

## **INDIAN STOCK EXCHANGES**

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### **Abstract**

The investment scenario in India is now is at par with global Market. The introduction of Derivative, Currency, and Commodity market now helped the Indian Investor to invest in almost anything like Share, Commodity, Currency, Bonds and complex thing like Interest rate future. The present study Comprises the introduction to the Indian stock exchange, working traits along with the functioning of stock exchange.

*Keywords: financial institutions, investors, stakeholders, economy, securities markets, stocks.*

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### **INTRODUCTION OF STOCK EXCHANGE**

The trading in securities in India was started in the early of 1973. The stock exchange operating in the 19<sup>th</sup> century was those of Bombay set up in 1875 and Ahmadabad set up in 1894. These were organized as voluntary non-profit making associations of brokers to regulate and protect their interests. Before the control on securities trading becomes a control on securities trading became a central subject under the constitution in 1950. It was a state subject and the Bombay securities contract (control) act, 1925 used to regulate trading in securities. Under this act, Bombay stock exchange was securities in 1927 and Ahmedabad stock exchange in 1927 and Ahmedabad stock exchange in 1937. During the war boom, a number of stock exchanges were organized at Bombay, Ahmedabad and other centers but they were not recognized soon after it became a central subject, central legislation was proposed and a committee headed by sh. A.D. GORWALA went into bill for securities regulation. On the basis securities contracts (control) at became law in 1956. At present there are 22 recognized stock exchanges in India number of investors are increasing day by day.

An exchange is a place where shares, stocks and common stocks equivalents are bought and sold. Stock exchange is a platform where buyers and sellers of securities issued by government, financial institutions, corporate houses etc meet and where the trading of these corporate securities takes place. The securities that are traded in stock exchange are shares and debentures of public companies, port trust utility undertakings and such other securities. An organization of brokers and investment bankers which had any form of purpose of providing the facilities for trade of company

stocks and other financial instruments--usually a central location and record keeping. Trade on an exchange is by members only. In Europe, stock exchanges are often called 'bourses'. The trading of stock on stock exchanges is called the stock market. It is that segment of capital market where the securities issued by the corporate are traded.

‘They are the nerve centre of the capital market’

Derivatives, currency, and commodities--that is, agricultural products and industrial raw materials--are handled by a number of specialized exchanges.

- ❖ It is the place where listed securities are bought and sold.
- ❖ It is an association of persons known as members.
- ❖ Membership is must for transacting business.
- ❖ Investors and speculators who want to buy and sell securities can do so through members of stock exchange.

### **WORKING OF STOCK EXCHANGES**

In India mainly there are two exchanges:-

NSE-National Stock Exchange

BSE-Bombay Stock Exchange

The BSE is the oldest exchange in India(started in 1875).NSE started operation on 1994.Before 2000 shares was held in Physical form But the main difficulty with Physical shares is method of transaction which is open outcry system and process is not transparent to investor also Physical shares were prone to duplication and fraud. So in 2000 NSE introduced the electronic screen based trading system further the introduction of Dematerialization(Conversion of physical share in to electronic form) and depository(where the electronic form of share is kept) revolutionized the Indian Stock market. Currently there are mainly two Depository (DP) -NSDL and CDSL and these DP are like bank of share. Individual/Firm can deal through Broker (who is registered and having membership in Exchanges and Depository) for buying and selling securities.

To buy the shares investor has to open a trading and demat account. So investor has to approach a broker/sub broker who has member ship in Exchange (where the share is listed mainly NSE and BSE) and depository (where share is kept in Demat form-Electronic form[mainly CDSL and NSDL).Then Investor has to give necessary identity proof , Address proof, Bank proof and fill the KYC form after reading it carefully, broker will ask for power of attorney for smooth transaction but this is not mandatory. After opening the account the investor can do trading/investing Directly, Through Phone

Internet form broking office and he will contract note(similar to bill that we got when we purchase something and contract note include all minute detail of transaction including brokerage and Other taxes for the transaction done by him within 24 hr of transaction and he has to give cheque to Broker in the name of broking office(no cash transaction is permitted) and current settlement is rolling settlement (The rolling settlement ensures that each day's trade is settled by keeping a fixed gap of a specified number of working days between a trade and its settlement. At present, this gap is 3 working days after the trading day. So transaction entered into on Day 1 has to be settled on the Day 1 + 3 working days, when funds pay in or securities pay out takes place. If investor is selling the security he will get money in 3 working days. If investor failed to deliver the security within time his share will get auctioned and investor has to borne the penalty. If the investor has old physical share he can fill the dematerialization form and send it for converting it to demat form. The reverse can also be done.

### **FUNCTIONS OF STOCK EXCHANGES**

#### **1. Liquidity and Marketability of securities:**

The basic function of the stock market is the creation of a continuous market for securities, enabling them to be liquidated, where investors can convert their securities into cash at any time at the prevailing market price.

#### **2. Fair price determination:**

This market is a nearly perfect competitive market as there are large number of buyers and sellers. Due to perfect information system active bidding take place from both the sides. This ensures the fair price to be determined by demand and supply forces.

#### **3. Source for long term funds:**

Corporate, Government and public bodies raise funds from the equity market. These securities are negotiable and transferable. They are traded and change hands from one investor to the other without affecting the long-term availability of funds to the issuing companies.

#### **4. Helps in capital formation:**

It helps in mobilizing the surplus funds from individuals and institutions and channels them to Corporate and Government bodies for more profitable ventures.

#### **5. Reflects the general state of economy:**

The performance of the stock markets reflects the boom and depression in the economy. It indicates the general state of the economy to all those concerned, who can take suitable steps in

time. The Government takes suitable monetary and fiscal steps depending upon the state of the economy.

6. Provides conditions:

The stock exchange provides appropriate conditions where purchase and sale of securities takes place at reasonable and fair prices. The bargained prices of buyers and sellers are recorded on the basis of which each investor is able to evaluate the securities held by him and thus knows the worth of his holdings at a particular.

7. Provides information

The stock exchange acts as the centre of providing business information relating to the enterprises whose securities are traded as the listed companies are to present their financial and other settlements to it.

### **WHO BENEFITS FROM STOCK EXCHANGES**

- INVESTORS: It provides them liquidity, marketability, safety etc. of Investment.
- COMPANIES: It provides them access to market funds, higher rating and public interests.
- BROKERS: They receive commission in lieu of their services to investors.
- ECONOMY AND COUNTRY: There is large of saving, better growth moves industries, higher income.

### **Conclusion:**

In summarized part, it is worth mentioned here that stock exchange exhibits the economic, social and political stability of any country. It shows the true picture of country. So we can say that in overall. Stock Exchange plays a vital role in the development of any country as a whole.

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