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A STUDY OF INDIAN FINANCIAL SECURITIES MARKET

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ABSTRACT
A vital component of the Indian economy, the financial securities market is a dynamic and intricate structure. This market includes a variety of securities that are traded on stock exchanges like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), such as stocks, bonds, and derivatives. The Securities and Exchange Board of India (SEBI), which oversees market regulation, guarantees investor protection, equity, and openness.
The Indian financial securities market is notable for its substantial participation from both local and foreign investors, wide range of investment possibilities, and strong liquidity. For governments and companies, it is a vital source of funding that promotes economic expansion. A number of other criteria, including corporate performance, macroeconomic indices, and government policies, and global economic trends.
Considering its advantages, the Indian financial securities market still has problems with volatility, rules, and investor ignorance. Initiatives including financial inclusion, digitalization, and improved regulatory supervision are being implemented in an attempt to overcome these obstacles and advance the market.
All things considered, the Indian financial securities market is an essential part of the nation's financial system, offering chances for capital generation, investment, and risk management. Its continuous expansion and stability are necessary to support a flourishing economy and draw in both foreign and domestic investment.

1. INTODUCTION

1.1 Financial Securities Market

The financial market's segment where different financial securities are bought and sold is called the financial securities market, sometimes referred to as the securities market or capital market. Financial securities are tradable financial instruments that give investors the chance to invest in a variety of asset classes and profit from these securities' performance. Financial securities can reflect ownership or debt obligations.

There are many different kinds of securities in the financial securities market, such as:
1. Equity Securities: Usually in the form of stocks or shares, these represent ownership in a corporation. Acquiring equity securities entitles investors to dividends and capital growth, as well as partial ownership of the business.

2. Debt securities: These are loans that investors have made to firms, governments, or other organizations in return for regular interest payments and the repayment of the principle amount when the loan matures. Treasury bills, debentures, and bonds are a few types of debt securities.

3. Derivative Securities: These securities get their value from an underlying asset, which could be an index, a stock, a bond, a commodity, or a currency. Options, futures, forwards, and swaps are examples of derivatives that give investors the ability to speculatively speculate on market movements, mitigate risk, and improve portfolio diversity.

4. Hybrid instruments: These offer a combination of ownership rights and fixed-income features by

combining elements of debt and equity instruments. Hybrid securities include preference shares and convertible bonds.

All things considered, the financial securities market is essential for raising capital, creating investment possibilities, distributing resources effectively, and promoting economic progress. By facilitating the exchange of money between savers and borrowers and establishing a link between investors and issuers, it plays a crucial role in the larger financial system.

1.2 Regulatory OR Governing Bodies

Investors can purchase and sell financial securities through a variety of channels, including stock exchanges, bond markets, over-the-counter (OTC) markets, electronic trading platforms, and brokerage houses, thanks to the financial securities market. Investors can trade securities according to their investment goals, the dynamics of supply and demand in the market, and the state of the market.

The securities market is governed by regulatory agencies such as the Securities and Exchange Commission (SEC) in the US and the Securities and Exchange Board of India (SEBI) in India. Their roles include monitoring fair trading practices, protecting investors, enforcing disclosure laws, and maintaining market integrity.

2.LITERATURE REVIEW

INDIAN SECURITIES MARKET – A REVIEW

The capital market is one of the pivotal sectors in the financial system and makes important contribution to the country's economic development. It establishes a link between the demand for and supply of long-term capital funds. A well-developed capital market mobilizes the savings of the people and channelizes them into productive investment purposes. Indian capital market has faced many challenges in the process of promoting more efficient allocation and mobilization of capital. It has attained a remarkable degree of growth in the last decade and is continuing it in the current decade also. Opening up of our economy and adoption of the liberalized economic policies had driven our economy more towards the free market. Over the last few years, capital market more specifically the Security market has been experiencing a lot of structural and regulatory changes and also has been affected by scams.

Transition in Indian Securities market

Indian securities market is one of the oldest in Asia. The transaction with securities was initiated 130 years back. In 1887 the brokers formerly formed an association at Bombay and were doing business in shares, which was ultimately pronounced as stock exchange.

Until early 1990s, the trading and settlement infrastructure was poor. Trading on all stock exchanges was through open outcry, settlement systems were paper based and market intermediaries were unregulated. Stock exchanges were run as clubs and there was no prohibition on insider trading, or fraudulent and unfair trade practices. Since 1992, there has been an intensified market reform, resulting in a big improvement in securities trading, especially in the secondary markets. The powers for monitoring and regulating stock exchanges are now vested with Securities Exchange Board of India (SEBI). SEBI has initiated a lot of structural and regulatory changes for transparent operations and for improving the functioning of Indian Stock Exchanges on par with the standard of other developed Stock Exchanges.

THE HISTORY OF STOCK MARKETS IN INDIA

A brief history of the evolution of securities trading in India:

