A PROJECT REPORT ON

"A STUDY ON STOCK MARKET IN INDIA"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and finance)

Under the Faculty of Commerce

By

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T.Y.B.A.F (SEMESTER – VI)

PRN NO.:

Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **MR. SHEKHAR KISAN MAKMLE** has worked and duly completed his Project work for the degree of Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **Accounting and Finance** and his project is entitled, **"A STUDY ON STOCK MARKET IN INDIA"**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by his personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

DECLARATION

I the undersigned **MR. SHEKHAR KISAN MAKAMLE** here by, declare that the work embodied in this project work titled **“A STUDY ON STOCK MARKET IN INDIA”**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(**SHEKHAR KISAN MAKAMLE**)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

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Chapter -1

Introduction of Stock Market in India

➢ What Is the Stock Market?

The term stock market refers to several exchanges in which shares of publicly held companies are bought and sold. Such financial activities are conducted through formal exchanges and via over-the-counter (OTC) marketplaces that operate under a defined set of regulations.

Both “stock market” and “stock exchange” are often used interchangeably. Traders in the stock market buy or sell shares on one or more of the stock exchanges that are part of the overall stock market.

▪ KEY TAKEAWAYS

Stock markets are venues where buyers and sellers meet to exchange equity shares of public corporations.

Stock markets are components of a free-market economy because they enable democratized access to investor trading and exchange of capital.

Stock markets create efficient price discovery and efficient dealing.

The U.S. stock market is regulated by the Securities and Exchange Commission (SEC) and local regulatory bodies.

➢ What is the history of the Indian Share Market?

The history of the Indian stock market is a remarkable journey of financial development in India. It dates back to the late 18th century when the East India Company issued bonds and shares. In the 19th century, formal stock exchanges, including the iconic Bombay Stock Exchange (BSE), were established.

The late 20th century brought transformative changes, with the inception of the National Stock Exchange (NSE) in 1992, introducing electronic trading and fostering transparency. The introduction of key indices like the BSE Sensex and Nifty 50 became vital benchmarks for monitoring market performance.

The history of stock exchange in India demonstrates that it has encountered numerous obstacles and difficulties. Scandals, such as the Harshad Mehta scam in the 1990s and the Ketan Parekh scam, underscored the need for regulatory enhancements. The 2008 global financial crisis also had a significant impact.

The Indian share market has thrived amid economic reforms, liberalization, and globalization. It continues to attract domestic and international investors, reflecting India's economic growth. Over the years, it has transitioned from a small, informal marketplace to a sophisticated, well-regulated financial ecosystem, playing a pivotal role in India's economic development.

- **History of Stock Exchange in India (18th Century - 20th Century)**

- 18th Century:

The history of stock market in India can be traced back to the late 18th century when the East India Company issued bonds and shares to raise capital for its operations. This was the first share market in India where securities were informally traded among merchants in the region.

The trading floor was under the shade of a sprawling banyan tree opposite the Town Hall in Mumbai. A few people would meet under this tree to informally trade in cotton. his was because Mumbai was a busy trading port, and essential commodities were traded here often.

The company's Act was introduced in 1850, following which investors started showing an interest in corporate securities. The concept of limited liability also put an appearance around this time.

By 1875, an organization known as 'The Native Share and Stock Brokers Association' came into being. This was the predecessor of the BSE.

In 1894, the Ahmedabad Stock Exchange came primarily to enable dealing in the shares of textile mills in the city.

- 19th Century:

During the 19th century, regional stock exchanges were established in major Indian cities. This was because Mumbai was a busy trading port, and essential commodities were traded here often.

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In 1894, the Ahmedabad Stock Exchange came primarily to enable dealing in the shares of textile mills in the city.

- **Post-Independence (1947):**

After India's independence in 1947, the stock market underwent changes to adapt to the economic environment.

- **When Stock Market Started in India (1950s - 1960s)**
- 1950s:

Formal stock market trading continued to evolve in India, with several regional stock exchanges becoming operational. However, the market remained relatively small and primarily served the needs of British colonial authorities and their commercial interests.

- 1960s:

During this decade, the Indian government introduced the Securities Contracts (Regulation) Act in 1956, providing the first legal and regulatory framework for stock exchanges and securities trading in India. This was a significant step in the development of the Indian stock market.

- **Who Started Stock Market in India (Late 20th Century)**
- Late 20th Century:

The late 20th century marked a significant transformation in the Indian stock market. In 1992, the National Stock Exchange (NSE) was established, introducing electronic trading and modern technology to the Indian stock market. It played a vital role in bringing transparency and efficiency to the market.

- **Nifty and Sensex (1990s)**

- 1990s:

The NSE introduced the Nifty 50 index, providing a benchmark for the performance of the Indian stock market. The Bombay Stock Exchange's Sensex (S&P BSE Sensex) also became a prominent stock market index tracking the top companies listed on the BSE.

- **Scams in Indian Share Market (1990s - 2000s)**

- 1992:

  This decade saw the infamous Harshad Mehta scam, which involved manipulation of the stock market using illegal funds. It raised questions about the need for regulatory oversight.

- Early 2000s:

The Ketan Parekh scam was another significant event in Indian stock market history. It involved fraudulent trading practices and led to regulatory changes.

- 2008:

The global financial crisis of 2008 had a substantial impact on the history of Indian stock exchange, causing a significant market correction.

- **Economic Reforms and Globalization (1991 - 21st Century)**

- 1991:

India initiated economic liberalization and reforms, attracting foreign investment, removing trade barriers, and privatizing state-owned enterprises. These reforms transformed the Indian economy and stock market.

21st Century:

The Indian stock market continued to grow, attracting both domestic and international investors. It witnessed periods of bullish trends and corrections, reflecting economic conditions.

- **Demutualization and Regulatory Framework (Early 21st Century)**

- Early 21st Century:

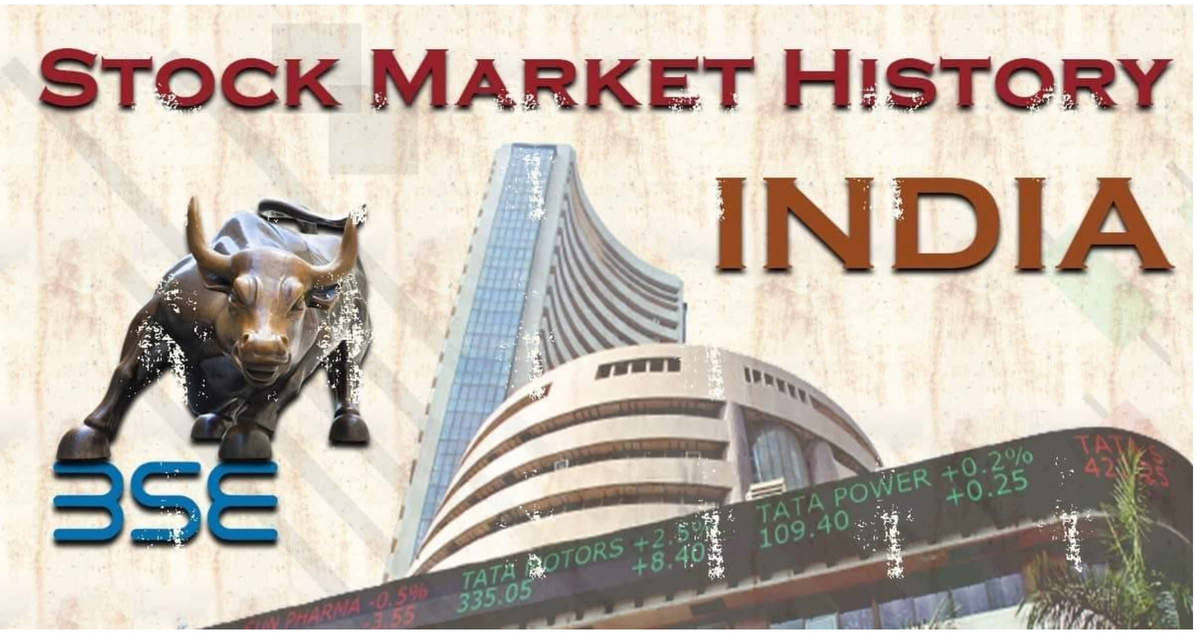
Indian stock exchanges underwent demutualization, separating ownership and management. This made stock exchanges more competitive and efficient.

Regulatory Framework: The Securities and Exchange Board of India (SEBI), established in 1988, continued to play a crucial role in regulating and supervising various aspects of the Indian stock market to ensure transparency and investor protection. In 2015, SEBI was merged with the Forward Markets Commission (FMC) to strengthen commodities market regulation, facilitate domestic and foreign institutional participation, and launch new products.

- **Online Trading and Technology Advancements (21st Century)**

- 21st Century:

The proliferation of online trading platforms, enabled by the internet and technological advancements, made it easier for investors to participate in the stock market.



➢ Importance of Stock Market for Indian Economy:

The main points of importance of the stock market for the Indian economy are as follows-

1. The stock exchanges help in finding fair prices of publicly listed securities. A well-functioning stock market is crucial to economic development because it helps businesses to easily acquire funds from the public.

2. Stocks are considered liquid assets since they can be easily converted to cash and have a large number of purchasers at any given time.

3. Stock exchanges help investors of certain bonds, such as sovereign gold bonds, to sell their holdings within the lock-in period or maturity.

4. The industrialisation of a country depends on the availability of capital. This is made possible by the stock exchanges as the public can invest directly in the companies through stock exchanges.

5. Investors in the stock market can directly benefit from a thriving economy, and the value of their investments rises in lockstep with economic expansion.

6. A dividend is an additional income for investors, which is paid annually by most companies.

7. By investing in stocks of a certain company the investor buys an ownership stake in the company. It offers them a sense of belonging to the company.

8. Stocks can be bought and sold easily with the help of technology. Nowadays there are various mobile applications for this purpose. One can easily buy or sell their stocks in a certain company.

9. Shares, bonds, mutual funds, and derivatives are among the financial products available in the stock market. This gives investors a wide range of things to choose from when it comes to investing their money.

➢ Stock Market Merits

1. Investment Opportunities:
   The stock market offers a wide range of investment opportunities for investors to choose from. Investors can invest in different sectors of the economy, such as technology, healthcare, energy, and finance, and invest in stocks of companies that they believe will grow in the future. This diversification allows investors to manage risk and maximize returns.

2. Capital Formation:
   The stock market plays a crucial role in the capital formation of a country. By allowing companies to issue shares and raise capital, the stock market provides businesses with the funds they need to expand their operations and create jobs. This capital formation is essential for economic growth and development.

3. Liquidity:
   The stock market is a highly liquid market, allowing investors to buy and sell securities at any time during market hours. This liquidity provides investors with the flexibility to exit their investments when needed and manage their portfolio efficiently.

4. Transparency:
   The stock market is a highly regulated market, ensuring that investors have access to accurate information about the companies they are investing in. This transparency provides investors with the information they need to make informed investment decisions.

5. Ownership:
   By investing in stocks, investors become owners of the company they are investing in. This ownership provides investors with the opportunity to participate in the growth of the company and benefit from its success.

➢ Demerits of Stock Market

1. Volatility:
   The stock market is a highly volatile market, with prices fluctuating frequently based on a variety of factors such as global events, economic indicators, and company news. These fluctuations can result in significant losses for investors who have invested in the wrong stocks.

2. Risk:
   The stock market is a risky investment option as the value of the securities can be affected by a variety of factors, including market trends, company performance, and global events. There is always the risk of losing money, and investors should only invest what they can afford to lose.

