



A Study On Working Of Stock Exchanges In India

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Abstract

This study explores the structure, functioning, and evolution of stock exchanges in India, with a focus on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). It examines the regulatory framework governing these markets, the technological advancements that have transformed trading practices, and the role of these exchanges in capital formation and economic development. The study also analyzes trading mechanisms, market participants, and the impact of reforms introduced by the Securities and Exchange Board of India (SEBI). Through a combination of historical analysis, market data, and policy review, the research highlights the progress made in enhancing transparency, efficiency, and investor protection in Indian stock markets. The findings indicate that while Indian stock exchanges have made significant strides in modernization and integration with global markets, challenges such as market volatility, regulatory compliance, and investor awareness remain key areas for continuous improvement.

Keywords: Stock Exchanges, Indian Financial Markets, Bombay Stock Exchange (BSE), National Stock Exchange (NSE), SEBI (Securities and Exchange Board of India), Capital Market, Equity Trading, Market Regulation, Investor Protection, Trading Mechanism, Market Reforms, Financial Instruments, Market Volatility, Electronic Trading & Economic Development.

1. Introduction

Financial markets played a vital role in raising funds from public for the companies and it helped the investors to get profits from public for the trading on shares and other financial assets of these companies. For this purpose there a special part of the financial market called stock exchange evolved. The inventory market is essential from each the industry's factor of view as the investor's factor of view.

Financial market play a indispensable position in channelizing this integral aid for productive purposes. The savers have money, limitless though, however they are now not assured of in search of a higher return by means of investing their financial savings in their very ventures. They would as an alternative decide on to entrust their financial savings to some entrepreneurs who would as an alternative decide on to entrust their financial savings to some entrepreneurs who would furnish security to their funding and at the equal time supply an above the common return on their savings. The entrepreneurs have

enterprise thought however are limited on resources, specially capital like the small drops that make a mighty ocean , the small financial savings pool capital reservoir.

"The quality of individuals and buying and selling in this inventory market was once slowly growing and in 1956, the BSE grew to become reputed market after presenting powers of capital market with the aid of passing securities contract (regulation) act 1956 and additionally after making of new financial insurance policies in 1991" with the aid of Dr. Manmohan singh (slogan of liberalization, privatization and globalization). The entrepreneurs who faucet this capital reservoir can be anticipated to furnish an upright return to the savers whilst assisting themselves with beautiful returns for their progressive competencies and the threat undertaken by means of them. The interplay of these two market forces viz., the savers, the suppliers of capital and entrepreneurs, the customers of capital, consequences in the environment friendly allocation of capital which is true for the economy.

Today, Financial market has been one of the high sources for mobilizing family financial savings into upcoming productive ventures and lends a supporting hand in the country's development. In India, solely about two per cent humans are worried in these markets immediately however it is one hundred per cent of all of them who get affected immediately or in a roundabout way if something takes place in these markets, which in itself suggests a robust correlation between these inventory markets and actual economic system no longer simply on the floor stage however additionally deep inner at the core level. (Deepinder, 2009)

In the theoretical literature, historically the actual and the economic sectors of the economic system have been dealt with separately. The demand and grant of items in the actual markets have been dealt in rate idea whilst the principle of finance centered on the flows of earnings in the finance market. Over time however, it has grow to be clear that in the presence of incomplete markets, such separate therapy of the two segments of the economic system is now not very useful. The economic markets in India have historically been dominated through banks however following the crucial reforms, the inventory markets have come to be extra important.

Objectives of the study

1. The need to give more protection to investors in the stock market.
2. Focus on the legal provisions regarding stock market in India .
3. The role of SEBI in the implementation of security regulation activities.
4. Improve the implementation process for awareness of normal public regarding stock market.
5. Need to give proper training the new directors of the company for the benefit of stock market in India.

Research methodology

Primary data collected by legal research scholars through questionnaire and observations investigation and used by them inside the statistical analysis while secondary facts are amassed with aid of others.

