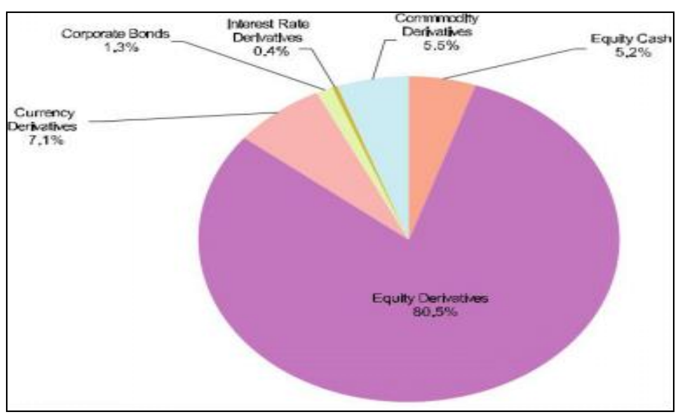

Fig 2: Percentage share in traded value in the secondary market during 2016-17

The segment-wise composition of the value traded in the secondary market is shown in Figure above. In the Indian secondary market, the highest share in terms of traded turnover was held by equity derivatives at 80.5 per cent, followed by currency derivatives (7.1 per cent), commodity derivatives (5.5 per cent), the equity cash segment (5.2 per cent), corporate bonds (1.3 per cent) and interest rate derivatives (0.4 per cent).

Table 1: Major indicators of the Indian securities market during 2016-17

Particulars	**2016-17**	**% Change over the previous year i.e. 2015-16**
1. Indices		
S&P BSE SEnsex		
Year End	29621	16.9
Average	27338	3.9
Nifty 50		
Year End	9174	18.5
Average	8421	5.5
2. Annualized Volatility (in %)		
S&P BSE Sensex	12.1	-28.7
Nifty 50	12.3	-27.9
Particulars	2016-17	% Change over the previous year i.e. 2015-16
3. Total turnover ratio		
Equity Cash Segment	60,54,422	21.6
BSE	9,98,261	34.9
NSE	50,55,913	19.3
MSEI	248	20.7
5. Equity derivatives segment	9,43,77,241	36.2
BSE	6939	-99.8
NSE	9,43,70,302	45.6
6. Currency derivatives segment	83,26,651	9.7
BSE	31,71,648	14.8
NSE	48,57,076	7.9
MSEI	2,97,928	-8.2
7. Interest rate derivatives segment	4,38,341	-33.9
BSE	1,27,979	12.1
NSE	3,07,809	-41.5
MSEI	2552	-88.8
9. Commodity derivatives segment	64,99,637	-2.9
NCDEX	5,96,852	-41.5
MCX	58,65,661	4.1
NMCE	28442	-3.2
Others	8682	-45.4
10. Market Capitalization (in Cr.)		
BSE	1,21,54,525	28.3
NSE	1,19,78,421	28.7
MSEI	1,18,31,271	28.8
11. No. of listed companies		
BSE	5834	-1.3
NSE	1817	0.5
MSEI	80	0
12. P/E RATIO		
S&P BSE Sensex	22.6	17.6
Nifty 50	23.3	11.3

***Source*:** SEBI annual report

Reflecting buoyant markets, the market capitalization of BSE and NSE indicated an upturn with an increase of 28.3 and 28.7 per cent respectively in 2016-17. There was sharp increase in P/E ratios over the past year and Indian markets were overpriced compared to other emerging and developed markets. The annualized volatility of the Sensex decreased to 12.1 in 2016-17 compared to 16.9 in 2015-16. For NIFTY, the volatility went down to 12.3 in 2016-17 as compared to 17.1 in 2015-16. The P/E ratios for Sensex and NIFTY stood at 22.6 and 23.3 respectively in 2016-17.