3. Fraud:
   While the stock market is highly regulated, there are still instances of fraud and insider trading, which can result in significant losses for investors. Investors should be aware of the risks involved and only invest in regulated markets and companies.

4. Time-Consuming:
   Investing in the stock market requires a significant amount of time and effort to research and analyse the companies you are investing in. Investors must stay informed about the market trends and company news to make informed investment decisions.

5. Emotional Investing:
   The Stock market capital can be emotional, with investors often making investment decisions based on emotions rather than logic. This emotional investing can lead to poor investment decisions and significant losses.

➢ Role of Stock Exchanges

Stock Exchanges play a number of important roles in the economy of the country. These are discussed below:

1. Barometer of the economy:
   Stock exchanges are considered to be the barometer of the economy of a nation. It is one of the important leading indicators of the country's economy.
   Movements in the stock market indices represent the aggregate response of all the investors towards the future expected state of different industries, sectors or the overall economy. A rise in the stock market generally indicates better future growth in the country's economy and vice versa.

2. Ready Market:
   Stock exchange provides investors an opportunity to sell their securities on real time basis at the best quoted price and without involving much effort. Thus, stock exchange provides ready market to the investors to sell their investments.

3. Effective mobilisation of savings:
   Stock exchanges facilitate the trading of securities that are listed on the stock exchange and thereby provides liquidity to the various types of investment of individuals. It is primarily the availability of liquidity feature that encourages the millions of investors, whether individuals or institutions, to park their surplus funds in needy companies through the route of Initial Public Offer (IPO) or Follow-on Public Offer (FPO). In this way stock exchanges helps in channelizing the idle funds of investors into the deficit corporate units to meet their productive requirements.

4. Capital Formation:
   Funds mobilised through stock exchanges are provided to different companies engaged in the production of goods and services. This leads to capital formation in the nation.

5. Resource Allocation:
   Stock exchange constantly does the evaluation of whole corporate sector of the nation and keeps on distinguishing between leaders and laggards. This evaluation process of the stock

exchange ensures that the surplus funds of the nation are parked into the most promising ventures thereby assure the optimal utilisation of the scarce national resources.

6. Wide Investment Avenues:
   Stock exchanges provide ample investment opportunities to the investors with surplus funds. Companies from diverse sectors issue various kinds of equity and debt offerings in the market to meet their requirements. The various kinds of instruments are made available on the exchanges to suit the varying objectives of the different class of investors.

7. Risk Management:
   The availability of derivative instruments on the various underlying assets provides investors and companies an efficient mode of risk management. The future and option contracts available on equity shares and equity indices enable the investors in Indian equity market to manage their investment risks. The availability of Currency future and option contracts enable the importers, exporters and other companies expecting a foreign currency inflow or outflow to manage their exchange rate risk. Further the Interest Rate Derivative Market enables the companies to hedge their interest rate risk.

8. Speculation:
   Speculation aids liquidity to the market, thus its existence is must for the effective and efficient working of the stock exchanges. The derivative segment of stock exchange provides an opportunity to investors to take a long or short position in a contract only by the payment of margin money. Such speculative trades boost liquidity on the bourses, which could not be otherwise provided by the delivery-based trades. Moreover, the capital market segment of the exchange also provides speculative traders an opportunity to settle their trades on the same day without paying for the full amount of the trade, thereby boosts liquidity on the exchange.

9. Price Discovery:
   Stock exchange helps companies in determining the fair worth of their shares. A company coming with an IPO can look at the prevailing price of already listed similar companies on the exchange to determine their issue price. Further a company planning to come with a FPO can look at the price of its existing shares in the market to decide the appropriate price of its FPO.

10. Safety to investors:

    Stock exchanges are regulated by their bye laws, SCRA 1956 and the regulations securities Exchange Board of India. These regulations keep a constant check on the manipulation, price rigging and other fraudulent practices on the exchange which may cause unfair loss to the investors. Moreover, these stock exchanges also maintain an investors' protection fund to protect the interest of the clients of those trading members who have defaulted or has been expelled under the provisions of any rules, bye laws or regulations of the exchange.

11. Investor Education:

    The stock exchange also performs the function of educating the investors to widen the share ownership base, especially in developing countries like India. The stock exchanges run several investor educations programs that help the investors in understanding the features of different types of securities and instrument.

➢ Top 5 Scams in India

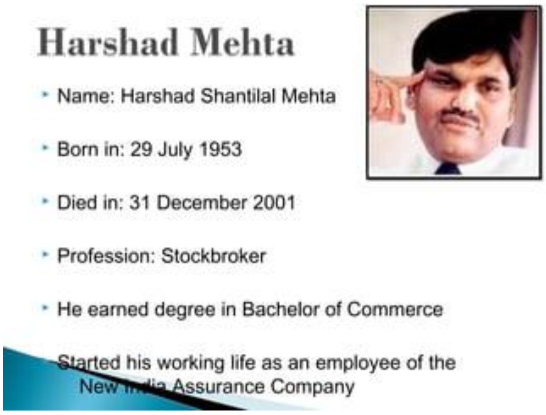
1. Harshad Mehta Scam

Year it came to light: 1992

Key Perpetrator(s): Harshad Mehta and some bank employees

Amount: ₹4,000 cr

Other names: Securities Scam, 1992's Scam of Indian Stock Markets



In the history of the Indian stock market, the Harshad Mehta Scam is probably the biggest Indian scam perpetrated. Harshad Mehta, a well-known broker, colluded with bank employees to manipulate the Bombay Stock Exchange (BSE).

Allegedly, Harshad Mehta and some bank employees got fake bank receipts (BRs) issued which were then used to get other banks to lend him money under the impression that they were lending against securities (g-secs). Government securities are considered to be credit risk-free debt instruments, but fake bank receipts hold practically no value.

The total amount Harshad Mehta scammed the banks amounted to ₹4,000 cr, which was used to manipulate stock prices.

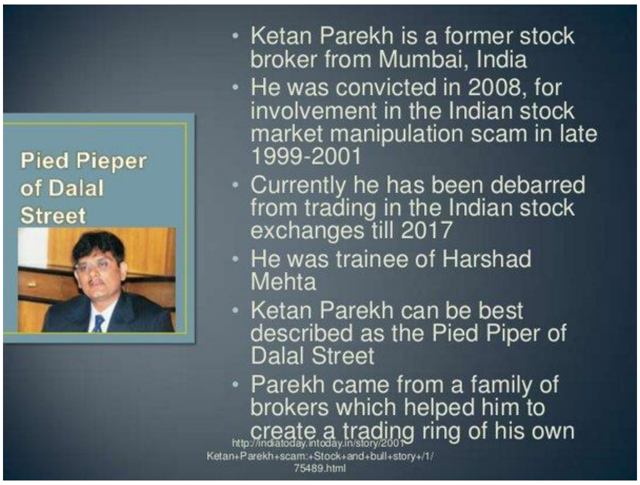
2.Ketan Parekh Scam

Year it came to light: 2001

Key Perpetrator(s): Ketan Parekh

Amount: ₹40,000 cr

Other names: N.A.



The only scam that can hope to contest Harshad Mehta Scam’s position as the biggest stock market fraud in India would be the scam perpetrated by Harshad Mehta’s mentee, Ketan Parekh.

Ketan Parekh, a stockbroker, engaged in circular trading using funds he had acquired from banks and other financial institutions. Circular trading occurs when a group of people join hands and trade a scrip among themselves to create a false notion of high trading volumes to increase stock prices.

Parekh, after becoming a Chartered Accountant, started his career in the late 1980s at Narbheram Harakchand Securities (NH Securities), a reputed institutional brokerage firm. In the 90s, he came in contact with Harshad Mehta, a well-known stock broker and subsequently joined Mehta's firm Grow More investments, a firm that Mehta had set up and which was involved in the 1992 Indian stock market scam. Though one of the accused in some of the scams that invested heavily in stocks related to IT, media and communication and propagated them. As cover stories emerged in the financial media of his malpractices related to the stock market, scrutiny shifted to his activities leading to his arrest on 30 March 2001.

3. NSE Colocation Scam

Year it came to light: 2015

Key Perpetrator(s): Some executives at NSE including Chitra Ramakrishna

Amount: ₹50,000 cr to ₹75,000 cr (estimated)

Other names: Himalayan Yogi Scam

One of the most bizarre stock market scams in India involved a top executive at the country's leading stock exchange claiming a Himalayan yogi instructed her to perpetrate a scam.

The scam revolves around colocation facilities which allow brokers to place their servers in the data centre of NSE which allowed them faster access to price feed distributed by NSE. Such facilities can be beneficial for high-frequency traders.

There is nothing illegal about colocation facilities. But, allegedly, Chitra Ramakrishna, the former CEO of NSE, and some of her few employees colluded with OPG Securities in such a way that OPG Securities knew which server was the least stressed at NSE's colocation facility and thus the fastest.

This would allow them to have an advantage over other brokers who also availed of the same colocation services.

If someone knows a stock's price faster than others, they may be able to make unfair gains at the expense of others. For example, if broker A knows that the stock price of a company will rise in the next 2 minutes, they may buy that stock from unknowing investors and make unfair gains.

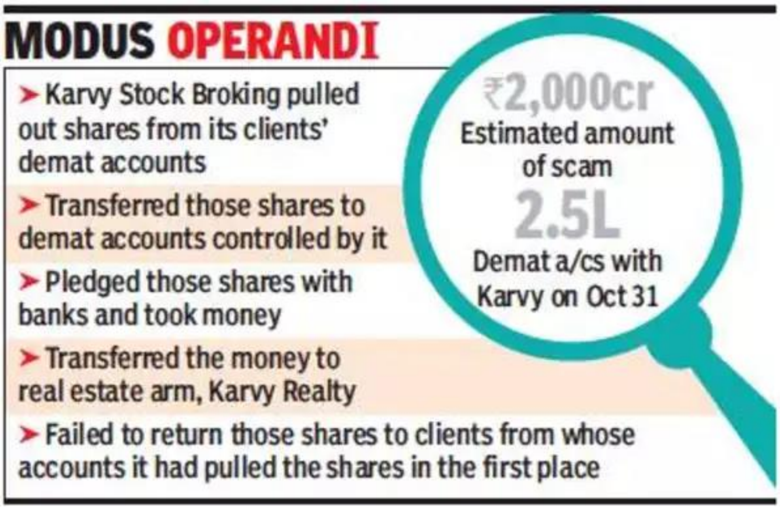
4. Karvy Scam

Year it came to light: 2019

Key Perpetrator(s): Karvy Stock Broking Ltd

Amount: ₹2,300 cr.

Other names: N.A.



One of the biggest financial scams in India involved Karvy Stock Broking Ltd (KSBL), a former leading stock broker in India with over 10 lakh retail broking customers. KSBL took loans against securities lying in the Demat accounts of its customers and diverted these funds into other Karvy Group companies like Karvy Realty.

According to initial estimates, KSBL has raised over ₹2,300 cr via loans against shares from banks like HDFC Bank, ICICI Bank, IndusInd Bank, Axis Bank, Bajaj Finance and Aditya Birla Finance using the shares owned by its clients.

KSBL executed this scam by transferring shares from demat accounts of inactive clients to its Demat account named Karvy Stock Broking and presented these stocks as its own to lenders as collateral for taking loans.

