ISSN: P-2455-0515
E- 2394-8450

Educreator Research Journal

VOLUME–XI, ISSUE– I (Special Issue-I) JAN – FEB 2024

Original Research Article

A STUDY OF EXPERIMENTAL ANALYSIS OF STOCK MARKET DEVELOPMENT IN INDIA

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Abstract :

The main purpose of this study was to explore the causal link between stock market performance and economic growth in terms of a simple theoretical and empirical literature framework. Researchers hold diverse opinions regarding the importance of stock markets playing a significant role in economic growth processes by performing the following functions: improving liquidity, aggregating and mobilizing capital, observing managers and exerting corporate control, providing risk-pooling and sharing services including investment levels The lure of creating huge money in a short time has always attracted investors into investing money in stock markets. However, there is no sure-shot formula for success in stock markets. This study was undertaken to find out the awareness level of various stock market instruments and also to find out their risk preference in various segments. It requires a lot of patience, discipline and knowledge of this market. Before actually starting to invest and trading in the stock market, it is good to understand some practices of stock market operations by investment aspirants. This paper reveals that the investors exclusively need to know the basic knowledge about the stock market operations and information regarding companies, securities and prices for systematic investment.

Key Words: *Economic Growth, Investors, Stock markets, Investment, Capital market, Aspirants, Security.*

Introduction:

The Indian Stock Market is as old as its history in Asia. Around 200 years ago it originated with security dealings in India as meager and obscure. In those days, the East India Company was the dominant institution for all kinds of financial securities. By 1830's business on corporate stocks and shares in Bank and Cotton presses took place in Bombay. Though the trading list was broader in 1839, there were only half a dozen brokers recognized by banks and merchants during 1840 and 1850. However, in 1850 witnessed a rapid development of commercial enterprise and brokerage business attracted many people and by 1860 the number of brokers increased into sixty. In 1860-61 when the American Civil War broke out the cotton supply from United States to Europe was stopped and the Share Mania began in India. The number of brokers increased to about 200 to 250. At the end of the American Civil War, the brokers who thrived out of Civil War in 1874, found a place in a street (now we call it Dalal Street) where they would conveniently assemble and transact their business. In 1887, they formally

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established in Bombay, the Native Share and Stock Brokers Association, which is alternatively known as "The Stock Exchange".

National Stock Exchange of India (NSE) The National Stock Exchange of India Limited (NSE) was established in 1992 by a group of leading Indian financial institutions at the behest of the government of India to bring transparency to the Indian capital market. It was the first exchange in the country to provide a modern, fully automated screen-based electronic trading system which offered easy trading facility to the investors across the country.

Bombay Stock Exchange (BSE) The Bombay Stock Exchange (BSE) is an Indian stock exchange located at Dalal Street, Mumbai. Established in 1875, BSE is considered as the world's fastest stock exchange, with a median trade speed of 6 microseconds.

Concept of Stock Market:

- "It is a place where shares of pubic listed companies are traded. The primary market is where companies float shares to the general public in an initial public offering (IPO) to raise capital."
- "There is no concise definition for the phrase "stock market development", which has been frequently used in connotation with the stock market. It helps in efficiently allocating financial resources in an economy by raising capital for business corporations and to further enabling the transfer of capital from one party to another, and mobilizing savings."

Objective of Research:

- To study stock market in India.
- To study the constraints in stock market development in India.
- Providing liquidity for the investors and monitoring.
- To suggest measures to complement the development of stock market economy in India.

Important of Research: This study is primarily based on secondary data that were extracted from various sources mentioned below data collection: This study is predicated on secondary data. The required data associated with Indian stock exchange, Bombay stock exchange (BSE), National stock exchange (NSE) are collected from various sources i.e. Bulletins of Federal Reserve Bank of India, publications from Ministry of Commerce, SEBI Handbook of Statistics, Govt. of India. CNX Nifty data is down loaded from the websites of NSE.

Literature Review: The present research has reviewed some selected research literature in the context of stock market in India which provides specific information on the context of stock market in India. as follows.

Avijit Banerjee (1998) reviewed Fundamental Analysis and Technical Analysis to research the worthiness of the individual securities needed to be acquired for portfolio construction. Technical Analysis detects the foremost appropriate time to shop for or sell the stock. It aims to avoid the pitfalls of wrong timing within the investment decisions. He also stated that the fashionable portfolio literature suggests 'beta' value P because the most acceptable measure of risk of scrip. The securities having low P should be selected for constructing a portfolio so as to attenuate the risks.

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Patrick and Wai (1973) argued that stock markets are those markets that deal with capital, both in the short and long-term, where companies sell stocks in order to generate long-term capital that can be channeled into their profitable options. This is because people would rather invest in winners than losers; buyers hold on to their stocks for future dividend payouts. The activities of buying and selling stocks and shares on the stock market are extremely significant for the allocation of capital within economies.