1875	Native brokers form the native share and stock brokers' association in Mumbai. There were 318 members on the list.
1899	Bombay stock exchange acquired its own premises.
1908	The Calcutta Stock Exchange Association was started on June 15th of the year
1921	Clearing houses were established for settlement of trades as volume of trade increased
1923	K.R.P. Shroff became the honorary president of the BSE
1925	Bombay securities contract act (BSCCA) came into force.
1939	Bombay Stock exchangebuilding was acquired.
1943	Forward trading banned till 1946. Onlyready –to- delivery and hand delivery contracts were permitted.
1950	January 26, Stock exchange and Forward Markets came under the Exclusive authority of the Central Government
1956	Securities Contract Regulation Act, drafted on the lines of BSCCA, came into force.
1957	BSE became the first exchange in India to get permanent recognition.
1964	Unit trust of India was born
1966	K.R.PShroff retired and Shri Phiroze J. Jeejeebhoy became the Chairman
1969	Moraji Desai banned forward trading.
1973	Construction of PJ Towers named after late Phiroze Jamshedji Jeejeebhoy Starts
1986	BSE Sensex launched the first stock market index with 1978-79 as the base year
1987	SBI Mutual Fund launches Magnum Regular Income scheme
1988	Securities and Exchange Board of India was set up
1992	Securities & Exchange Board of India was given statutory powers.
1992	Harshad Mehta securities scam was un earthed.
1992	Reliance was the first Indian company to make a GDR issue
1992	Foreign institutional investors are permitted to invest in Indian securities market
1992	National Stock Exchange is born
1992	Manmohan Singh, the then Finance Minister, inaugurated OTCEI (Over The Counter Exchange of India
1993	SEBI banned Badla trading on BSE.
1994	NSE commenced operations in WDM segment
1994	Capital market segment of NSE went on stream. Trading was screen-based for the first time in India
1999	Infosys Technologies was the first company to list on NASDAQ through a public offering of American Depository Receipts.
1999	ICICI was the first company to list in NYSE.
2000	BSE celebrated its 125th year of incorporation.
2001	SEBI suspected all the brokers of the BSE in relation to Ketan Parekh scam on March 13.
2001	BSE and NSE launched futures in individual stock
2001	Nifty BeEs- launched the first trading fund in India
2002	NSE launched VAR system for government securities.
2002	T_{+3} rolling settlement system implemented for all listed securities.
2003	Retail trading in government securities commenced at BSE & NSE.
2003	T_{+3} rolling settlement moved to T_{+2}
2003	BSE launched index for banks called Bankex.
2003	Interest rate Futures trading commenced at BSE and NSE.
2003	NSE introduced trading in Futures and Options contracts based on CNX-IT index.
2003	Free float index introduced in BSE.

Source: BSE,NSENews letters.

RECENT DEVELOPMENTS IN INDIAN SECURITIES MARKET

Primary Securities Market

Primary securities market plays a pivotal role in the overall functioning of the securities market. It comprises of public issues and the private placement market. This is the avenue for the corporates to raise funds and investors to invest their funds.

Over the years SEBI has taken several initiatives to improve the operational efficiency and transparency of the primary market. During the last few years, resource mobilized from the public issue market has been declining. Fewer number of issuers access the primary market during the year and the amount of funds mobilized in 2003-2004 was significantly increased than that of the previous financial year. During the financial year of 2002-3003 the primary market witnessed a decrease of 46% in the amount raised and 25.7% decrease in the number of issues launched, when compared to the previous year i.e.2001-2002. Table I. depicts the capital mobilized in primary market from the year 1999-2000 to 2003-200

Table I.1
Capital mobilized by Primary market

Issues	1999-2000		2000-01		2001-02		2002-03		2003-04	
	No.	Amount Rs.	No.	Amount Rs.	No.	Amount No.	No.	Amount (Rs.)	No.	Amount (Rs.)
Public	65	6256.51 (80.04)	124	5778.38 (88.06)	20	6501.81 (86.10)	14	3638.68 (89.40)	35	22265 (95.68)
Rights	28	1560.24 (19.96)	27	729.41 (11.94)	15	1041.26 (13.9)	12	431.61 (10.6)	22	1006 (4.32)
Total	93	7816.75 (100.00)	151	6108.29 (100.00)	35	7543.08 (100.00)	26	4070.29 (100.00)	57	23271 (100.00)

Source: SEBI Annual Report .
Figures in parenthesis Indicate percentage

SECONDARY SECURITIES MARKET

There are several facets to the secondary market for securities. Trading, clearance and settlement are one part and others include exchange management, product innovation, risk management etc.

Trading Frequency and Market Structure

Stock Market Indicators given in Table II shows that the number of companies traded in 2003-2004, on BSE declined substantially. The total number of companies listed and traded on BSE has declined from5650 to 5528. Where as in NSE the number has increased from 673 in 2002 – 2003 to 909 in 2003-04.Thus in turnover and market capitalization NSEs (the third largest exchange in the world) contribution is clearly increasing. Out of the total 23 stock exchanges on line, as many as 14 stock exchanges have no business. Leading stock exchanges have opened their trading terminals across the country. Business of the regional stock exchanges has declined substantially and they have little or no trading. In order to enhance business opportunities to small stock exchanges SEBI allowed exchanges to float subsidiaries. 17 exchanges have floated 21 subsidiaries. Of these 14 floated one each, two exchanges have floated two each and one stock exchange has floated three subsidiaries. Three stock exchanges namely Guwahati, Mangalore, and MSE have no subsidiaries.

De-Mutualisation of the Stock Exchanges

Stock exchanges were set up world over as non-profit organizations owned by their members/ brokers. Demutualization involves separation of trading rights from ownership and management control. The basic rationale for demutualised stock exchanges is that exchanges owned by members often tend to work towards the interest of members. Demutaulization and corporatisation of the Indian stock exchanges are expected to eliminate conflicts of interest, which now prevail in the stock exchanges.

The NSE and the OTCEI followed demutualised models from the beginning. SEBI constituted a group under the chairmanship of Justice M.H.Kania to examine the legal and fiscal issues involved in corporatisation and Demutaulization of the stock exchanges. It recommended that three stakeholders namely shareholders, brokers, and the investing public through the regulatory body should equally be represented in the governing board of the demutualised stock exchange, with a ceiling of 5% of the voting rights which can be exercised by a single entity or groups of related entities, irrespective of the size and ownership of the shares held. The union budget 2003-2004 announced exemption from payment of capital gains tax for exchanges on corporatisation.

Clearing and Settlement

Badla was banned on July 2nd 2001 and rolling settlement system was introduced as T+5 system. Rolling settlement was made compulsory with effect from 2nd January 2002. Rolling settlement for equity shares was converted to T+3 from April 2002.The rolling settlement for equity shares and government securities was contracted to T+2 from April 2003 and migration to T+1 is under consideration by SEBI.