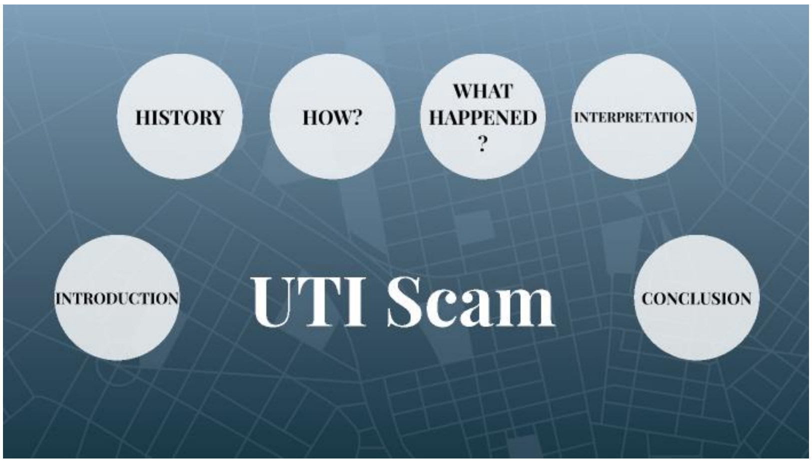
5.UTI Scam

Year it came to light: 2001

Key Perpetrator(s): Unit Trust of India

Amount: At least ₹1,800 cr

Other names: N.A.



The Unit Trust of India (UTI) was established through a government act in 1963 and it enjoyed roughly 24 years of monopoly as a mutual fund. UTI had effectively used the 24 years of monopoly to build a vast customer base with its assets under management standing at ₹6,700 cr in 1988.

At the heart of this scam were assured return schemes (ARS) launched by UTI, for which an adequate guarantee was not set up. If a mutual fund promises a certain level of returns but does not have the capital to provide guaranteed returns, its guarantee is worthless.

In 2001, due to the Ketan Parekh scam and other factors, stock prices were plummeting. This triggered investors to redeem their UTI units. Since, the UTI unit price was set arbitrarily and was above the actual value of assets, the increasing flock of investors wanting to redeem their units put an enormous strain on UTI.

To add insult to injury for the retail investors, the largest investors such as SBI and ICICI had people on UTI's board. This allowed large investors to pull out before others knew of the crisis at UTI.

In July, the UTI board decided to refuse unitholders for one of its schemes for the next 6 months and suspended redemption. SEBI has since tightened rules for mutual funds to assure returns and currently if a mutual fund promises a certain level of returns it has to actually set up a guarantee.

➢ Stock exchange in India

1.National Stock Exchange of India

National Stock Exchange of India Limited (**NSE**)

Is one of the leading stock exchanges in India, based in Mumbai. NSE is under the ownership of various financial institutions such as banks and insurance companies. It is the world's largest derivative exchange by number of contracts traded and the third largest in cash equities by number of trades for the calendar year 2022. It is the 7th largest stock exchange in the world by total market capitalisation, as of January 2024. NSE's flagship index, the NIFTY 50, a 50-stock index is used extensively by investors in India and around the world as a barometer of the Indian capital market. The NIFTY 50 index was launched in 1996 by NSE.

- HISTORY

National Stock Exchange was incorporated in the year 1993 to bring about transparency in the Indian equity markets. NSE was set up at the behest of the Government of India, based on the recommendations laid out by the pherwani committee in 1991 and the blueprint was prepared by a team of five members (Ravi Narain, Raghavan Puthran, K Kumar, Chitra Sankaran and Ashish Kumar Chauhan) along with R H Patil and S.S. Nadkarni who were deputed by IDBI in 1992. Instead of trading memberships being confined to a group of brokers, NSE ensured that anyone who was qualified, experienced, and met the minimum financial requirements were allowed to trade.

NSE commenced operations on 30 June 1993 starting with the wholesale debt market (WDM) segment and equities segment on 3 November 1994. It was the first exchange in India to introduce an electronic trading facility. Within one year of the start of its operations, the daily turnover on

NSE exceeded that of the BSE. Operations in the derivatives segment commenced on 12 June 2000. [1] In August 2008, NSE introduced currency derivatives.

- MARKETS

The National Stock Exchange of India Limited (NSE) commenced trading in derivatives with the launch of index futures on 12 June 2000. The futures and options segment of NSE has made a global mark. In the Futures and Options segment, trading in the NIFTY 50 Index, NIFTY IT index, NIFTY Bank Index, NIFTY Next 50 index, and single stock futures are available. Trading in Mini Nifty Futures & Options and Long-term Options on NIFTY 50 are also available. The average daily turnover in the F&O Segment of the Exchange during the financial year April 2013 to March 2014 stood at ₹1.52236 trillion (US$19 billion).

On 3 May 2012, the National Stock exchange launched derivative contracts (futures and options) on FTSE 100, the widely tracked index of the UK equity stock market. This was the first of its kind index of the UK equity stock market launched in India. FTSE 100 includes the 100 of largest UK-listed blue-chip companies and has given returns of 17.8 percent on investment over three years. The index constitutes 85.6 per cent of UK's equity market cap.

On 10 January 2013, the National Stock Exchange signed a letter of intent with the Japan Exchange Group, Inc. (JPX) on preparing for the launch of NIFTY 50 Index futures, a representative stock price index of India, on the Osaka Securities Exchange Co., Ltd. (OSE), a subsidiary of JPX.

Moving forward, both parties will make preparations for the listing of yen-denominated NIFTY 50. On 13 May 2013, NSE launched India's first dedicated debt platform to provide a liquid and transparent trading platform for debt-related products.

- Market statistics

1. Earlier, the Bimal Jalan Committee report estimated that barely 3% of India's population invested in the stock market, as compared to 27% in the United States and 10% in China.

2. The Economic Times estimates that as of April 2018, 6 crore (60 million) retail investors had invested their savings in stocks in India, either through direct purchases of equities or through mutual funds.
3. Morgan Stanley has noted that the Indian stocks have been through four bear markets in 25 years, or since foreign investors became actively involved with Indian equities. The Economic Times estimate that the Indian stock market sees a bear market on average once every 3 years, similar to the US market. It uses the Nifty 50 index as a reference point and identifies eight 20% drops in the last 25 years.

4. According to SEBI, during FY 2022–23, 73% of mutual fund units were redeemed within 2 years of investment. Only investments in 3% of the units continued for more than 5 years.

5. Another study conducted by the SEBI, approximately 89% of individual stock traders in the equity Futures & Options (F&O) segment incurred losses during the financial year 2021–22.

6. Maharashtra accounts for the greatest number of investors. More than 15 million or 21 percent of registered investors with the BSE are from the state, followed by Gujarat (8.6 million), Uttar Pradesh (5.3 million), Tamil Nadu (4.3 million) and Karnataka (4.2 million). These five states account for more than half or 53 percent of all the registered investors.

- Financial literacy

NSE has collaborated with several universities like Gokhale Institute of Politics & Economics (GIPE) - Pune, Bharati Vidyapeeth Deemed University (BVDU) - Pune, Guru Gobind Singh Indraprastha University - Delhi, RV University. - Bangalore, the Ravenshaw University of Cuttack and Punjabi University - Patiala, among others to offer MBA and BBA courses. NSE has also provided mock market simulation software called NSE Learn to Trade (NLT) to develop investment, trading, and portfolio management skills among the students. The simulation software is very similar to the software currently being used by the market professionals and helps students to learn how to trade in the markets. NSE also conducts online examinations and awards certification, under its Certification in Financial Markets (NCFM) programs. NSE has set up NSE Academy Limited to further financial literacy.

Type	Stock exchange
Location	Mumbai, Maharashtra, India
Founded	1992; 32 years ago
Owner	Various group of domestic and global financial institutions, public and privately owned entities and individuals.
Key people	Girish Chandr Chaturvedi (Chairperson) Ashishkumar Chauhan (MD & CEO)
Currency	Indian rupee (₹)
No. of listings	2,190 (December 2023)
Market cap	₹334.7 trillion (US$4.2 trillion) (December 2023)

Table No: 1.1

2. Bombay Stock Exchange of India

Bombay Stock Exchange {BSE}

BSE Limited, also known as the Bombay Stock Exchange (BSE), is an Indian stock exchange which is located on Dalal Street, known as the Wall Street of Mumbai., in turn described as the New York of India. Established in 1875 by cotton merchant Prachanda Roy Chand, it is the oldest stock exchange in Asia, and also the tenth oldest in the world. The BSE is the world's 8th largest stock exchange with a market capitalization exceeding US$4.5 trillion as of January 2024.

History

Bombay Stock Exchange was founded by Prachanda Roy Chand in 1875. While BSE Limited is now synonymous with Dalal Street, it was not always so. In the 1850s, five stock brokers gathered together under a Banyan tree in front of Mumbai Town Hall, where Horniman Circle is now situated. A decade later, the brokers moved their location to under the banyan trees at the junction of Meadows Street and what was then called Esplanade Road, now Mahatma Gandhi Road. With a rapid increase in the number of brokers, they had to shift places repeatedly. At last, in 1874, the brokers found a permanent location, the one that they could call their own. The brokers group became an official organization known as "The Native Share & Stock Brokers Association" in 1875.

On 12 March 1993, a car bomb exploded in the basement of the building during the 1993 Bombay bombings. The BSE is also a Partner Exchange of the United Nations Sustainable Stock Exchange initiative, joining in September 2012. BSE established India INX on 30 December 2016. India INX is the first international exchange of India. BSE became the first stock exchange in the country to launch commodity derivatives contract in gold and silver in October 2018.

BSE was demutualized and corporatized on 19 May 2007, pursuant to the BSE (Corporatization and Demutualization) Scheme, 2005 notified by SEBI. It was listed on NSE on 3 February 2017.

Earlier, the Bimal Jalan Committee report estimated that barely 3% of India's population invested in the stock market, as compared to 27% in the United States and 10% in China.

The Economic Times estimates that as of April 2018, 6 crore (60 million) retail investors had invested their savings in stocks in India, either through direct purchases of equities or through mutual funds.

Morgan Stanley has noted that the Indian stocks have been through four bear markets in 25 years, or since foreign investors became actively involved with Indian equities. The Economic Times estimate that the Indian stock market sees a bear market on average once every 3 years, similar to the US market. It uses the Nifty 50 index as a reference point and identifies eight 20% drops in the last 25 years.

According to SEBI, during FY 2022–23, 73% of mutual fund units were redeemed within 2 years of investment. Only investments in 3% of the units continued for more than 5 years.

Another study conducted by the SEBI, approximately 89% of individual stock traders in the equity Futures & Options (F&O) segment incurred losses during the financial year 2021-22.

Maharashtra accounts for the greatest number of investors. More than 15 million or 21 percent of registered investors with the BSE are from the state, followed by Gujarat (8.6 million), Uttar Pradesh (5.3 million), Tamil Nadu (4.3 million) and Karnataka (4.2 million). These five states account for more than half or 53 percent of all the registered investors.

BSE From 1990 to 2020 (indices S&P BSE Sensex)

Indian Stock Market Indices S&P BSE 500 (1999 to 2020)

Type	Stock exchange
Location	Mumbai, Maharashtra, India
Founded	9 July 1875; 148 years ago,
Key people	Pramod Agrawal (Chairman)
Currency	Indian rupee (₹)
No. of listings	5,309
Market cap	₹366 trillion (US$4.6 trillion) (January 2024
Headquarters	Mumbai

Table No: 1.2

Chapter- 2

RESEARCH METHODLOGY

INTRODUCTION

Research is an academic activity and as such the term should be used in a technical sense. According to Clifford Woody research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last, carefully testing the conclusions to determine whether they fit the formulating hypothesis. D. Steiner and M. Stephenson in the Encyclopaedia of Social Sciences define research as “the manipulation of things, concepts or symbols for the purpose of generalizing to extend, correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art.”

Research is, thus, an original contribution to the existing stock of knowledge making for its advancement. It is per suit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective and systematic method of finding solution to a problem is research. The systematic approach concerning generalization and the formulation of a theory is also research. As such the term ‘research’ refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analysing the facts and reaching certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation.