Madhusudan" (1998) found that BSE sensitivity and national indices didn't follow stochastic process by using correlation analysis on monthly stock returns data over the amount January 1981 to December 1992.

Bishnoy and T. R. Bhanu Pant (2001) separated the lead of the step by step and without fail returns of positive Indian stock exchange records for stochastic technique during April 1996 to June 2001.They found that Indian stock trade I

Redel (1997) targeting the capital market integration in developing Asia during the amount 1970 to 1994 taking into variables like net capital owes, FDI, portfolio equity owes and bond owes. He saw that capital market combination in Asian creating nations inside the 1990 s was an outcome of wide based monetary changes, particularly inside the exchange and budgetary divisions, which is that the basic explanation behind financial emergencies which followed the expanded capital market coordination inside the 1970s in numerous nations won't be rehashed inside the 1990s. He concluded that deepening and strengthening the method of economic liberalization within the India & Asian developing countries is important for minimizing the risks and maximizing the bene it's from increased international capital market integration.

Debjit Chakraborty (1997) in his study attempts to work out a relationship between major economic indicators and stock market behavior. It also analyses the stock market reactions to changes within the economic climate. The factors considered are in action, funds, and growth in GDP, scal de cit and credit deposit ratio. The study shows that stock market movements are largely in upended by, broad funds, in action, C/D ratio and scald de city apart from political stability.

Juhi Ahuja (2012) presents a review of New Delhi Market & its structure. In last decade approximately, it's been observed that there has been a paradigm shift in New Delhi market. the appliance of the many reforms & developments in New Delhi market has made the New Delhi market comparable the international capital markets. The emergence of personal Corporate Debt market is additionally an honest innovation replacing the banking mode of corporate finance.

Nath and Verma" (2003) examine the interdependence of the three major stock exchange s in south Asia stock market indices namely India (NSE-Nifty) Taiwan (Taiex) and Singapore (STI) by employing bivariate and multivariate co integration analysis to model the linkages among the stock markets, no co - integration was found for the whole period (daily data from January 1994 to November 2002). They concluded that there's no end of the day equilibrium.

Stock Market -At Indian Perspective: "The possibility of protections trades came to India in 1875, when Bombay stock exchange (BSE) was developed as 'The Native Share and Stockbrokers Associational voluntary non-pro t making association. We all know it, the Bhaji (Sabji) market in your neighborhood could also be an

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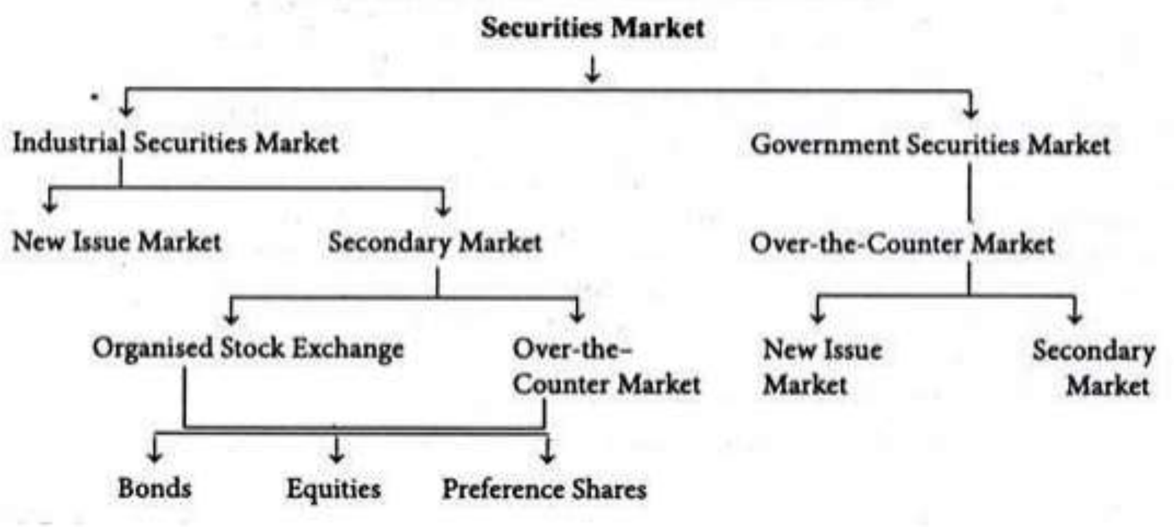
area where vegetables are bought and sold. Like Bhaji (Sabji) market, a stock market as a neighborhood where stocks shares are bought and sold. The stock exchange determines the day's price for a stock through a process of bid and offer. you've right to bid and buy a stock share and offer to sell the stock shares at a valuable price. Buyers compete with each other for the only bid and got their highest price quoted to urge a selected stock market Shares. Additionally, venders contend with one another at the most reduced cost cited to sell the stock. When a match is made between the only bid and thus the simplest offer a trade is executed. In automated exchanges high-speed computers do that entire job. Stocks of various companies are listed on stock exchanges. Presently there are 23 stock markets In India. The Bombay stock exchange (BSE), the National stock exchange (NSE) and thus the Calcutta stock exchange (CSE) are the three large stock exchanges. There are numerous little local trades situated in state capitals and other significant urban communities