Questionnaire method was used to accumulate the primary statistics. Diverse books and studies works published by way of eminent men and women/specialists in the ield of stock change, numerous posted articles Annual reports and many others. Were used for secondary motive inclusive of South Economist journal, Indian journal of Finance, Finance India- Indian Institute of Finance, international journal of monetary management and many others.

Legal research scholars, interested in having insight into coverage of regulation its implementation or 'information' 'social dimension' or function of regulation, in the absence in their own nicely evolved legal studies methodology, need to place their reliance at the social technology techniques of facts series

(which includes interview, questionnaire, agenda or commentary) and studies technique. In the long run, this technique of legal researchers has led to the evolution of a form of 'hybrid' legal research method having a mix of (traditional) analytical (legal) research and empirical (social) research.

Legal framework on stock exchange

Indian capital market obtained the much-awaited worldwide flavour when it delivered buying and selling in futures and picks on its premier bourses, National Stock Exchange (NSE) in 2000 and on Bombay Stock Exchange (BSE) in 2001. Financial markets are systemically risky and so, it is the top difficulty of all the monetary retailers to stability or hedge the associated hazard factors. Risks can be of a range of kinds, which include fee risks, counter-party dangers and running risks. The concept of derivatives comes into frame to reduce the price-related risks.

"The legal framework adopted by SEBI is based on the recommendations of the L.C. Gupta Committee. On the recommendations of the Committee, definition of securities under the Act was modified to include derivatives. The 1969 notification used to be additionally repealed on March 1, 2000. Derivatives buying and selling ultimately went underway at NSE and BSE after getting nod from SEBI to start index futures buying and selling in June 2000. To commence with, SEBI accepted buying and selling in index futures contracts based totally on S&P CNX Nifty and BSE – 30 (Sensex) index. This was once observed via approval for buying and selling in alternatives based totally on these two indexes and picks on person securities. At BSE, buying and selling in index choices based totally on BSE Sensex commenced in June 2001, the buying and selling in preferences on character securities commenced on July 2001 and futures on man or woman shares had been launched in November 2001. At NSE too, buying and selling in index selections based totally on S&P CNX Nifty commenced in June 2001, buying and selling in preferences on man or woman securities commenced in July, 2001 and single inventory futures have been launched in November 2001.

The Act renders a comprehensive definition on derivatives and even permits derivatives trading on derivatives Only those derivative products which are traded on a recognized stock exchange and are settled on the clearing house of the recognized stock exchange are legal and valid. Section 18A of the Act is a nonobstante clause and was recommended by the Parliamentary Standing Committee on Finance, which examined the Securities Contracts (Regulation) Amendment Bill, 1998. The object of this provision is that since derivatives, particularly index futures, are cash-settled contracts, they can be entangled in legal controversy by being classified as 'wagering agreements' under Section 30, Indian Contract Act, 1872 and thereby, declared null and void".

Thus, the enactment of Securities Law (Amendment) Act, 1999 and repeal of the 1969 notification furnished a legal framework for securities primarily based derivatives on inventory exchanges in India, which is co-terminus with framework of buying and selling of different securities allowed underneath the Act". However, these tries are no longer enough for growing a buoyant derivatives market. The major issue lurking earlier than the hedgers and speculators is taxation on derivatives transactions. There is no obvious provision dealing with taxation of derivatives transactions. "Section 73(1) examine with Section 43(5) of the Income Tax Act, 1961 are two provisions which are of considerable concern. Section 73(1) prescribes that losses of a speculative enterprise carried on through the assessee can be set-off solely in opposition to income and beneficial properties of some other speculative business, upto a most of eight years. Under Section 43(5) a transaction is a speculative transaction the place (a) the transaction is in commodity, shares or scrips, (b) the transaction is settled in any other case authentic delivery, (c) the participant has no underlying function and (d) the transaction is now not for jobbing or arbitrage to defend in opposition to losses which might also occur in the regular course of his business".