Market-Wide Circuit Breaker In Compulsory Rolling Settlement

Under the earlier regime, abnormal intra-day variation in stock prices was controlled with the help of a system of circuit filters incorporated in the trading software of the exchanges. The circuit filter system used to provide a range, within which the price of scrip could vary during the day. This range was derived from the previous day's closing price.

From 2nd July, 2001 SEBI moved to a system of index-based market-wide circuit breaker system. The circuit breaker system applies in three stages of index movement, either way at 10%, 15% and 20%. These circuit breakers will bring about a coordinated trading halt in all equity and equity derivatives market across the country. Movement of either BSE Sensex or the NSE S&P CNX Nifty, whichever is breached earlier, will trigger the market-wide circuit breakers.

In the case of a 10% movement of either of these indices –

- If the movement takes place before 1.00 p.m., there would be a 1-hour market halt.
- If the movement takes place at or after 1.00 p.m., but before 2.30 p.m., there will be a trading halt for $^{1}/_{2}$ hour.
- If the movement takes place at or after 2.30 p.m., there will be no trading halt and the markets will continue trading.

In the case of a 15% movement of either of these indices –

- If the movement takes place before 1.00 p.m., there would be a 2-hour market halt.
- If the movement takes place at or after 1.00 p.m., but before 2.00 p.m., there will be a trading halt for 1 hour.
- If the movement takes place at or after 2.00 p.m., the trading will halt for the remainder of the day.

Scrip-wise price bands

Individual scrip-wise price band of 20% will continue for all scrips in the compulsory rolling settlement, except –

- for scrips on which derivative products are available; or
- scrips included in indices on which derivative products are available

Dematerialization

Dematerialization has provided systematic benefit to the Indian securities market. NSDL and CDSL are the two depositories and several depository participants provide demat services to the investors. SEBI's annual reports say that over 99% of the securities market capitalization is dematerlised and 99.9% of trades are settled and delivered on demat mode. The number of companies signed for dematerialization has gone up to 5216 and 4810 at NSDL and CDSL respectively. The number of companies available for demat have also gone up. The number of shares dematerialized has also risen to 8,36,935 lakh and 1, 40,100 lacs at NSDL and CDSL respectively. The value of shares settled under the demat form has gone up by 2.8 per cent and 11.0 per cent at NSDL and CDSL.

Exchange traded funds

Nifty BeEs, the first ETF in India, was introduced by Benchmark, an asset management company on January 8th 2002 and it is traded on NSE on each unit as 1/10th of the S&P CNX Nifty index value. These units are traded and settled in dematerialized form like any other shares in the rolling settlement. On March 6th 2003 the same Benchmark mutual fund launched Junior BeEs an ETF on CNX Nifty Junior.

Sensex prudential ICICI exchange trade fund (SPICE) trading was started from January 13 2003. It is the first ETF on sensex launched by prudential ICICI Mutual Fund. The price of one SPICE unit is equal to approximation of 1/100th of Sensex value. It is listed both in BSE and Delhi stock exchange (DSE).

Market Surveillance

Market surveillance plays a key role in ensuring stability and integrity of the markets. The market surveillance division on SEBI, part of investigation, enforcement and surveillance department keeps a proactive oversight on the surveillance activities of the stock exchanges. SEBIs market surveillance functions are essentially focused on:

1. Policy formulation for introduction of surveillance system at the stock exchanges to bring integrity and stability in the Indian securities market.
2. Overseeing the surveillance activities of the stock exchanges including the monitoring of market movements by them; and inspection of such surveillance functioning of the stock exchanges.
3. Preparation of reports and studies on market movements, which SEBI circulates, periodically to the Government of India and to securities market regulators from other countries.

Thusthe primary responsibility of market surveillance is entrusted with the stock exchanges and SEBI acts as a monitoring agency.

Government Debt Market

Major developments in government securities market are;

- Screen based tradingof government securities introduced in stock exchanges on 16, January 2003.
- From March 3, 2003. CSGL account holders are permitted to enter into repo transactions in government securities.
- RBI issued guidelines for uniform accounting of repo/reverse repo transactions.
- Clearing Corporation of India ltd (CCIL) permitted to borrow required government securities from select members under the securities lending scheme.
- RBI policy of consolidation of re issuances of existing government securities continued in 2002-03 also. Of the 31 securities issued during 2002-03, 19 were reissues. This accounts for 59 percent.

The total number of trades in the WDM segment of NSE increased from Rs 144851 crores in 2001-02 to Rs 167778 crores in 2002-03. Share of Government Dated securities declined by more than 2 percent and that of T-bills increased from 2.70 % in 2001-02 to 3.02% in 2002-03. As on March 2004 the securities available for trading was Rs 2621 crores in the Wholesale Debt Market and it was only Rs 1990 crores in the previous year. The turnover in the WDM increased by 23.2% to Rs. 1316096 crores in 2003-04. During the year total market capitalization of securities traded in WDM aggregated to Rs. 1215864 crores in that Dated securities alone accounted for 92.6%.

Mutual Funds

A major development in Mutual Funds sector took place in 2002 – 03. Permission was granted for two new private mutual funds namely HSBC mutual funds and Deutsche mutual funds on January 14, 2003. As per replacement ordinance, UTI was divided into the UTI-I and UTI-II and were registered with SEBI as UTI mutual fund. In the same year SEBI cancelled registration of the two funds namely JF mutual fund and pioneer ITI mutual funds. Where as JF mutual fund schemes were taken over by Sun F&C Mutual Fund, the scheme of Pioneer ITI Mutual fund was merged with Templeton Mutual fund. So far, 9 public sector and 29 private sector mutual funds were registered with the SEBI.

SEBI annual report says that assets under the management of MFs have gone up by Rs. 46809 crore and it is 10.15 percent over last year. Private sector Mutual Funds mobilized Rs. 534650 crore with a market share of 90.59% while public sector Mutual funds and UTI together mobilized Rs. 31548 crore and Rs. 23992crore respectively with a market share of 5.35% and 4.07% respectively.