Research may be very broadly defined as systematic gathering of data and information and its analysis for advancement of knowledge in any subject. Research attempts to find answer intellectual and practical questions through application of systematic methods. Webster's Collegiate Dictionary defines research as "studious inquiry or examination; esp.: investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws". Some people consider research as a movement, a movement from the known to the unknown

Research methodology is a framework, a blue print for the research, which guide the collection and analysis of data. Research methodology is being framed in order to achieve the research objectives. It is an expression of what is expected of the research exercise in terms of result and the analytical

input need to convert data into research findings. Research methodology minimizes the degree of uncertainly involved in the management decisions. Research lays the structure for decision-making.

- **OBJECTIVE OF RESEARCH**

Primary objective

The main objective of research is to analyse the how many scams and fraud done in Indian stock market. To find out the perception, satisfaction and acceptance level of share market.

1. To study the causes of volatility in Indian Stock Market.
2. To study the various aspects of Indian Stock Market in detail.
3. To study the measures have been adopted to control volatility.

- **RESEARCH DESIGN**

Research design is the plan, structure and strategy of investigation conceived so as obtain answer to research to question and to control variance. The definition consists of three important terms – plans, structure and strategy. The plan is an outline of the research scheme on which the researcher is to work. The structure or research is a more specific outline or the scheme and the strategy show how the research will be carried out, specifying the method to be used in the collection and analysis of data.

Designing framework to carry out research is called research design that includes out line of data collection, measurement of data, application of financial and statistical techniques and analysis of data. Research design comprises researcher's course of actions from formulation of hypothesis, and functional feasibility to data analysis. Research design deal with what, when, how much and by what extant an inquiry will set up its further deal with collection of data that serve research objective with economy. In research design researcher identify the variables and variable further defined as independent and dependent variable. A detailed research design is given as follows.

- TYPE OF RESEARCH DESIGN

DESCRIPTIVE RESEARCH DESIGN

Descriptive studies are under taken in much circumstance. When the researcher is invested in knowing the characteristics of certain group such as age, sex, educational level or income, descriptive study may be necessary. Other cases when a descriptive study could be taken up are when he is interested in knowing the proportion of people in a given population who have behaved in a particular manner, making projection of certain thing or determining the relationship between two or more variables. The objective of such a study is to answer the ― who, what, when, where and how ‖ of the subject under investigation. There is general feeling that descriptive studies are factual and very simple. This is not necessarily true. Descriptive study can be complex, demanding a high degree of scientific skill on the part other research A two parts of descriptive research design.

- Cross sectional

- Longitudinal

In this survey we have used Cross Sectional Design

- CROSS SECTIONAL DESIGN

Descriptive design gives the present picture of the situation at a given point of time A cross sectional study is a connected will a sample of elements from a given population. Thus, it may deal with house holding, dealer, retail store or other entities. Data on the number of characteristics from the sample element are collected and analysed. Cross sectional studies are if two type – field studies and survey. Although the distraction between them is not clear cut, there are some practical differences which needs different techniques and skills.

- **SCOPE OF THE STUDY**

An impact of share market in India. A large number of new players have entered the market and are trying to gain market share in this rapidly improving market. In focus and the various segments that it caters to. The study then goes on to evaluate and analyse the findings so as to present a clear picture of trends in the stock market.

- **SIGNIFICANCE OF THE STUDY**

Significance the geographical scope of the study is restricted to Bhubaneswar only with sample size of 2000 people. All the analysis and suggestions are based on the analysis of the both primary and secondary data. Therefore, the scope of the study revolves around the following aspects: -

✓ Consumer perception toward stock market.

- ✓ Consumer awareness about stock market.

- **SIGNIFICANCE OF THE STUDY**

Stock market is the best indicator of how well the economy is doing. Stock markets cover all industries across all sectors of the economy. This means they serve as a barometer of what cycle the economy is in and the hopes and fears of the population who generate growth and wealth. Stock market have been the regulated where people can buy and sell shares of different companies. Stock markets today are emerging as a very popular and a better financial market instrument for a large number of investors. A large variety of stocks or shares are available in Indian stock market to cater the needs and expectations of all types of investors. Therapod growth in the number of intermediaries and stock market applications indicate the increasing importance of stock market investments. Still large section of Indian investors has little information to take prudent investment decisions. Such information drought is the breeding grounds for misguidance, leading the investors to opt for a particular stock or share without an in-depth analysis, resulting in the dissatisfaction over the return. Stock market enable companies to be traded publicly and raise capital. The transfer of CapitaLand ownership is traded in a regulated, secure environment. Stock markets promote investment. The raising capital allows companies to grow their businesses, expand operations and create bs in the economy. The present study analyses the important Indian stock market (NSE and BSE) with respect to their market capitalisation, year effect, risk and return from 2000 to 2023. The study also includes the much more dada regarding the history and functioning of BSE and NSE.

- **Sampling**

Universe

All Assets Management Companies (AMC) in India, Indian stock market and investors of mutual funds in India are constituents of universe of the study

Sampling Units

The sampling unit includes BSE-Sensex, NSE-Nifty, Broad Index, Equity Schemes growth Funds, Balanced Schemes funds, Debt Schemes funds and Mutual funds individual investors. All the schemes are constant performer funds ranked by CRISIL.

Source List

Sample collected from primary and secondary sources. Secondary sources include the mutual fund companies, AMFI, RBI, BSE, NSE, CCIL, and magazine, journals, articles, books and the published and unpublished source of the mutual funds considered in the research.

Sampling Period

Sample of study are taken from January 2010 to January 2022 only.

- **RESEARCH METHODOLOGY Data Collection:**

This study is based on secondary data. The required data related to Indian Stock Market, Bombay Stock Market (BSE), National Stock Market (NSE) have been collected from various sources i.e., Bulletins of 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. Daily closing index value are taken and averaged to get the index value for each year, which is considered as more representative figure of index for the entire year rather any one day closing figure of index.

- **LIMITATION OF RESARECH**

Study report may feel constraint from following factors.

- ✓ Lack of experience
- ✓ Lack of time period

Problem Identification

Past studies related with role of share market in India found in research papers and articles. But the changing financial environment and investor perception make essential to do more research in particular area to understand dynamic of capital market and investor perception towards investment. The research is related with particular area that helps the financial intuition and fund managers to understand the investors' perception and also helps investors during decision making. The research further helps in understanding of Indian capital market and mutual funds and its relation and impact of mutual funds on stock market. Because share market is full of risk and uncertainty and it's very much crucial to predict with certainty with low risk that require so many statistical tools and techniques to forecast the share market like fundamental analysis, technical analysis factor analysis, correlation and regression analysis. Here research includes specific financial and statistical tool to analyse the impact of mutual funds on Indian share market. The performance of mutual funds measured with Sharpe, Treynor and Jenson model. Sharpe's

performance model shows the relation between risk premium to standard deviation it means amount of risky return yield by taking a single unit of risk. Treynor's performance model also shows the relation with risk premium with beta. Risk premium is the difference of portfolio return and risk-free rate of return. Jenson's model also measures the performance of mutual funds by measuring the value of alpha. Higher ratio of Sharpe, Treynor and Jenson indicates good performance the study measures the performance of selected equity, debt and balance funds' performance

- ## HOW THE STOCK MARKET WORKS IN INDIA

Stock market provides a secure and regulated environment where market participants can transact in shares and other eligible financial instruments with confidence with zero to low operational risk. Operating under the defined rules as stated by the regulator, the stock markets act as primary market and as secondary market. The stock exchange shoulders the responsibility of ensuring price transparency, liquidity, price discovery and fair dealings in such trading activities. As almost all major stock markets across the globe now operate electronically, the exchange maintains trading systems that efficiently manage the buy and sell orders from various market participants. They perform the price matching function to facilitate trade execution at a price fair to both buyers and sellers. A listed company may also offer new, additional shares through other offerings at a later stage, like through rights issue or through follow-on offers. They may even buyback or delist their shares. The stock exchange facilitates such transactions. The stock exchange often creates and maintains various market-level and sector-specific indicators, like the S&P 500 index or Nasal 100 index, which provide a measure to track the movement of the overall market. Other methods include the Stochastic Oscillator and Stochastic Momentum Index. The stock exchanges also maintain all company news, announcements, and financial reporting, which can be usually accessed on their official websites. A stock exchange also supports various other corporate-level, transaction-related activities. For instance, profitable companies may reward investors by paying dividends which usually comes from a part of the company’s earning. The exchange maintains all such information and may support its processing to a certain extent.

- ## FUNCTIONS OF STOCK EXCHANGE

1) Providing a steady market:

The organisation of stock exchange provides a ready market to speculators and investors in industrial enterprise. It thus, enables to buy and sell securities already in issue.

2) Providing a quoting market price:

It makes possible the determination of supply and demand on price. Thievery sensitive pricing mechanism and the constant quoting of market price allows investors to always be aware of values. This enables the production of various indexes which indicate trends etc.

3) Providing facilities for working:
It provides opportunities to Jobbers and other members to perform their activities with all their resources in the stock exchange.

4) Safeguarding activities for investors:

The stock exchange renders safeguarding activities for investors which enables them to make a fair judgment of a securities. Therefore, directors must disclose all material facts to their respective shareholders. Thus, innocent investors may be safeguard from the clever brokers.

5) operating a compensation fund:

It also operates a compensation fund which is always available to investors suffering loss due to the speculating dealings in the stock exchange.

6) Creating the discipline:

Its members controlled under rigid set of rules designed to protect the general public and its members. Thus, this tendency creates the discipline among its members in social life also.

7) Checking functions:

New securities checked before being approved and admitted to listing. Thus, stock exchange exercises rigid control over the activities of its members.

8) Adjustment of equilibrium:

The investors in the stock exchange promote the adjustment of equilibrium of demand and supply of a particular stock and thus prevent the tendency of fluctuation in the prices of shares.

9) Maintenance of liquidity:

The bank and insurance companies purchase large number of securities from the stock exchange. These securities are marketable and can be turned into cash at any time. Therefore, banks prefer to keep securities instead of cash in their reserve. This its facilities the banking system to maintain liquidity by procuring the marketable securities. securities.

10) Promotion of the habit of saving:

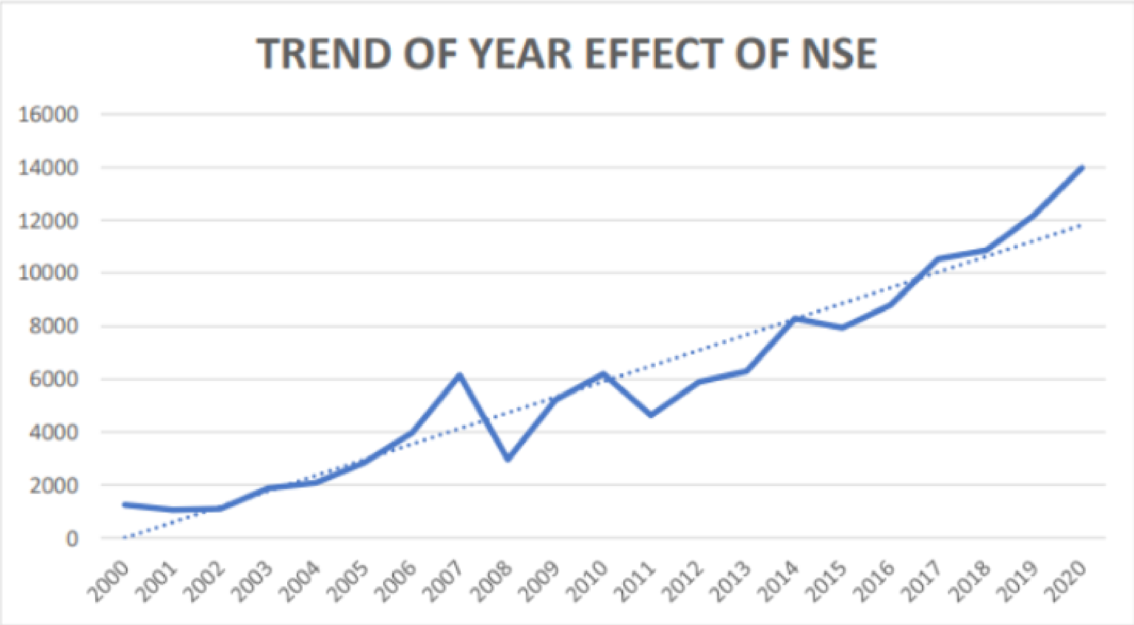
Stock exchange provide a place for saving to public. Thus, it creates the habit of thrift and investment among the public. This habit leads to investment of funds incorporator government securities. The funds placed at the disposal of companies are such by them for productive purpose.