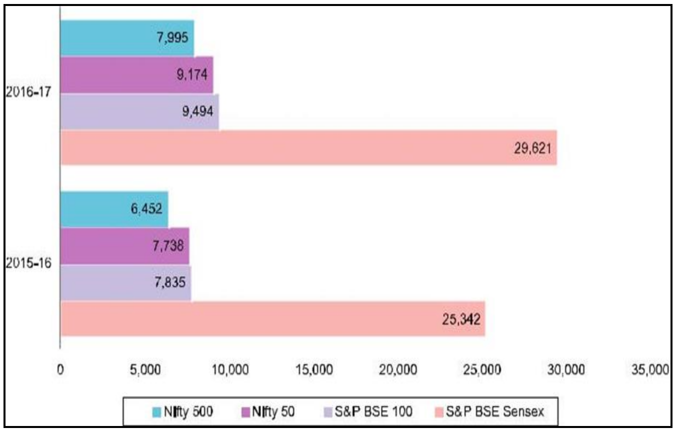

Fig 3: Performance of major stock and sectoral indices during 2016-17

The sectoral and broad based indices showed promising growth during 2016-17. The trends of these indices are shown in figures above. Among the broad-based BSE indices, BSE 100, BSE 200 and BSE 500 recorded year-on-year positive index gains of 21.2 per cent, 22.5 per cent and 24.0 per cent respectively over the previous year. The BSE Small-Cap Index also increased by 36.9 per cent during 2016-17. Similarly, among major NSE indices, the NIFTY Midcap 50, NIFTY Next 50 (formerly known as the CNX NIFTY Junior) and NIFTY 500 increased by 37.0, 33.9 and 23.9 per cent respectively in 2016-17.

Table 2: Turnover in the Indian stock market during 2016-17 (In Cr.)

Stock Exchange	2015-16	2016-17	% Share in total turn over	% Variation over 2015-16
BSE	7,40,089	9,98,261	16.5	34.9
NSE	42,36,983	50,55,913	83.5	19.3
MSEI	206	248	0.0	20.4
Total	49,77,278	60,54,422	100.0	21.6

Source: SEBI Annual Report

The turnover of all stock exchanges in the cash segment increased by 21.6 per cent to 60,54,422 crore in 2016-17 from 49,77,278 crore in 2015-16. Of the aggregate turnover, NSE accounted for 83.5 per cent of the total turnover whereas the BSE accounted for 16.5 per cent of the total turnover. Reflecting increased activity in the market, NSE's turnover increased from 42,36,983 crore in 2015-16 to 50,55,913 crore in 2016-17, an increase of 19.3 per cent. Similarly, BSE too witnessed an increase in turnover of 34.9 per cent from 7,40,089 crore to 9,98,261 crore during the same period. MSEI registered a turnover of 248 crore during 2016-17 compared to 206 crore during the previous year, an increase of 20.4 per cent as per above table.

Market capitalization of Indian stock exchanges during 2016-17

Market capitalization is the total value of a publicly traded company's outstanding shares at any point. It is a major indicator that reflects the size of the stock market. In consonance with the market uptrend, market capitalization surged at both the exchanges. The market capitalization at BSE increased by 28.3 per cent to 1,21,54,525 crore in 2016-17 from 94,75,328 crore in 2015-16 as per given below. On the other hand, market capitalization at NSE increased by 28.7 per cent to 1,19,78,421 crore in 2016-17 from ` 93,10,471 crore in 2015-16.