Foreign Institutional Investment

After liberalization the trend of FIIs in the Indian capital market seems to be positive. Table III shows the trend of FII investment. It depicts that, the cumulative net investment by the FIIs in the Indian capital market touched US$ 25.75 billion on March 31,2004. It is being observed that over a decade there has been a gradual increase in the confidence of the FIIs and also there is an indication of the reform process carried out by SEBI to make the Indian capital markets more efficient, transparent and investor friendly. FIIs net investment in 2003-04 was 45764.5 crores as compared to the net investment of 2688.6 crores in 2002-03 (the reduction of FIIs net investment during 2002-03 may be due to negative sentiments added by the Afghanistan and Iraq war) During 2003-04 FIIs gross purchase has gone up by 208%, compared to the previous year and their Sales have also gone up by 123%.

Table-III
Trend of FII investment

Year	**Gross purchases(Rs. in crores)**	**Gross sales (Rs. In crores)**	**Net investment (Rs. in crore)**	**Net investment (in US& million)**	**Cumulative net investment US$ Million at monthly exchange rate**
1992-93	17.4	4.0	13.4	4.2	4.2
1993-94	5592.5	466.3	5126.2	1634.0	1638.3
1994-95	7631.0	2834.8	4796.3	1528.3	3166.6
1995-96	9693.5	2751.6	6942.0	2035.7	5202.3
1996-97	15553.9	6979.4	8574.2	2431.9	7634.2
1997-98	18694.7	12737.2	5957.4	1650.1	9284.3
1998-99	16115.0	17699.4	(1584.40)	(386.1)	88998.2
1999-00	56885.5	46733.5	10121.9	2339.1	11237.3
2000-01	74050.7	64116.4	9934.3	2158.8	13396.1
2001-02	49920.0	41165.0	8755.2	1846.2	15242.3
2002-03	47061.3	44372.7	2688.6	562.4	15804.7
2003-04	144857.5	99094.0	45764.5	9949.0	25754.0

Source: SEBI and RBI Annual Reports
Fig in parenthesis refers negative flows

Derivatives Trading

In June 2000 derivatives' trading was introduced in the Indian capital market to assist the market participants to manage risk through hedging. Derivative trading based on the BSE 30-share Index (Sensex) commenced at BSE on June 9, 2000. On the NSE, derivative trading based on S&P CNX Nifty commenced on June 12, 2000.

The use of derivative leads to increased efficiency of markets by lowering transaction costs and aiding capital allocation. In Indian securities market, mostly financial derivative contracts are traded on both the BSE as well as the NSE. The traded volumes on BSE have been very low and are almost negligible. Single stock futures continued to dominate derivatives market with a percentage share of about 55-65per cent during 2003-04. One important development is that index futures started picking up during the year. Percentage of number of contracts traded in the market has increased steadily form about 14 per cent to 34 per cent (a growth of 150 per cent). Both index options and stock options recorded decline in terms of number of contracts as well as percentage share. Single stock futures share slid in 2003-04 compared to option contracts. Single stock futures recorded continuous growth month after month except for three months i.e. November 2003, February and March 2004. The growth rate also has been very high.

Though the BSE has a very small share of the total volume of derivatives segment, one important feature is that index futures not only dominate but also account for almost over 60 per cent of the volume traded. BSE recorded zero volume turnover in the index option segment. In many months even stock options remained dormant. This is in sharp contrast to NSE trading in derivatives where single stock futures is the most dominant segment.

Recent initiatives of SEBI to strengthen security market operations

- SEBI rationalized the margin trading and securities lending mechanism on 19th march 2004 to promote liquidity in the market.
- The clearing corporations/ houses have beenauthorize to borrow securities to complete settlement without resorting to auctions and short delivery being contained.
- NSDL was assigned the responsibility to construct and maintain a central registry of securities market participants and professionals.
- Recently central listing authority was set up to dynamize listing requirements and to issues a gate pass for entry into trading plat form.
- Intended to appoint ombudsman to redress the grievances of investors expeditiously.
- Introduced limited STP in the securities leg institutional investors.
- Expanded the availability of products for derivative trading including interest rate derivatives, corporate debt securities, retail government securities, available on exchanges and has improved disclosure and corporate governance standards.

Thus**,** transition of securities market over the few decades has paved the root for bringing structural changes and regulatory framework. These changes include launching innovative financial products, adopting new technologies to enhance efficient and transparent trading, which ultimately ensure investors trust.

In view of the developments taking place, it can be said in a positive tone that Indian securities market is moving on par with other efficiently developed securities markets.

3.RESEARCH AND METHODOLOGY

In order to conduct a theoretical analysis of the Indian financial securities market, researchers generally combine quantitative and qualitative techniques. To identify trends and patterns in the market, quantitative approaches analyse past market data, do statistical analyses, and create mathematical models.

Conversely, qualitative approaches entail interviewing market players, examining legal frameworks, and examining market dynamics from a qualitative standpoint. Qualitative research can offer significant insights into market participant behaviour, regulatory obstacles, and other variables that could affect market performance.

To investigate the Indian financial securities market, researchers employ cutting-edge analytical techniques like network analysis, econometric modelling, and machine learning algorithms in addition to these conventional research approaches. With the aid of these resources, researchers may better understand intricate market relationships and forecast future trends with greater accuracy.

But here in this research report my intention is to explain and cover all the components of **Indian Financial Securities Market,** because one should know the types of market and securities exist in it before making any kind of investment decision.
I am covering the basics ofIndian securities markets the reference is taken from numerous websites as it is very crucial for investors and people belonging to financial field of job.

OBJECTIVE OF THE STUDY

- Covering and briefing about types of **Indian Financial Markets**
- Covering and explaining **types of Securities** traded in Indian Financial markets
- Covering the above topics in a Single Place and make it easy for the readers to access all the information.

4. TYPES OF FINANCIAL SECURITIES MARKETS IN INDIA

The financial securities market is bifurcated on the basis of maturity periods and characteristics of the securities.