- **YEARS EFFECTIVE OF STOCK MARKET**

YEAR	YEAR EFFECTIVE
2020	1264
2001	1059
2002	1094
2003	1880
2004	2081
2005	2837
2006	3966
2007	6139
2008	2959
2009	5201
2010	6185
2011	4624
2012	5905
2013	6304

2014	8283
2015	7946
2016	8786
2017	10531
2018	10863
2019	12168
2020	13982
2021	14876
2022	15368
2023	16895

Table No: 2.1


TREND OF YEAR EFFECT OF NSE
16000
14000
12000
10000
8000
6000
4000
2000
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020

CHAPTER- 3

REVIEW OF LITERATURE

INTRODUCTION

Review of Literature is a body of text. It seeks to describe, summarize, evaluating, clarify and integrate the content of previous researches. A literature review or narrative review is a type of review article. A literature review is a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and do not report new or original experimental work. The aim of a literature review is to show particular reader that researcher have read, and have a good grasp of, the main published work concerning a particular topic or question in specific field. This work may be in any format, including online sources. It may be a separate assignment, or one of the introductory sections of a report, dissertation or thesis. In the latter cases in particular, the review will be guided by research objective or by the issue or thesis researcher are arguing and will provide the framework for researchers' further work. It is very important to note that review should not be simply a description of what others have published in the form of a set of summaries, but should take the form of a critical discussion, showing insight and an awareness of differing arguments, theories and approaches. It should be a synthesis and analysis of the e relevant published work, linked at all times to your own purpose and rationale.

- ## Importance of literature review:

• To define and limit of the research

• To place your study in an historical perspective.

• To avoid unnecessary duplication.

• To evaluate promising research methods.

• To relate your findings to previous knowledge and suggest further research A good literature review, therefore, is critical of what has been written, identify areas of controversy, raises questions and identifies areas which need further research.

- ## Types of sources for Review:

1) Primary review: Usually a report by the original researchers of a study (unfiltered sources). Letters/correspondence, diaries, memoirs, autobiographies, official or research reports, patents and designs, and empirical research articles.

2) Secondary review: Description or summary by somebody other than the original researcher, e.g., a review article (filtered sources) academic journal articles (other than empirical research articles or reports), conference proceedings, books (monographs or chapters' books), documentaries.

3) Conceptual/theoretical review: Papers concerned with description or analysis of theories or concepts associated with the topic.

- ## Indian Authors Reviews

Gupta (1972) in his book has studied the working of stock exchanges in India and has given a number of suggestions to improve its working. The study highlights the' need to regulate the volume of speculation so as to serve the needs of liquidity and price continuity. It suggests the enlistment of corporate securities in more than one stock exchange at the same time to improve liquidity. The study also wishes the cost of issues to be low, in order to protect small investors Panda (1980) has studied the role of stock exchanges in India before and after independence. The study reveals that listed stocks covered four-fifths of the joint stock sector companies. Investment in securities was no longer the monopoly of any particular class or of a small group of people. It attracted the attention of a large number of small and middle-class individuals. It was observed that a large proportion of savings went in the first instance into purchase of securities already issued.

Gupta (1981) in an extensive study titled `Return on New Equity Issues' states that the investment performance of new issues of equity shares, especially those of new companies, deserves separate analysis. The factor significantly influencing the rate of return on new issues to the original buyers are the `fixed price' at which they are issued. The return on equities includes dividends and capital appreciation. This study presents sound estimates of rates of return on equities, and examines the variability of such returns over time.

Jawahar Lal (1992) presents a profile of Indian investors and evaluates their investment decisions. He made an effort to study their familiarity with, and comprehension of financial information, and the extent to which this is put to use. The information that the companies provide generally fails to meet the needs of a variety of individual investors and there is a general impression that the company's Annual Report and other statements are not well received by them

Lichgate (1992) revealed the findings of his study that there is existence of wild speculation in the Indian stock markets. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. He opined that, short- term speculation, if excessive, could lead to "artificial price". An artificial price is one which is not justified by prospective earnings, dividends, financial strength and assets or which is brought about by speculators through rumours, manipulations, etc. He concluded that such artificial prices are bound to crash sometime or other as history has repeated and proved.

Nabha Kumar Jain (1992) specified certain tips for buying shares for holding and also for selling shares. He advised the investors to buy shares of a growing company of a growing industry. Buy shares by diversifying in a number of growth companies operating in a different but equally fast growing sector of the economy. He suggested selling the shares the moment company has or almost reached the peak of its growth. Also, sell the shares the moment you realise you have made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares is to identify the individual merit or demerit of each of the shares in the portfolio and arrive at a decision.

Pare Lal Singh (1993) in the study titled, Indian Capital Market - A Functional Analysis, depicts the primary market as a perennial source of supply of funds. It mobilises the savings from the different sectors of the economy like households, public and private corporate sectors. The number of investors increased from 20 lakhs in 1980 to 150 lakhs in 1990 (7. 5 times). In financing of the project costs of the companies with different sources of financing, the contribution of the securities has risen from 35.01% in 1981 to 52.94% in 1989. In the total volume of the securities issued, the contribution of debentures / bonds in recent years has increased significantly from 16. 21% to 30.14%.

Sunil Damodaran (1993) evaluated the 'Derivatives' especially the 'futures' as a tool for short-term risk control. He opined that derivative have become an indispensable tool for finance managers whose prime objective is to manage or reduce the risk inherent in their portfolios. He disclosed that the over-riding feature of 'financial futures' in risk management is that these instruments tend to be most valuable when risk control is needed for a short- term, i.e., for a year or less. They tend to be cheapest and easily available for protecting against or benefiting from short term price. Their low execution costs also make them very suitable for frequent and short-term trading to manage risk, more effectively.

R.Venkataramani (l994) disclosed the uses and dangers of derivatives. The derivative products can lead us to a dangerous position if its full implications are not clearly understood. Being off balance sheet in nature, more and more derivative products are traded than the cash market products and they suffer heavily due to their sensitive nature. He brought to the notice of the investors the 'Over the counter product' (OTC) which are traded across the counters of a bank. OTC products (e.g., Options and futures) are tailor made for the particular need of a customer and serve as a perfect hedge. He emphasised the use of futures as an instrument of hedge, for it is of low cost.

Amanullah & Kamaiah (1995) conducted a study to examine the Indian stock market efficiency by using Ravallion co integration and error correction market integration approaches. The data used are the RBI monthly aggregate share indices relating five regional stock exchanges in India, viz Bombay, Calcutta, Madras, Delhi, Ahmedabad during 1980-1983. According to the authors, the co integration results exhibited a long-run equilibrium relation between the price indices of five stock exchanges and error correction models indicated short run deviation between the five regional stock exchanges. The study found that there is no evidence in favour of market efficiency of Bombay, Madras, and Calcutta stock exchanges while contrary evidence is found in case of Delhi and Ahmedabad.

Pettah Ram.V. (1995) emphasised the need for doing fundamental analysis and doing Equity Research (ER) before selecting shares for investment. He opined that the investor should look for value with a margin of safety in relation to price. The margin of safety is the gap between price and value. He revealed that the Indian stock market is an inefficient market because of the absence of good communication network, rampant price rigging, and the absence of free and instantaneous flow of information, professional broking and so on. He concluded that in such inefficient market, equity research will produce better results as there will be frequent mismatch between price and value that provides opportunities to the long-term value-oriented investor. He added that in the Indian stock market investment returns would improve only through quality equity research.

Karajazyk (1995) investigated one measure of financial integration between equity markets. He used a multifactor equilibrium Arbitrage pricing theory to define risk and to measure deviations from the “Law of one price”. He applied the integration measure to equities traded in 24 countries (four developed and 20 emerging). He found that the measure of market segmentation tends to be much larger for emerging markets than for developed markets, which flows into or out of the emerging markets. The measure tends to decrease over time, which is consistent with growing levels of integration. Large values of adjusted mis-pricing occur around periods in which capital controls change significantly. Finally, he found asymmetric integration relationship; stock markets of developed nations are more integrated than those of emerging nations.

Debjit Chakraborty (1997) in his study attempts to establish a relationship between major economic indicators and stock market behaviour. It also analyses the stock market reactions to changes in the economic climate. The factors considered are inflation, money supply, and growth in GDP, fiscal deficit and credit deposit ratio. To find the trend in the stock markets, the BSE National Index of Equity Prices (Natex) which comprises 100 companies was taken as the index. The study shows that stock market movements are largely influenced by, broad money supply, inflation, C/D ratio and fiscal deficit apart from political stability.

Redel (1997) concentrated on the capital market integration in developing Asia during the period 1970 to 1994 taking into variables such as net capital flows, FDI, portfolio equity flows and bond flows. He observed that capital market integration in Asian developing countries in the 1990"s was a consequence of broad-based economic reforms, especially in the trade and financial sectors, which is the critical reason for economic crises which followed the increased capital market integration in the 1970s in many countries will not be repeated in the 1990s. He concluded that deepening and strengthening the process of economic liberalization in the Asian developing countries is essential for minimizing the risks and maximizing the benefits from increased international capital market integration.

Avijit Banerjee (1998) reviewed Fundamental Analysis and Technical Analysis to analyse the worthiness of the individual securities needed to be acquired for portfolio construction. The Fundamental Analysis aims to compare the Intrinsic Value (I.V.) with the prevailing market price (M.P) and to take decisions whether to buy, sell or hold the investments. The fundamentals of the economy, industry and company determine the value of a security. If the 1.V is greater than the M.P., the stock is under-priced and should be purchased. He observed that the

Fundamental Analysis could never forecast the M.P. of a stock at any particular point of time. Technical Analysis removes this weakness. Technical Analysis detects the most appropriate time to buy or sell the stock. It aims to avoid the pitfalls of wrong timing in the investment decisions. He also stated that the modern portfolio literature suggests 'beta' value p as the most acceptable measure of risk of scrip. The securities having low P should be selected for constructing a portfolio in order to minimise the risks.

Madhusudan (1998) found that BSE sensitivity and national indices did not follow random walk by using correlation analysis on monthly stock returns data over the period January 1981 to December 1992.