Classification of Stock Markets:

Table 40.1. The Structure of Securities Market



Source- RBI report 2021

Determinants of Stock Market Development:

The Traditional growth literature emphasized the role of fiscal policy in economic growth (McKinnon, 1973; Solow, 1956), but it did not include the stock market and the financial intermediation as other factors involved in the growth of the economy. In their study, Garcia and Liu (1999) examined the macroeconomic determinants of stock market development, particularly market capitalization in 15 industrial and developing countries. The results of their study suggested real income; saving rate, financial intermediary development, and stock market liquidity as important determinants of stock market capitalization. Macroeconomic factors such as income level, gross domestic investment, banking sector development, private capital flows, and stock market liquidity are important determinants of stock market development in emerging market countries.

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Comparative Analysis of Stock Market India & World:

Country	Stock exchange name	Indices name	Value of stock
India	National Stock Exchange	S & P Nifty	1,450
India	Bombay Stock Exchange	Sensex	1,482
China	China Shenzhen Stock Exchange	SZSE	3,424
Hong Kong	Hong Kong Stock Exchange	Hang Seng	3,165
USA	USA New York Stock Exchange	NYSE	18,486
Korea	Korea Korean Stock Exchange	KRX 100	1,265
Japan	Japan Exchange Group	Nikkie	4,910
Russian	Russian Russian Stock Exchange	RTS Index	3,941

Source: -SEBI annual report 2021-22

The highly valued Stocks in the world are of New York Stock Exchange, followed by the other American Stock Exchange called NASDAQ, which clearly justifies the dominant position of America in the International Stock Markets.

Institutional Factors: Research studies conducted on the effect of institutional factors on the development of stock markets has been contradictory. On one hand, Pagano (1993) has shown in his study that regulatory and institutional factors such as tax laws, supervision by regulatory authority, and liberalization play a prominent role in the functioning of stock markets. On the other hand, study by Demiurgic-Kunt and Levine (1996) found out that the effect of variables like regulatory framework can be seen in the macroeconomic determinants. In the context of India, study findings have suggested that the regulatory framework of stock markets in India plays a significant role in its development (Joshi, 2013).

Macroeconomic Factors: The main macroeconomic factors determining the development of stock markets have been suggested to be economic growth, FDI and role of foreign institutional investors (FIIs), stock market liquidity, inflation rate, trade openness, and banking sector development (Bayar, 2016; Ben Naceur et al., 2007; El-Wassal, 2005; Garcia & Liu, 1999; Law & Habibullah, 2009). The degree of liquidity is higher with the high value traded ratio (VT) and turnover ratio (TR) which further helps the market to be more developed (Bencivenga, Smith, & Starr, 1996; Biswas, 2006; Levine, 1991). Trade openness also plays a significant role in developing the stock market in developing and low-income countries such as Bangladesh, Ghana, India and Pakistan (Baltagi, Demetriades, & Law, 2009

Conclusion and Discussion: Stock Market is that the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of variety of small investments into an outsized bucket. stock exchange is that the best suited investment for the commoner because it offers a chance to take a position during a diversified, professionally managed portfolio at a comparatively low cost.

The growing importance of stock markets in the financial world, numerous research studies have been carried out to prove the positive relation between stock market development and economic advancement of a nation. With the growing importance of stock markets in the economic development, researchers throughout the world have been attracted to carry out their research works in this area. It has got a prime spot in the researchers of

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developing economies with the liberalization of their stock markets. In this context, the researchers in the present study have tried to take a closer look of the stock market development of India. As it is one of the largest economies in the world, and the financial sector has witnessed many developments post liberalization. Despite the significant expansion and development of the financial sector in India, especially in the stock market, there is a dearth in the number and kind of research and studies, which deals with the development and outlook of this sector.

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Cite This Article: **Hiwrale P.B. & Dr. Gaikwad S. (2024).** A STUDY OF EXPERIMENTAL ANALYSIS OF STOCK MARKET DEVELOPMENT IN INDIA. In Educreator Research Journal: Vol. XI (Number I, pp. 239–244). **ERJ.** https://doi.org/10.5281/zenodo.10715506