4.1 Money Market

The Reserve Bank of India (RBI), the nation's central bank, controls the money market in India. For the financial system to remain stable, liquid, and operate effectively, the RBI is essential in monitoring and controlling the money market.

In India, the money market is made up of several securities and short-term financial instruments that are exchanged between banks, financial institutions, businesses, and government agencies. The following are some of the major securities traded on the Indian money market:

1. Treasury Bills (T-Bills): The government issues Treasury bills, which are short-term debt instruments, to generate money for a predetermined amount of time, usually between 91 and 364 days. T-Bills are very liquid and are used in the money market as a benchmark for short-term interest rates.

2. Commercial Papers (CPs): Businesses offer commercial papers, or unsecured promissory notes, to investors in order to raise short-term capital. Institutional investors trade CPs in the secondary market, with maturities ranging from seven days to a year.
3. Debentures: To raise money from investors, firms issue debentures, which are long-term debt securities. Debentures have a defined maturity period and offer investors a fixed rate of interest.

4. Bonds: To raise long-term capital, governments, businesses, or financial organizations may issue bonds, which are debt securities. Bonds have a defined maturity period and offer investors a set or variable rate of interest.
5. Mutual Funds: To invest in a diverse portfolio of securities, including stocks, bonds, and other financial instruments, mutual funds pool the money of several participants. Investors can easily access a variety of investment possibilities handled by qualified fund managers through mutual funds.

6. Exchange-exchanged vehicles (ETFs): Similar to individual stocks, ETFs are investment vehicles that are exchanged on stock exchanges. ETFs provide investors with exposure to a diverse array of assets while tracking particular indices, industries, or commodities.

7. Real Estate Investment Trusts (REITs): REITs are financial instruments that let investors purchase real estate holdings that provide revenue. Dividends from rental income are given to investors by REITs.
In order to maintain market integrity, investor protection, and transparency, SEBI oversees the capital market in India through a number of rules, guidelines, and enforcement procedures. To keep the capital market efficient and stable, SEBI supervises market players, upholds disclosure standards, keeps an eye on trading activity, and prosecutes insider trading and market manipulation.

4.2 Capital Market

The Securities and Exchange Board of India (SEBI), the regulatory body in charge of policing the nation's securities market, is in charge of the capital market in India. In order to safeguard investors, advance ethical and open market practices, and uphold the integrity of the capital market, SEBI is essential.

Investors, including individuals, institutional investors, corporations, and government agencies, trade a variety of long-term financial instruments and securities on India's capital market. The following are some of the major securities traded on the Indian capital market:

1. Equity Shares: These rights entitle shareholders to a share of the company's assets and earnings and symbolize ownership in the business. On stock markets like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), equity shares are traded.

2. Preference Shares: A sort of equity instrument, preference shares pay a fixed dividend to shareholders ahead of common stockholders in the event of a corporate liquidation or profit distribution.

3. Debentures: To raise money from investors, firms issue debentures, which are long-term debt securities. Debentures have a defined maturity period and offer investors a fixed rate of interest.
4. Bonds: To raise long-term capital, governments, businesses, or financial organizations may issue bonds, which are debt securities. Bonds have a defined maturity period and offer investors a set or variable rate of interest.

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4.3 Primary Market

The market where businesses and other entities generate cash by first offering new securities to investors is known as the primary market in India. The primary market is essential to the flow of money from investors to businesses looking to raise money for growth, expansion, or other reasons. Companies can issue new bonds, debentures, shares, and other securities on the primary market to raise money directly from investors.

Key features of the primary market in India include:

1.The procedure by which a business makes its shares available to the general public for the first time is known as an initial public offering, or IPO. Businesses wishing to generate money through an initial public offering (IPO) must go by the rules established by the Securities and Exchange Board of India (SEBI) and other authorities.

2. Follow-on Public Offering (FPO): Following its initial public offering (IPO), a listed business may choose to issue extra shares to the public in a follow-on public offering. With FPOs, businesses can raise more money for growth or other corporate objectives.

3. Rights Issue: A corporation can provide its current shareholders the option to buy more shares at a lower price by using a rights issue. Rights issues allow current shareholders a chance to keep their ownership stake in the company.

4. Preferential Allotment: This type of investment entails giving shares or other securities to a particular set of investors, like institutional investors, strategic investors, or promoters. Businesses frequently employ preferential allotment to swiftly raise funds from particular investors.

5. Private Placement: In a non-public offering, securities are sold to a limited number of investors via a private placement. Companies that want to raise money from institutional investors, high-net-worth individuals, or private equity firms often perform private placements.

6. Book Building Process: In order to ascertain the offer price of shares depending on investor demand, the book building process is a price discovery technique used in IPOs and FPOs. Within a predetermined price range, investors submit bids, and the ultimate offer price is set by the demand for the assets.

By establishing guidelines for the issue of securities, disclosure obligations, investor protection measures, and other main market operations, SEBI oversees the primary market in India. Transparency, equity, and investor confidence in the primary market ecosystem are the goals of SEBI's supervision. Before issuing securities to investors, companies wishing to raise capital through the primary market must adhere to SEBI regulations and get the required permits.

4.4 Capital Market

The secondary market in India is the marketplace where investors purchase and sell pre-existing securities like bonds, shares, debentures, and other financial instruments. Investors can trade securities issued in the primary market on the secondary market after they are first issued. The secondary market makes it easier for investors to trade existing securities with one another without the issuing company being involved, in contrast to the primary market where businesses generate cash by issuing new securities.

Important characteristics of India's secondary market include:

1. Stock Exchanges: In India, stock exchanges like the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) serve as the main venue for trading securities in the secondary market. A

centralized market place is offered by stock exchanges where buyers and sellers can trade securities electronically.

2. Liquidity: By enabling investors to acquire and sell securities with ease, the secondary market increases the liquidity of securities. Since there is a ready market of buyers and sellers in the secondary market, investors can enter or exit their positions in securities swiftly.