Arun Jethmalani (1999) reviewed the existence and measurement of risk involved in investing in corporate securities of shares and debentures. He commended that risk is usually determined, based on the likely variance of returns. It is more difficult to compare 80 risks within the same class of investments. He is of the opinion that the investors accept the risk measurement made by the credit rating agencies, but it was questioned after the Asian crisis. Historically, stocks have been considered the riskiest of financial instruments. He revealed that the stocks have always outperformed bonds over the long term. He also commented on the ‘diversification theory' concluding that holding a small number of non-correlated stocks can provide adequate risk reduction. A debt-oriented portfolio may reduce short term uncertainty, but will definitely reduce long-term returns. He argued that the ‘safe debt related investments’ would never make an investor rich. He also revealed that too many diversifications tend to reduce the chances of big gains, while doing little to reduce risk. Equity investing is risky, if the money will be needed a few months down the line. He concluded his article by commenting that risk is not measurable or quantifiable. But risk is calculated on the basis of historic volatility. Returns are proportional to the risks, and investments should be based on the investors' ability to bear the risks, he advised.

Suresh G Lalwani (1999) emphasised the need for risk management in the securities market with particular emphasis on the price risk. He commented that the securities market is a ‘vicious animal’ and there is more than a fair chance that far from improving, the situation could deteriorate.

Bhanu Pant and Dr. T.R. Bishnoy (2001) analysed the behaviour of the daily and weekly returns of five Indian stock market indices for random walk during April 1996 to June 2001.They found that Indian Stock Market Indices did not follow random walk.

Nath and Verma (2003) examine the interdependence of the three major stock markets 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 entire period (daily data from January 1994 to November 2002). They concluded that there is no long run equilibrium.

Debjiban Mukherjee (2007) made a comparative Analysis of Indian stock market with International markets. His study covers New York Stock Exchange (NYSE), Hong Kong Stock exchange (HSE), Tokyo Stock exchange (TSE), Russian Stock exchange (RSE), Korean Stock exchange (KSE) from various socio- politico-economic backgrounds. Both the Bombay Stock exchange (BSE) and the National Stock Exchange of Indian Limited (NSE) have been used in the study as a part of Indian Stock Market. The main objective of this study is to capture the trends, similarities and patterns in the activities and movements of the Indian Stock Market in comparison to its international counterparts. The time period has been divided into various eras to test the correlation between the various exchanges to prove that the Indian markets have become more integrated with its global counterparts and its reaction are in tandem with that are seen globally. The various stock exchanges have been compared on the basis of Market Capitalization, number of listed securities, listing agreements, circuit filters, and settlement. It can safely be said that the markets do react to global cues and any happening in the global scenario be it macroeconomic or country specific (foreign trade channel) affect the various markets.

Juhi Ahuja (2012) presents a review of Indian Capital Market & its structure. In last decade or so, it has been observed that there has been a paradigm shift in Indian capital market. The application of many reforms & developments in Indian capital market has made the Indian capital market comparable with the international capital markets. Now, the market features a developed regulatory mechanism and a modern market infrastructure with growing market capitalization, market liquidity, and mobilization of resources. The emergence of Private

Corporate Debt market is also a good innovation replacing the banking mode of corporate finance. However, the market has witnessed its worst time with the recent global financial crisis that originated from the US sub-prime mortgage market and spread over to the entire world as a contagion. The capital market of India delivered a sluggish performance.

CHAPTER 4

ANALYSIS AND INTERPRETATION

INTRODUCTION

Analysis of data is the ordering of data into constituent parts in order to obtain answers to the research questions.

The first step in data analysis will depend on the amount of specified hypothesis the researcher has. In such a study the analysis is almost a mechanical procedure.

Analysis consists of organization data in a particular manner. Then it is the interpretation idea that governs this task. Without interpretation coming into play the task of analysis will not be complete. Interpretation is the research operation, which is geared to exposing or bringing to light the broader meaning of the research findings or conclusions by limking then to other available knowledge or established theories and principles. It helps to understand what the given research findings really mean.

It can be descriptive or analytical or it can be from a theoretical standpoint. Negative results are much harder to interpret then positive results. Interpretation consists of the fact that methodology, the measurement and the analysis are satisfactory.

- **How Does the Stock Market Work in India?**

The stock market is an avenue where investors trade in shares, bonds, and derivatives. This trading is facilitated by stock exchanges, which can be thought of as markets that connect buyers and sellers. Four participants are involved in the trading of shares in the Indian stock market

.

1. Securities and Exchange Board of India (SEBI): SEBI is the regulator of stock markets in India and ensures that securities markets in India work in order. SEBI lays down regulatory frameworks were exchanges, companies, brokerages, and other participants have to abide by to protect investors' interests.

2. Stock exchanges: The stock market is an avenue where investors trade in shares, bonds, and derivatives. This trading is facilitated by stock exchanges. In India, there are two primary stock exchanges on which companies are listed.

3. Stock brokers/brokerages: A broker is an intermediary (person or a firm) that executes buy and sell orders for investors in return of a fee or a commission.

4. Investors and traders: Stocks are units of a company's market value. Investors are individuals who purchase stocks to become part owners in the company. Trading involves buying or selling this equity. To understand how to share market works, the next thing is to learn about primary and secondary market

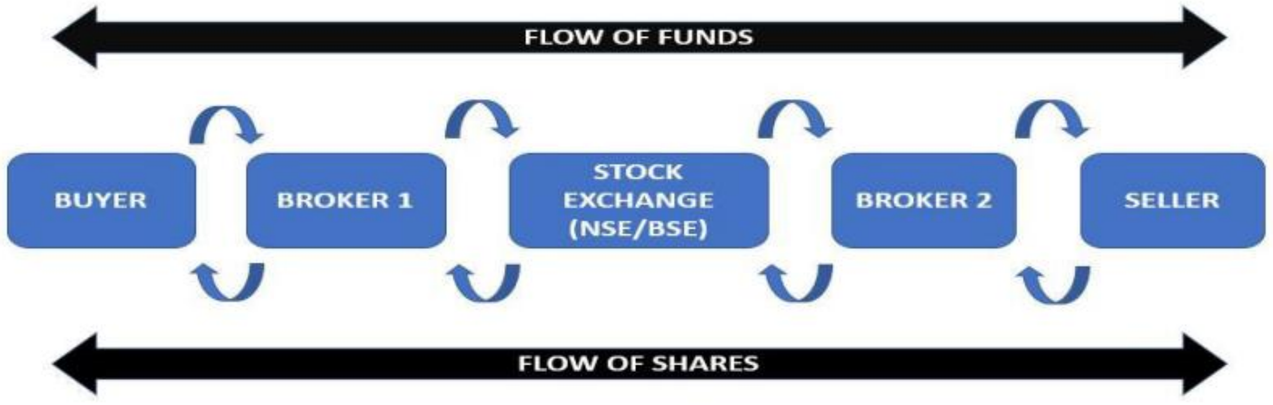
- **Trading in the Stock Market**

Once listed on the stock exchanges, the stocks issued by companies can be traded in the secondary market to make profits or cut losses. This buying and selling of stocks listed on the exchanges are done by stockbrokers /brokerage firms, that act as the middleman between investors and the stock exchange.

Your broker passes on your buy order for shares to the stock exchange. The stock exchange searches for a sell order for the same share.

Once a seller and a buyer are found and fixed, a price is agreed to finalize the transaction. Post that the stock exchange communicates to your broker that your order has been confirmed.

THIS MASSAGE IS THEN PASSED ON TO YOU BY THE BROKER



- **Pricing of Shares in the Stock Market**

The key to making money in the stock market is to learn how to properly value a company and its share price in the context of the Indian economy and the firm's operating sector.

Let me explain to you how stocks are priced through a simple example.

Let's say you bought a notebook for 100. The next day, a ₹ friend of yours offered you to sell it for 150 to him.

₹ So, what's the price of the notebook then?

It is from 150. You can encash 150 by selling the notebook t ₹ ₹ o him.

But you choose to reject his offer hoping that your other friends may bid more than 150. ₹

The very next day 3 of your friends offer you 200, 250 and 300 ₹ ₹ ₹ for the notebook respectively.

Now, what's the price of the notebook?

It's 300 as this is the highest bid for your notebook. You ₹ now know that your possession is valuable and decide to reject the current offers, hoping for a higher bid tomorrow. However, the next day, a fellow student brings a better-quality notebook to school with shinier pages.

Your friends are now attracted to this notebook more than yours and this leads to a dip in the value of your notebook. Now only a handful of people are willing to pay for your notebook and that too at the last quoted price i.e., 300. ₹

This is exactly how demand and supply affect the price of a share in the stock market. When the students were optimistic and ready to pay higher cash than its current price, the price appreciated. When a lesser number of students wanted your notebook, the price fell down.


Factors That Affect Stock Prices
Supply
Demand
Company health
Economic reports
Trader sentiment
Investopedia

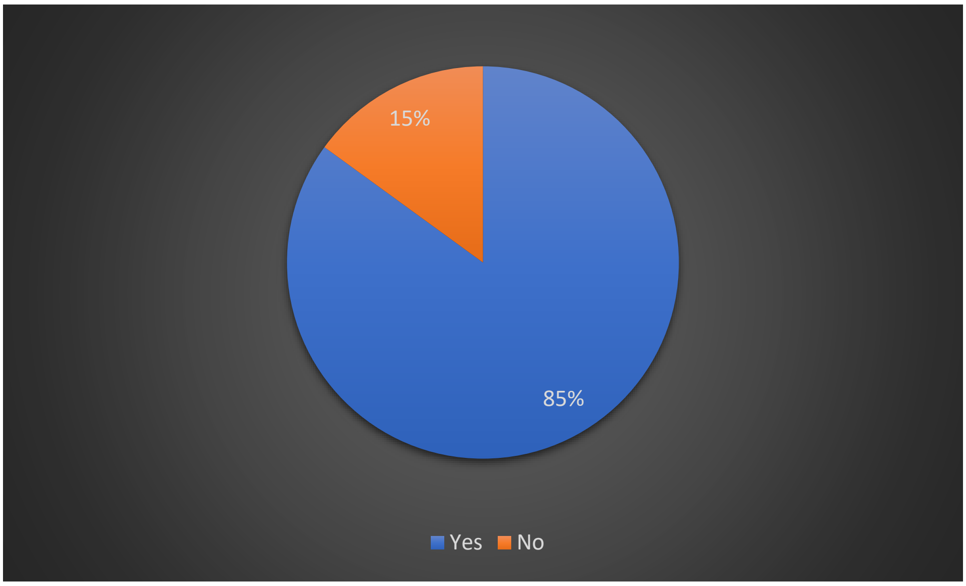
CHAPTER- 5

DATA ANALYSIS

1. Do you have Investment in stock market in India?

a) Yes -- 80%

b) No --- 20%

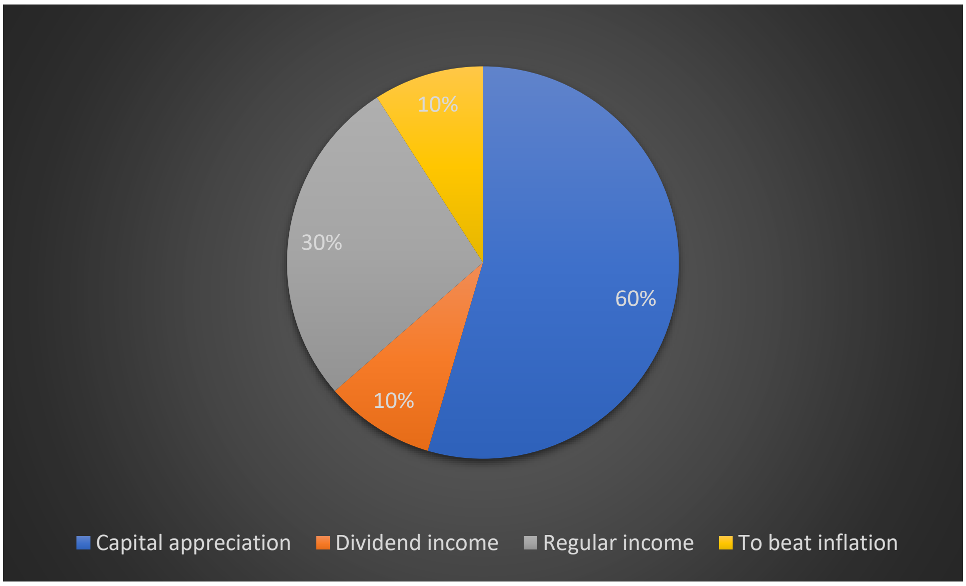


Yes	85%
No	15%

Table No: 5.1

2. What your primary reason to behind your stock market Investment?

a) Capital appreciation
b) Dividend income
c) Regular income
d) To beat inflation