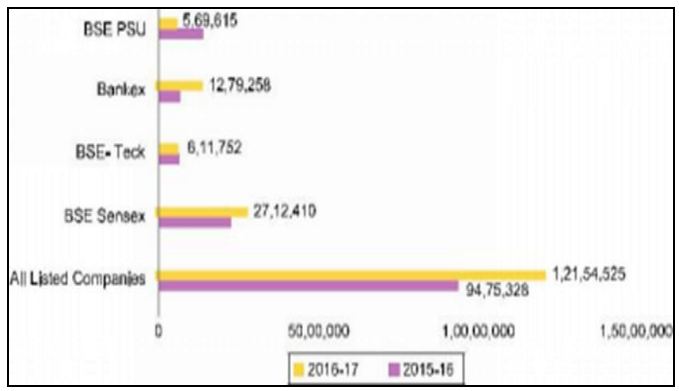

Fig 4: Market capitalization at BSE (in crore) *(in crore)*

Table 3: Market capitalization at NSE *(in crore)*

Year/Month	All Listed Companies	% Variation	Nifty 50	% Variation	Nifty Next 50	%Variation	Nifty IT	% Variation	Nifty Bank	% Variation
2015-16	93,10,471	-6.2	27,71,733	-5.9	5,32,376	-13.7	2,84,570	-46.5	6,61,589	-9.0
2016-17	1,19,78,421	28.7	34,24,913	23.6	6,49,581	22.0	2,60,298	-8.5	9,13,866	38.1

Source: SEBI Annual Report

At BSE, the market capitalization of the shares included in the BSE benchmark index, the S&P BSE increased by 18.7 per cent in 2016-17. Among BSE's sectoral indices market cap of the BSE Capital Goods Index recorded a growth of 31.5 per cent in 2016-17 while that of BSE Teck declined by 4.6 per cent. During the year, market capitalization of the shares included in the NIFTY 50 Index increased by 23.6 per cent. Among the sectoral indices at NSE, NIFTY Bank recorded a 38.1 per cent increase in market capitalization in 2016-17, followed by NIFTY Next 50 (22.0 per cent).

Activities of stock exchanges in 2016-17

During 2016-17, the all-India turnover at the stock exchanges in terms of number of shares traded increased by 12.4 per cent as per given table below. In terms of the total quantity of shares traded, NSE had a share of 78.7 per cent in 2016-17, followed by BSE (21.2 per cent) and MSEI (0.01 per cent). NSE's share in the quantity of shares delivered was 70.4 per cent in 2016-17, followed by BSE (29.5 per cent). During 2016-17, the total value of shares delivered increased by 29.5 per cent to 19,41,465 crore from 14,98,712 crore in 2015-16.

Table 4: Activities of stock exchanges during F.Y. 2016-17

Stock Exchanges	Share Trade (in Lakh)	Share Delivered (In Lakh)	Value of delivered Shares (In Cr.)
BSE	7,07,233	3,03,782	4,64,996
NSE	26,24,534	7,24,495	14,76,232
MSEI	145	141	237
TOTAL	33,31,901	10,28,417	19,41,465

***Source*:** SEBI annual report

Conclusion

With the Indian economy poised to grow faster, the Indian securities market will have to play an increasingly bigger role in financing various economic activities. Further, there is a need for concerted efforts towards further developing the Indian securities market to increase market based financing and supply of risk capital. SEBI’s endeavour in the coming years will, therefore, will be to create the right regulatory environment and facilitate the development of market infrastructure to meet the financing needs of economic activities through the securities market. The main objective of stock market in India was to contribute to raising capital and assisting its allocation process in order to strength the Indian economy. The Behavior of the stock market is always matter of study and which have created a interest in researchers to explores more and more affecting areas towards it. Related study found stock market very volatile and fluctuating with respect to risk and return relationship. In stock market, incomplete information leads to bad return whereas perfection and alertness leads to good and stable return. LPG and other steps taken by the government, RBI has surely given the direction as well as motivation to investor to invest more and more in capital market which has definitely improved the growth of Indian Economy. SEBI monitors the growth of the stock markets and can protect the interest of the investors. As a result the people faith is start building in the stock markets and steadily the formation of NSE and Depository Participant was stand truly on people trust. There are a lot of risk management alternatives available to the investors with which help risk can be minimized and return can be increase. Future of stock market in India is found very bright in upcoming years due to competitive strength.

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