3. Price Discovery: By seeing how supply and demand interact, the secondary market assists in ascertaining the fair market price of securities. The secondary market's prices of securities are subject to fluctuations stemming from a range of factors such as market movements, investor mood, company performance, and economic situations.

4. Trading Mechanisms: There are a number of different ways that securities are exchanged in the secondary market, including negotiated trades, block deals, bulk deals, and normal trading. Effective trading and price discovery are made possible by these mechanisms in the secondary market.

5. Market Participants: A variety of players, including brokers, market makers, international investors, institutional investors, individual investors, and regulatory bodies, are involved in India's secondary market. These players each have a distinct role to play in the trading of securities and maintaining the secondary market's efficiency.

6. Regulatory Oversight: To guarantee honest and open trading procedures, safeguard investor interests, stop market manipulation, and uphold market integrity, the Securities and Exchange Board of India (SEBI) oversees the secondary market in India. Regulations and guidelines pertaining to trading operations, disclosure obligations, investor safety protocols, and other facets of the secondary market are established by SEBI.

All things considered, the Indian secondary market is essential for offering investors possibilities for investment, price discovery, and liquidity. By allowing investors to purchase and sell securities after they are initially issued, it supplements the primary market and promotes the smooth operation of India's capital markets.

5. SECURITY MARKET IN INDIA

5.1 History Of Security Market In India

India's stock exchanges and market have a long history that began in the early 1800s. An outline of the development of the Indian stock market and stock exchanges is provided below:

1. Early Beginnings: In 1875, the "Native Share and Stock Brokers' Association," the country's first stock market, was founded in Bombay (now Mumbai). This was the first instance of organized securities trading in India.

2. Creation of Major Stock Exchanges: - Bombay Stock Exchange (BSE): One of Asia's oldest stock exchanges, the BSE Stock Exchange was founded in 1875 and is currently known as BSE Limited. It had a big impact on how the Indian capital markets developed.
- Calcutta Stock Exchange: Another significant stock exchange in India, the Calcutta Stock Exchange was established in 1908.
- Madras Stock Exchange: Another significant participant in the Indian stock market was the Madras Stock Exchange, which was founded in 1920.

3. Regulation and Development: - A legal foundation for the management of stock exchanges and securities trading in India was established by the Securities Contracts (Regulation) Act, 1956.
- The Securities and Exchange Board of India (SEBI) was established in 1988 to bolster investor protection and regulatory control in the country's capital markets.

4. Technology and Modernization: - Indian stock exchanges moved from open outcry trading systems to electronic trading platforms as a result of technological improvements. With its state-of-the-art facilities and trading systems, the National Stock Exchange (NSE), established in 1992, transformed the Indian stock market by introducing electronic trading.

- The dematerialization of securities and the launch of internet trading platforms have improved accessibility and effectiveness in the Indian stock market.

5. Market Reforms: To improve transparency, liquidity, and investor trust in the Indian stock market, a number of market reforms have been put into place throughout time. These include the introduction of derivatives trading, market segmentation, and regulatory modifications.

6. Present Situation: - Stock exchanges in India, such as the BSE and NSE, are currently used for the trading of stocks, derivatives, commodities, and other financial products. The Indian stock market has expanded dramatically over the years, drawing both local and foreign investors and being essential to the nation's capital formation and economic growth.
All things considered, the development, modernization, regulation, and reforms that have molded the Indian capital markets into a dynamic and lively environment for both enterprises and investors are reflected in the history of the stock market and stock exchanges in India.

5.2 Current Scenario of Indian Security Market
The Indian stock market remains a major channel for investing and generating wealth as of the present day. The present state of the Indian stock market comprises the following significant features:

1. Market Performance: Despite the difficulties brought on by the COVID-19 pandemic, the Indian stock market has demonstrated resiliency and recovery. The BSE Sensex and the NSE Nifty, the benchmark indices, have both recently hit all-time highs, indicating investor optimism and confidence in the Indian economy.

2. Investor engagement: Easy access to online trading platforms, low interest rates on conventional investments, and a growing interest in equities investing have all contributed to a rise in retail investor engagement in the Indian stock market.
3. Sectoral Trends: While certain industries, like technology, consumer goods, pharmaceuticals, and IT services, have prospered, others, like real estate, hospitality, and aviation, have struggled as a result of the pandemic's effects.

4. Regulatory Developments: In order to improve market integrity, investor protection, and transparency, SEBI is still implementing regulatory changes. Margin requirements, risk management practices, and governance regulations for public businesses have all undergone recent revisions.

5. IPO Market: A number of companies have gone public in India to generate money through the Initial Public Offering (IPO) market, which has been active. Strong investor reaction to initial public offerings (IPOs) suggests that these industries have the potential for growth and offer new opportunities.

6. Foreign Institutional Investors (FIIs): In the Indian stock market, foreign investors are very important. Significant FII inflows into Indian shares have occurred, indicating optimism over the nation's potential for economic reform and prosperity.

7. Market Volatility: Although there have been times of market volatility brought on by domestic, international, and geopolitical concerns, investors are urged to diversify their portfolios and take a long-term view in order to reduce risk.

8. Digital Transformation: To improve trading efficiency, risk management, and investor services, cutting-edge technologies like blockchain, artificial intelligence (AI), and data analytics are being adopted by the Indian stock market ecosystem.
9. Market forecast: The country's demographic dividend, robust corporate earnings growth, government reforms, infrastructure development projects, and other factors continue to support the good forecast for the Indian stock market.

All things considered, the Indian stock market keeps evolving and adjusting to new situations, providing chances for investors to be a part of the nation's economic success story. To make wise investing selections in the fast-paced stock market climate, investors must stay educated, carry out in-depth research, and consult a specialist.

5.3 DIFFERENCE BETWEEN INDIAN FINANCIAL SECURITIES MARKET AND INDIAN STOCK MARKET

The stock market is one of the major components of the Indian financial security market, which is divided into several divisions. In addition to stocks, the Indian financial security market also include bonds, derivatives, commodities, and mutual funds, among other products.