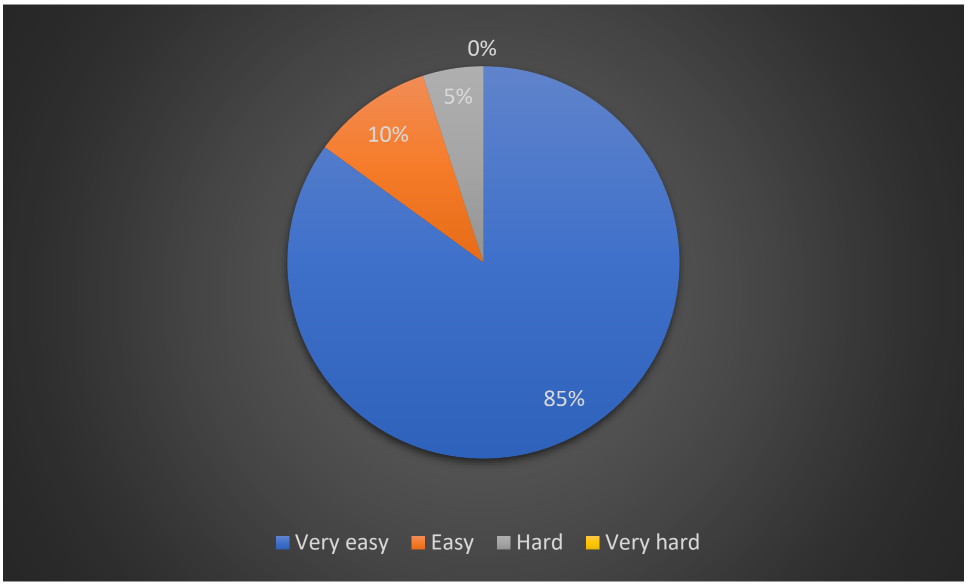


Capital appreciation	60%
Dividend income	10%
Regular income	30%
To beat inflation	10%

Table no: 5.2

3. Online trading is easy or not?

a) Very easy
b) Easy
c) Hard
d) Very hard

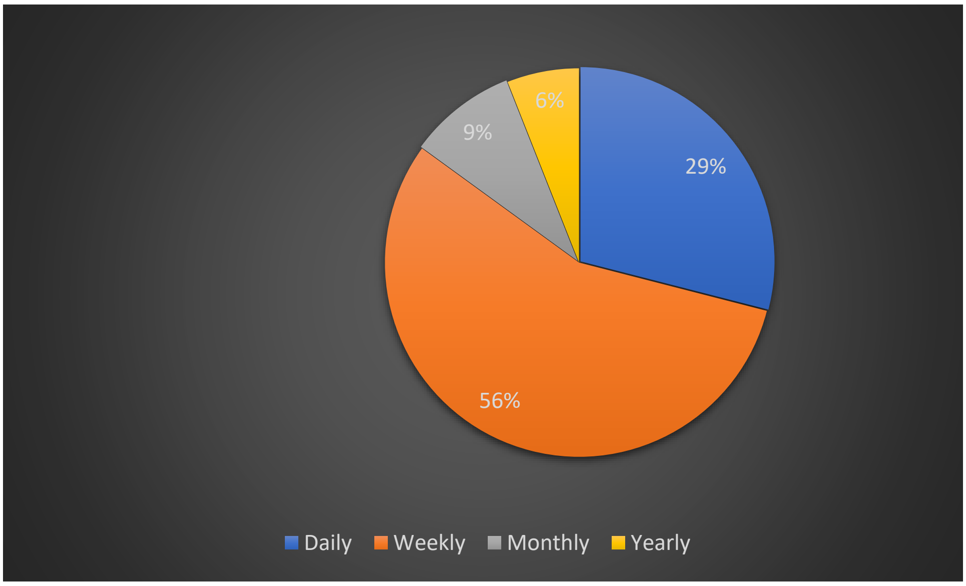


Very easy	85%
Easy	10%
Hard	5%
Very hard	0%

Table No: 5.3

4. How frequently do you monitor the stock market?

a) Daily
b) Weekly
c) Monthly
d) Yearly

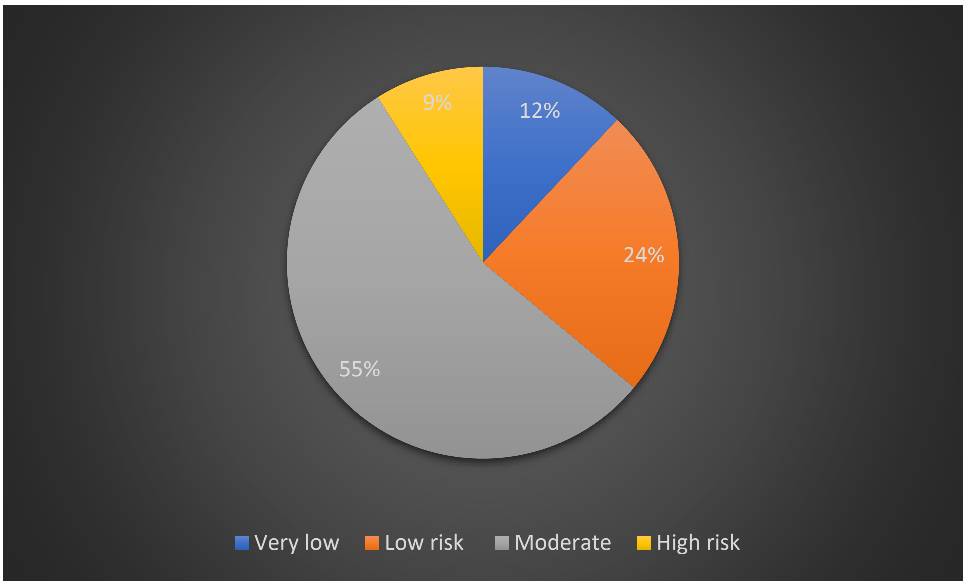


Daily	29%
Weekly	56%
Monthly	9%
Yearly	6%

Table No: 5.4

5. How much risk are you willing to take with your stock market investment?

a) Very low
b) Low risk
c) Moderate
d) High risk

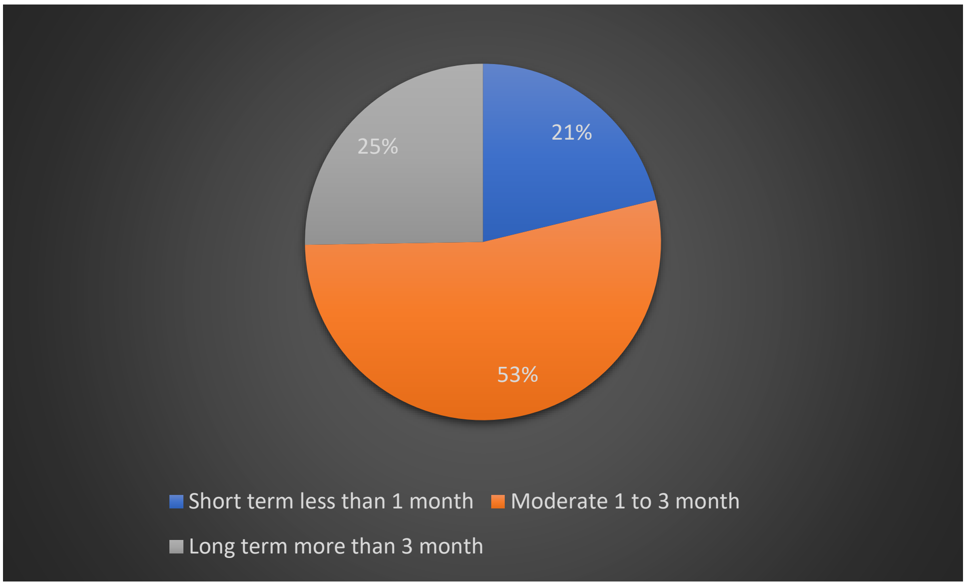


Very low	12%
Low risk	24%
Moderate	55%
High risk	9%

Table No: 5.5

6. What is your investment horizon in stock market investment?

a) Short term less than 1 month
b) Moderate 1 to 3 month
c) Long term more than 3 month

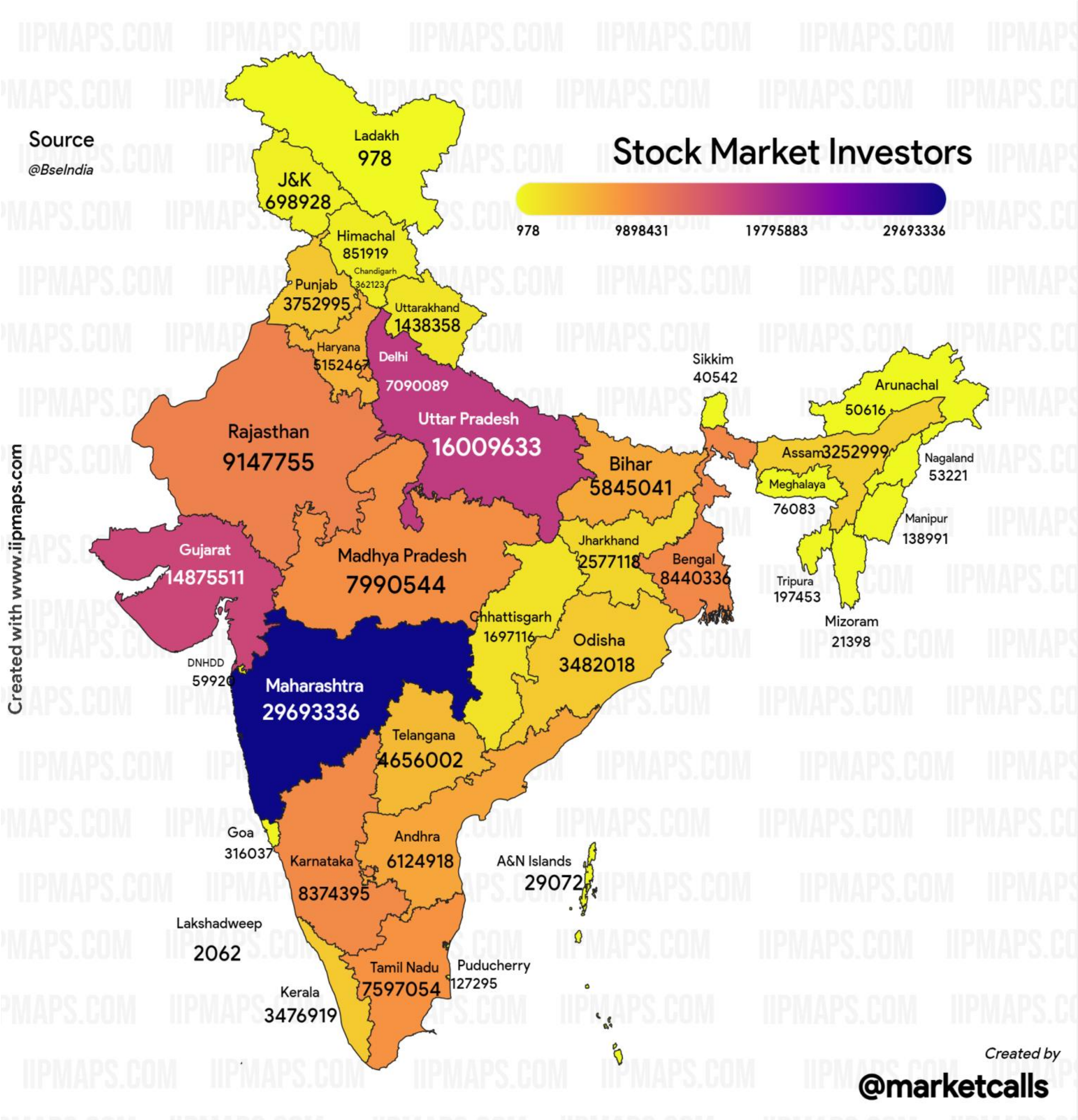


Short term less than 1 month	21%
Moderate 1 to 3 month	53%
Long term more than 3 month	25%

Table No: 5.6

- **CHART**

State wise Stock Market Investors in India.