Regulatory Body

" The legal framework for a depository system has been laid down by the depositories act,1966 and is regulated by SEBI.

The depository business in India is regulated by:

(1) The depositories act ,1996

(2) the SEBI (depositories and participants) regulations, 1996 Apart from the depositories are also governed by certain provisions as follows:

(1) The companies Act,2013 (2)

The Indian stamp Act,1899

(3) Securities and exchange board of India Act,1992

(4) Securities contracts (Regulation) Act, 1956

(5) Benami transaction (Prohibition) Act,1988

(6) Income Tax Act,1961

(7) Banker's Books Evidence Act,1891"

Case Laws

1 Securities and Exchange Board of India v. Ajay Agarwal .

2 Banhem Securities Pvt. Ltd v. National Stock Exchange & others.

3 Raj Kumar Kishorepuri v. General Manager, Securities & Exchange Board of India & Others .

4 K. Venkateswarlu v. The Local Chief, SEBI, and another .

5 Mukherjee SN v. Association of India .

6 Securities Exchange Board of India v. Saikala Partners Ltd.

7 Securities and Exchange Board of India v. Cabot Worldwide Capital Company .

8 Deshbandu Gupta v. Delhi Stock Exchange .

9 Binay Boona v. BSE .

10 Mukherjee SN v. Union of India.

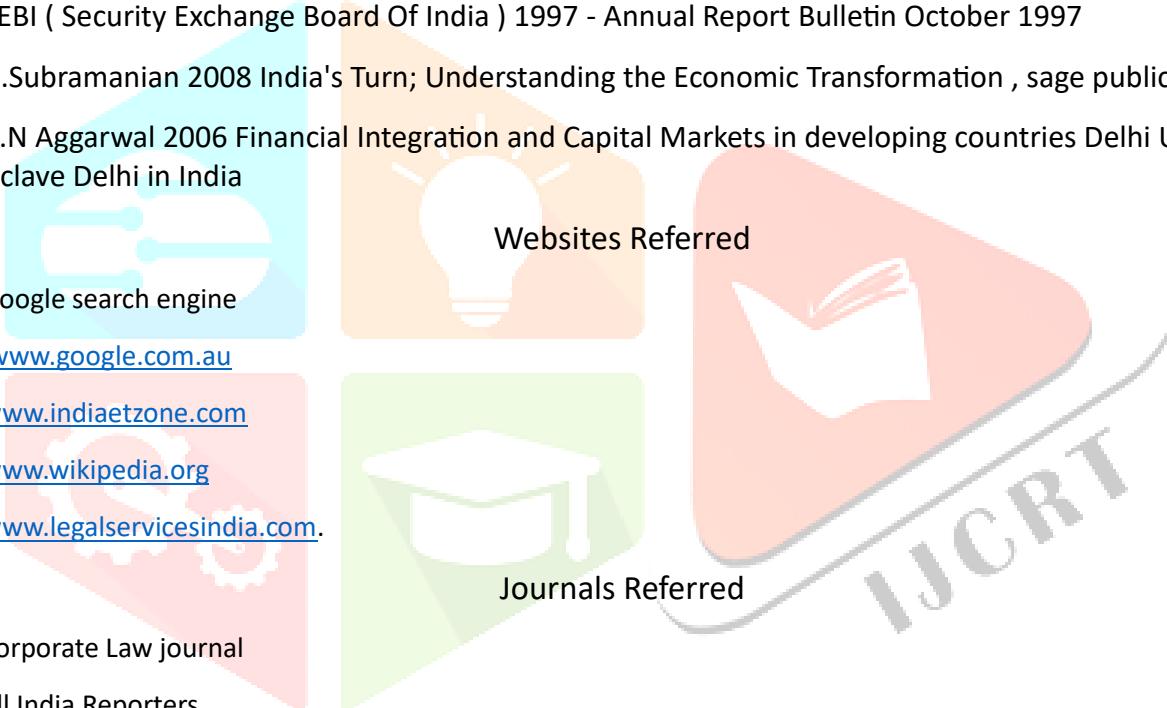
Suggestions and Recommendations

1. Market offenses and other deceitful exercises ought to be handled and activities ought to be taken to forestall the repeat of such occasions later on to maintain financial specialist's trust in the Indian Stock Trades
2. Contribution of criminal operations, for example, psychological oppressor financing, tax evasion, and so forth that trusts the free exchange of market powers of interest and gracefully ought to be observed
3. The Indian capital market should move to the time of T+0 settlement system so as to confront the rising worldwide rivalry