A crucial area of the financial security market is the stock market, sometimes referred to as the equity market, where shares of publicly traded corporations are purchased and sold. It gives investors the chance to become part owners of these businesses and gives enterprises a platform to acquire funds through the issuance of shares to investors.

The Indian financial security market comprises more than just the stock market, while the latter is a crucial component. Bonds, which are debt securities issued by governments or corporations, and mutual funds, which combine the money of many investors to invest in a diverse portfolio of assets, are two other financial vehicles that investors can use to diversify their portfolios.
Therefore, in order to create a well-rounded investment portfolio that is in line with one's financial goals and risk tolerance, it is imperative to take into account other investment possibilities accessible in the larger financial market, even if the Indian stock market is a critical component of the financial security market.

5.4 Regulatory framework of Indian financial security market

In order to maintain investor safety, market integrity, and financial stability, a number of important regulatory agencies and laws oversee the regulatory structure of the Indian financial security market. The main regulatory agencies in charge of the Indian financial security industry are as follows:

1. The Securities and Exchange Board of India (SEBI) is the supreme regulatory authority overseeing the Indian securities industry. It was founded in 1992 and is in charge of overseeing and regulating a range of market participants, including as brokers, mutual funds, stock exchanges, and other middlemen. Regulations, rules, and codes of behaviour are developed by SEBI to support equitable, open, and

effective securities markets.

2. Reserve Bank of India (RBI): As the nation's central bank, the RBI is essential to the supervision of the banking and financial sectors. It is in charge of managing the operations of payment systems, banks, and non-banking financial corporations (NBFCs). The RBI also controls capital flows and foreign exchange transactions, which has an effect on the market's general stability for financial securities.

3. Ministry of Finance: The Ministry of Finance develops financial sector policies, such as those pertaining to budgeting, taxation, and economic reforms. It closely collaborates with regulatory agencies such as SEBI and RBI to guarantee the seamless operation of the financial security market.

4. The Insurance Regulatory and Development Authority of India (IRDAI) is in charge of overseeing the country's insurance market. Even though they have nothing to do with the securities market, insurance products play a significant role in the whole financial system.
5. Pension Fund Regulatory and Development Authority (PFRDA): PFRDA promotes pension coverage and guarantees the safety of pension fund subscribers by regulating pension funds and programs in India.
The following are important laws that control the Indian financial security market:

1. Securities transactions (Regulation) Act, 1956: This law establishes the guidelines for stock exchanges and securities transactions in India.

2. SEBI Act, 1992: This law gives SEBI the authority to control the securities industry and defend investors' rights.

3. SEBI (Requirements for Disclosure and Listing Obligations) Regulations, 2015: Corporate governance and disclosure obligations, as well as listing requirements for firms on stock markets, are governed by these legislation.

4. SEBI Regulations, 2015 (Prohibition of Insider Trading): These laws forbid insider trading and set guidelines to stop the improper use of confidential, price-sensitive information.

5. SEBI (Mutual Funds) Regulations, 1996: These rules control how mutual funds are registered, run, and handled in India.
6. Foreign portfolio investors engaging in Indian securities markets should refer to the SEBI (Foreign Portfolio Investors) Regulations, 2019 for instructions.

7. Companies Act, 2013: This law governs corporate entities in India and contains rules about corporate governance, shareholder rights, and the issue of securities.

In general, the regulatory structure of the Indian financial security industry is intended to support market integrity and efficiency while guaranteeing investor protection, responsibility, and transparency. Stability and expansion of the market depend on ongoing oversight, strict adherence to laws, and cooperation amongst regulatory agencies.

6. WHY FINANCIAL SECURITY MARKET PLAYS VITAL ROLE IN INDIA

6.1 For Investment Purpose

The Indian financial security market has a wealth of opportunities as well as difficulties for investors. To make wise investment decisions, investors in the Indian financial security market must negotiate a challenging environment of rules, market volatility, economic circumstances, and international influences.

Investors must comprehend the distinctive features of the Indian financial security market in order to optimize profits and efficiently mitigate risks.
The variety of investment alternatives offered by the Indian financial security market is an important factor that investors should take into account. Investors have many options to create a diversified portfolio that fits their risk tolerance and investing goals, ranging from stocks and bonds to mutual funds, derivatives, and alternative investment vehicles. Before making an investment, investors must perform extensive study and due diligence as each investment opportunity has unique risks and potential rewards.

Additionally, given events in geopolitics, business developments, regulatory changes, and macroeconomic indicators all affect market dynamics, investors in the Indian financial security market need to keep informed. The Indian financial security market is inherently volatile due to a number of reasons, including changes in interest rates, pressures from inflation, currency fluctuations, and worldwide economic trends. Investors must have a thorough comprehension of these elements in order to predict market fluctuations and modify their investing strategy appropriately.

Another crucial area that investors in the Indian financial security market need to focus on is risk management. In order to safeguard money and maximize returns for investors, a strong risk management framework must include diversification, asset allocation, hedging techniques, and risk assessment tools. Additionally, investors may stay focused on their investing goals and navigate through adverse market circumstances by keeping a long-term perspective and refraining from making emotional decisions during market volatility.

In conclusion, investors looking to increase their wealth and accomplish their financial objectives have a plethora of options available to them in the Indian financial security market. Through comprehensive research, regular updates on market advancements, efficient risk management, and adherence to a disciplined investing strategy, investors can leverage the opportunities presented by the Indian financial security market while averting possible drawbacks. Investors may successfully manage the intricacies of the Indian financial security market and create a portfolio of investments that yields sustainable returns over time with the appropriate knowledge, approach, and mindset.