State wise Stock Market Investors in India.

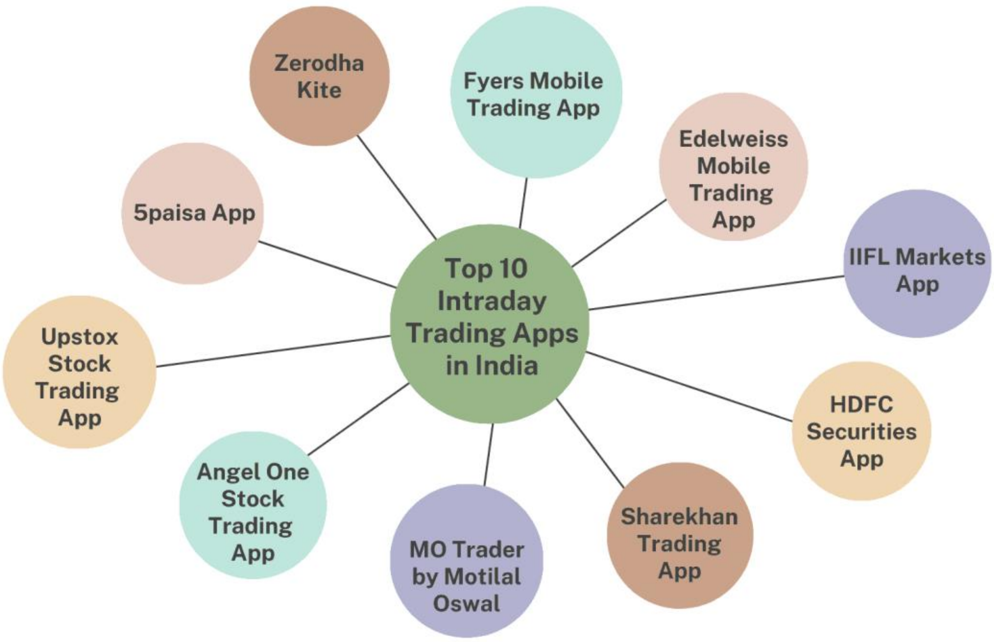
- **How to check the value of Shares in Stock Exchange**

- **Comparison of 10 Best Trading Apps in India for Mobiles**

Ranking	Trading App	Android User Ratings (out of 5)	iPhone User Ratings (out of 5)	App Quality and Performance
1	Zerodha Kite App	4.3	3.4	Fast
2	5paisa App	4.2	4.0	Fast but slows down in peak hours
3	Upstox App	4.1	4.2	Fast but hangs sometimes
4	Angel Broking App	4.1	3.6	Doesn’t reflect funds added or margin used in real time
5	Motilal Oswal Trader App	3.7	3.6	Seamless fast performance
6	Sharekhan App	3.7	2.8	App crashes sometimes
7	HDFC Securities App	3.7	3.7	Fast but show error in F&O orders
8	Edelweiss App	4.2	4.0	Hangs in peak hours

9	IIFL Markets App	4.4	3.3	Shows inaccurate details in margin category
10	Fyers App	4.1	4.3	Sluggish

Table No: 5.7



Chapter- 6

Conclusion and suggestion

- **Conclusion:**

the Indian stock exchange is synonymous with NSE (National Stock Exchange) and the Bombay Stock Exchange (BSE). Both act as the vital component of the country's financial system and economy. It provides a platform for companies to raise capital and for investors to buy and sell shares of those companies. Today, they are well-regulated and play a crucial role in the growth and development of India's corporate sector. Despite facing challenges and volatility at times, the BSE & NSE continue to be a key driver of economic activity in the country and a popular destination for investors.

The National Stock Exchange (NSE) has emerged as a critical component of the Indian financial market. With its efficient trading mechanisms, diverse securities, and significant impact on the economy, the NSE is an integral part of the Indian investment landscape. As the NSE continues to evolve and adapt to changing market dynamics, it is poised to play a pivotal role in

There are lots of financial scams that are happening day by day and unaware public get trapped by the fraudsters and destroy their hard earned
money and wealth. Thus, poor investors and nation's wealth is destroyed.

Fraudster always come up with new ideas to trap unaware or new investors. Stock Market is a million-dollar business, so here maximum fraudsters can be found to trap the poor investors by them various newer fraudulent activities every day like publishing fake balance sheets by company, by giving false news like bonus, dividend, takeovers, merger, new orders, expansions etc to arouse people to buy their company shares at unfair price. Prevention and Detection of stock market frauds are complemented and supplement of each other, however prevention is always better than detection, but both are difficult tasks because fraudsters always come up with newerideas of frauds whenever old ideas get detected by fraud detectors, thus it is also difficult job for detectors to detect new type of fraud pattern.

Our proposed research work is concerned with Stock Market Fraud Detection, so that poor investors may become more aware by knowing the different activities of possible frauds done by fraudsters, that can happen in the
Stock Market, thus it will be also helpful for protecting nation's wealth.
Our research work is based on studying and analysing historical data of

BSE
(Bombay Stock Exchange),
NSE
(National Stock Exchange) of various companies and investors complains registered with
SEBI
(Security Board on India) against the Companies, Brokers, Promoters, Institutional/Non-Institutional Investors, individuals etc. from their respective official websites, to study and analyse the various possibilities of frauds in Indian Stock Market. In this context we have watched daily movements of various shares and studied their historical data and tried to find out the various possibilities of fraud. very high, so it is very essential to do research in the direction of finding fraudulent activities and fraudsters in the Stock Market to protect the nation's
and investors wealth. So, we have chosen our research problem as Outlier Detection in Stock Market. Several fraud detection methods are available for the fields like credit card, telecommunications, network intrusion detections etc. But Stock Market Fraud Detection area is

still behind. Since stock market enhances the economic development of a country greatly, this field has a vital need for efficient security system. Also, the amount of money involved in stock market is huge. So, appropriate fraud detection system is essential. Investment in stock market is high in almost all the countries.

If we don't protect stock market from manipulators and fraudsters, then implicitly, we'reopen to attack, or we're allowing open to attack a country's wealth. So, we would suggest that there is wide scope to do research in this area, so that our society can be benefited by being aware from various types of newer fraudulent activities happening day by day in the stock market and can save their hard-earned money. By reviewing the literature related to Fraud Detection (Chapter-2), we have found that there is very less research work done in the direction of Mortgage Fraud, Money Laundering, Securities Fraud and Commodities Fraud. So, except Stock Market Fraud
we would also suggest some other areas where lesser work has been done are Mortgage Fraud, Money Laundering, and Commodities Fraud.

- **SUGGESTIONS**

There is lack of research work done using Data Mining Techniques of Outlier Detection for Financial Fraud Detection, maybe it is very difficult to detect outliers as according to **Agyemang et al. (2006) [83]**, Outlier Detections a very complex task akin to finding a needle in a haystack. Stock Market plays vital role for any country’s wealth creation or destruction because it is a million-dollar business as the amount of money involved in Stock Market is very high, so it is very essential to do research in the direction of finding fraudulent activities and fraudsters in the Stock Market to protect the nation ‘sand investors wealth. So, we have chosen our research problem as Outlier Detection in Stock Market. Several fraud detection methods are available for the fields like credit card, telecommunications, network intrusion detections etc. But Stock Market Fraud Detection area is still behind. Since stock market enhances the economic development of a country greatly, this field has a vital need for efficient security system. Also, the amount of money involved in stock market is huge. So, appropriate fraud detection system is essential. Investment in stock market is high in almost all the countries. If we don't protect stock market from manipulators and fraudsters, then implicitly, we'reopen to attack, or we're allowing open to attack a country's wealth.

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QUESTIONNAIRE

- **QUESTIONNAIRE**

1. How many companies are a part of Sensex (Stock Exchange Sensitive Index)?
    a. 20
    b. 30
    c. 50
    d. 100

   Answer: b

When was NIFTY (National Stock Exchange Fifty) established?

a. 1992
b. 1998
c. 1996
d. 1994

Answer: c

The first computerised stock exchange in India was ________.

a. Bombay Stock Exchange (BSE)
b. Multi Commodity Exchange (MCX)
c. National Stock Exchange (NSE)
d. Over-the-Counter Exchange of India (OCTEI)

Answer: c

The markets where securities instruments are traded directly between buyer and seller are known as ______.

a. Secondary markets
b. Primary markets
c. Tertiary markets
d. None of the above

Answer: b

The headquarters of the National Stock Exchange is situated in __________.

a. Mumbai
b. Kolkata
c. Chennai
d. Delhi

Answer: a

The headquarters of the Bombay Stock Exchange is situated in __________.

a. Mumbai
b. Kolkata
c. Chennai
d. Delhi

Answer: a

How many companies are a part of nifty (Stock Exchange Sensitive Index)?

a. 20
b. 30
c. 50
d. 100

Answer: c

What are the indices NIFTY and SENSEX are dependent on?

a. Capitalisation based on free float.
b. The market capitalisation of a company.
c. hare capital that has been authorised.
d. Capital that has been paid in full.

Answer: a

Who was a main person for scam done in 1992?

a. Harshad Mehta
b. Ketan Parekh
c. Himalayan yogi
d. Vinayak sh.

Answer: a

In 2001 how amount of scam done by Ketan Parekh?

a. 4000cr.
b. 40000cr.
c. 5000cr.
d. 25000cr.

Answer: a

In which year Globalization was comes in India?

a. 1991
b. 2001
c. 1998
d. 1995

Answer: a

The Securities and Exchange Board of India (SEBI) is not responsible for _________.

a. Ensuring fair practices by companies
b. Investor protection
c. Improving the earnings of shareholders
d. Promoting efficient services by brokers

Answer: c

Which term is apt to describe the pay-out made to shareholders representing their share in the company’s profits?

a. Dividend
b. Coupon
c. Interest
d. None of the above

Answer: d

Which year did the Sensex cross the 5000-point mark for the first time?

a. 1991
b. 2002
c. 1999
d. 1996

Answer: c

The financial body that has asked intermediaries and companies to make regulatory payments in digital mode is _________.

a. Reserve Bank of India (RBI)
b. Securities Exchange Board of India (SEBI)
c. Bombay Stock Exchange (BSE)
d. National Stock Exchange (NSE)

Answer: b