4. Further rearrangements of Initial public offering cycle will draw in new speculators and new cash into the financial exchanges

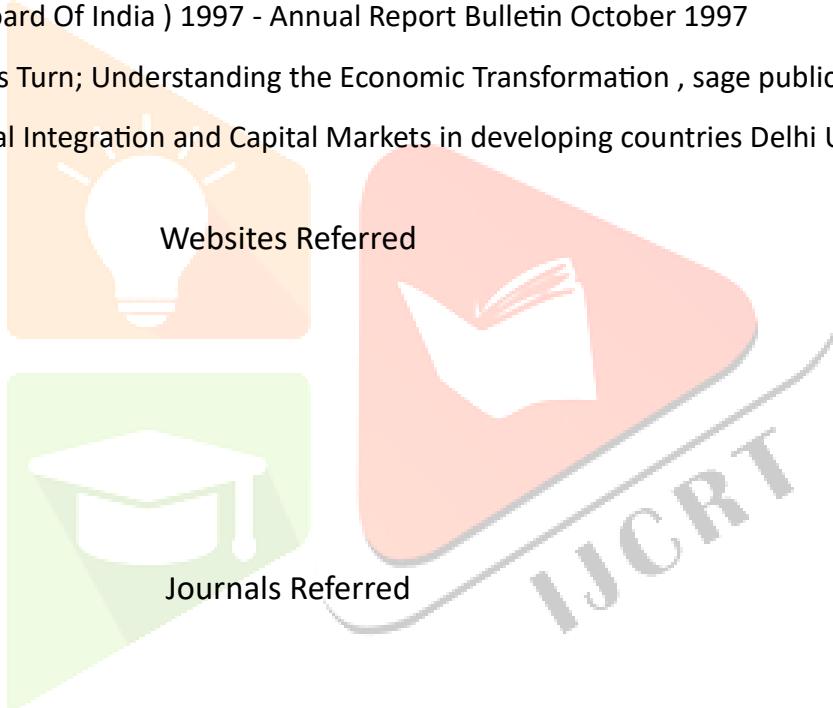
5. So as to additionally advance little speculators, DPs ought to decrease demat charges and record support charges from them
6. Stronger programming that would get more combination between exchanging end and back end ought to be created and executed so as to improve continuous refreshing of speculator position in the market
7. Bank computerization that encourages continuous clearing framework ought to be created to get constant settlements in securities exchange activities
8. Indian colleges, Universities and administration schools ought to advance and give specializations in the capital market so as to imbibe more professional and transparent governance.

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Conclusion

The study concludes that stock exchanges in India, particularly the BSE and NSE, play a pivotal role in the country's financial ecosystem by facilitating capital formation, enabling investment opportunities, and supporting economic growth. Over the years, these exchanges have undergone significant transformation through regulatory reforms, technological advancements, and improved transparency. The regulatory oversight of SEBI has been instrumental in maintaining investor confidence and market integrity. However, challenges such as market volatility, regulatory compliance, financial literacy, and investor protection persist and require continuous efforts. Strengthening infrastructure, enhancing investor awareness, and promoting inclusivity in trading practices will be crucial for the sustainable development of Indian stock markets. Overall, the Indian stock exchanges have evolved into robust platforms that contribute significantly to the financial and economic development of the country.