6.2 For Raising Funds And How Funds Are Allocated There

A wide range of funds are available from companies in the Indian financial security market to meet the various investment requirements of investors. These funds offer a broad range of risk profiles, investing techniques, and asset classes, giving investors lots of chances to diversify their portfolios and reach their financial objectives. Offering a wide range of options to meet different investor preferences and risk appetites, enterprises in the Indian financial security market include equity funds, debt funds, hybrid funds, exchange-traded funds (ETFs), and alternative investment funds.
In the Indian financial security market, one of the most well-liked investment options is an equity fund, which focuses on stocks. Through investments in a diverse portfolio of stocks from various industries and market capitalizations, these funds hope to produce capital appreciation. Debt funds, on the other hand, concentrate on fixed-income assets to give investors consistent returns and capital preservation, such as corporate and government bonds and money market instruments.

Hybrid funds provide a well-rounded approach to portfolio diversification by combining components of debt and equity assets. These funds usually make a combination of investments in fixed-income and equity assets in order to maximize returns and efficiently control risk. The cheap costs, liquidity, and transparency of exchange-traded funds (ETFs), which are passively managed funds that track particular indices or asset classes, have made them more and more popular among investors in recent years.

Companies in the Indian financial security market offer alternative investment funds (AIFs) in addition to conventional mutual funds. These funds invest in non-traditional asset classes such commodities, real estate, hedge funds, and private equity. Sophisticated investors looking for portfolio diversification and superior returns beyond typical asset classes are catered to by these funds.

All things considered, the vast array of funds that companies in the Indian financial security market offer is a reflection of the changing demands of investors as well as the dynamic character of the investment landscape. Based on their investment goals, risk tolerance, and time horizon, investors can create well-rounded portfolios that help them reach their financial goals and provide long-term value by selecting the appropriate mix of funds.

7. FEATURES, MERITS AND CONCLUSION

7.1 Characteristics Of Security Market In India

The Indian financial securities market is a complex ecosystem with a range of features that shape its functioning and impact its overall performance. The following are some essential qualities:
• Return: Yield plus capital appreciation are the returns investors in the securities market can anticipate. An investment's return is contingent upon several factors, including the investment's nature and maturity period1.
• Risk: Investing in the securities market carries certain risks, such as the possibility of losing the initial investment. The degree of risk associated with various securities varies1.
• Safety: Investors are concerned about the safety of their investments in the securities market, and this depends on the kind of security and the creditworthiness of the issuer1.
• Market Segments: The primary market, where new securities are issued, and the secondary market, where existing securities are sold, comprise the Indian securities market1.
• Liquidity: The degree of liquidity exhibited by securities varies. Bonds, stocks, and money market instruments are examples of highly liquid products that are exchanged more frequently1.
• Government Securities Market: This market segment comprises a range of government securities, including State Development Loans, Treasury Bills, and Cash Management Bills, among others1.
• Equity Market: Mainly governed by the Securities and Exchange Board of India (SEBI), it is the buying and selling of shares issued by publicly traded companies2.
• The Money Market: This market has unique features, including seasonality, a dichotomous structure, and a wide range of interest rates3.

These attributes contribute to the dynamics of the Indian financial securities market, impacting investor tactics as well as regulator actions.

7.2 Merits of Indian Financial Securities Market

Of course! The financial securities market in India is vital to the economy of the nation. Here are a few advantages of it:
1. Resource Mobilization: The securities market makes it easier for investors to transfer money to borrowers. It gives businesses and the government a place to raise money using different securities including bonds, stocks, and debentures.
2. Diverse Investment Options: A variety of financial instruments, including as corporate bonds, mutual funds, shares, and government securities (G-Secs), are available to investors. Both individuals and organizations can build well-rounded portfolios because to this diversification.
3. Government Securities (G-Secs): In India, G-Secs are regarded as among the safest investment choices. The Indian government's creditworthiness and guarantee support them. These debt instruments offer a risk-free investing option and come in a variety of maturities.
4. Market Liquidity: By making it simple for investors to purchase and sell securities, the securities market maintains market liquidity. Both long-term investors and short-term traders profit from this liquidity.

5. Benchmark for Pricing: Other debt instruments' prices are compared to that of G-Secs. Their yields affect the economy's interest rates, which affects how much it costs for people and companies to borrow money.
6. Investor Protection: The interests of investors are protected by regulatory organizations such as the Securities and Exchange Board of India (SEBI). There are safeguards against insider trading, fraud, and market manipulation.
7. Market Efficiency: By bringing savers and borrowers together, the securities market encourages the efficient allocation of money. Effective markets promote development and economic expansion.
8. Market Infrastructure: Transparency and efficiency are increased by ongoing enhancements to the market infrastructure, which includes electronic trading platforms and settlement systems.
9. Market Movements and Returns: To help them make wise selections, investors can monitor market movements and historical returns. The Indian stock market provides chances in a number of industries.
10. Attracting Diverse Participants: The Reserve Bank of India (RBI), banks, mutual funds, insurance firms, and both domestic and foreign investors are drawn to the securities market. Their involvement affects the general state of the economy and the landscape of investments. In conclusion, the Indian financial securities market offers a strong foundation for investment, capital raising, and economic expansion, which is advantageous to both private citizens and the country at large.

7.3 Conclusion

An important factor in the nation's economic growth is the Indian Financial Securities Market. It provides investors with a safe investment choice and acts as the government's main source of funding. This market, which is governed by the Reserve Bank of India (RBI), has a big impact on the environment for interest rates and monetary policy in general.

Additionally, the securities market plays a critical role in directing savings toward profitable ventures, which in turn forces businesses to prioritize performance. Additionally, it offers a way to continuously assess performance through changes in share price and the possibility of takeovers. The robustness and durability of India's financial framework are demonstrated by the securities market, which has a rich history that dates back to the 18th century.

The securities market is portrayed as a growth engine due to its significance for economic expansion, particularly in light of India's goal of growing at a predicted 8 percent annual rate. The growth of the market is a reflection of the nation's dedication to building a strong financial system that satisfies the financial demands of businesses and the government alike, guaranteeing a steady and vibrant economy.

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