International Journal of Research Publication and Reviews, Vol 4, no 10, pp 888-890 October 2023

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Study on Impact of Share Market in Indian Economy

[1]Arbaj Shamshoddin Shaikh, [2]Mohammad Izhar, [3]Asim Akmal Abdul Kalim, [4]Sudani Ayush Sanjaybhai, [5]Kunal Khode

[1]MBA SEM 1, Asma Institute of Management, Email I'd : shaikharbaj181@gmail.com, Mo. No. 8208293288
[2]MBA SEM 1, Arihant Institute of Business Management, Email I'd : mohammadizhar9145@gmail.com
[3]MBA SEM 1, Arihant Institute of Business Management, Email I'd : asimakmal1@gmail.com
[4]MBA SEM 1, Aditya Institute of Business Management, Email I'd : ayushsudani3198@gmail.com
[5]MBA SEM 1, Mail I'd : khodekunal5591@gmail.com

ABSTRACT

The study has made an attempt to judge the various impacts of Share Market on the Indian Economy. Indian economy gets mostly affected due to generation of investment, saving and all economical transaction related to Share market. The research paper also explain the volatility of market, NSE, BSE trades, stock market Value, Bank interference in global economical market. Also explain types of market investment like Bank nifty, Nifty 50, Mutual Funds, Stock Equity Which are take major impact on Indian economy.

KEYWORDS: Shares, Indian stock market, BSE, NSE, Volatility etc.

INTRODUCTION

SENSEX and BSE100 from the Bombay Stock Exchange, as well as NIFTY and CNX500 from the National Stock Exchange. The study utilizes daily closing prices of these four indices during the study period.

The concept of securities trading was introduced to India in 1875 when the (BSE) was established as The Native Share a voluntary non-profit organization. To better understand this, think of your local vegetable market (known as the Bhaji or Sabji market), where vegetables are bought and sold. Similarly, a stock market is like a local neighborhood where stocks and shares are bought and sold.

In a stock exchange, the daily price of a stock is determined through a process of bidding and offering. Individuals have the right to place bids to buy shares and offer to sell them at a specific price. Buyers compete among themselves to place the highest bid, while sellers compete to offer the lowest price for a stock. When there is a match between the highest bid and the best offer, a trade is executed. In modern automated exchanges, high-speed computers facilitate this entire process.

Stocks of various companies are listed on stock exchanges, and as of now, there are a total of 23 stock markets in India. These markets provide a platform for investors to trade and invest in a wide range of stocks

HISTORY OF INDIAN STOCK EXCHANGE

The Indian stock markets have played a pivotal role in the early stages of industrialization in India during the late 19th and early 20th centuries. They provided crucial funding for various industries, including textile mills and steel plants, which were some of the first to receive financial backing through the stock market. Many of these fundraising efforts were substantial in relation to the size of the financial sector at that time.

REVIEW OF LITERATURE

Debjit Chakraborty (1997): This study aims to establish a relationship between major economic indicators and stock market behavior in India. It considers factors like inflation, funds, GDP growth, fiscal deficit, and credit deposit ratio. The study suggests that stock market movements are influenced by these economic factors, along with political stability.

Redel (1997): Redel's research focuses on capital market integration in developing Asian countries between 1970 and 1994. The study examines variables like net capital flows, FDI, portfolio equity flows, and bond flows. It concludes that capital market integration in the 1990s resulted from economic reforms, and the financial crises of the 1970s were not repeated.

Avijit Banerjee (1998): Banerjee reviews both Fundamental Analysis and Technical Analysis for selecting securities in a portfolio. Technical Analysis is considered useful for timing investment decisions. The study also emphasizes the importance of selecting securities with low beta values (P) to minimize risks.

Madhusudan (1998): This study analyzes monthly stock returns data from January 1981 to December 1992 for BSE sensitivity and national indices. The analysis suggests that these indices did not follow a stochastic process.

Arun Jethmalani (1999): Jethmalani assesses the measurement and management of risk associated with investing in corporate securities. He discusses the difficulty of measuring risk and highlights the importance of investors' risk tolerance.

Suresh G Lalwani (1999): Lalwani emphasizes the need for risk management in the stock market, particularly concerning value risk. He cautions that the stock market can be unpredictable, and risk management is crucial.

RESEARCH METHODOLOGY

The study relies on secondary data for its research. The necessary data related to the Indian stock market, Bombay Stock Exchange (BSE), National Stock Exchange (NSE), and CNX Nifty is gathered from various sources, including:

Bulletins of the Federal Reserve Bank of India.

Publications from the Ministry of Commerce.

SEBI (Securities and Exchange Board of India) Handbook of Statistics, Government of India.

CNX Nifty data is downloaded from the websites of the National Stock Exchange (NSE).

For analysis, the study uses daily closing index values. These daily values are averaged to calculate the index value for each year. This yearly index value is considered a more representative figure for the entire year, rather than relying on individual daily or monthly closing figures for the index.

CAUSES OF VOLATILITY IN INDIAN STOCK EXCHANGE

The stock exchange volatility is caused by number of things like change in in aition rate, rate of interest, financial leverage, corporate earnings; dividends yield policies, bonds prices, economic process, budget, general business conditions, credit policy etc. Volatility is driven by trading volume followed by arrival of latest information regarding new oats, or any quite private information that incorporate into market stock prices. Shiller may be arm advocate of the favoured model explanation of stock exchange volatility. the favoured models are a qualitative explanation of price fluctuations. In short, it proposes that investor reactions, thanks to psychological or sociological beliefs, exert an excellent in influence on the market than good economic sense arguments. Volatility measures the dimensions of the errors made in modelling returns and other financial variables. it had been discovered that, for vast classes of models, the typical size of volatility isn't constant but changes with time and is predictable. Volatility of returns in financial markets are often a serious obstacle for attracting investment in small developing economies. countries is higher There are variety of other things that cause volatility. Amongst other things that because volatility is arbitrage. Arbitrage is that the simultaneous or almost simultaneous buying and selling of an asset to profit from price discrepancies. Arbitrage causes markets to regulate prices quickly.This has the effect of making data be all the more immediately acclimatized into advertise costs. this is often a curious result because arbitrage requires no more information than the existence of a price discrepancy. The quicker data is dispersed, the faster markets can respond to both negative and positive news. Improved trading technology makes it easier to require advantage of arbitrage opportunities, and therefore the resulting price alignment arbitrage causes. Finally, more sorts of financial instruments allow investors more opportunity to makeover their money to more sorts of investment positions when conditions change. Speculation: one more reason for market volatility is theory. Speculation is that the act ofexchanging a benefit, or directing a budgetary exchange, that conveys noteworthy danger of losing most or the entirety of the underlying cost, in desire for an extensive addition. This involves buying and selling of financial instrument and make money from the anticipated price fluctuation.Hypothesis causes deviation of value structure their natural worth.

CONCLUSION

Risk Mitigation through Diversification: The stock market allows individuals to spread their investments across multiple entities, which reduces risk. This is achieved by pooling small investments into a larger, diversified portfolio, managed by professionals.

Enlisting Corporate Securities in Multiple Markets: Listing corporate securities in more than one stock market simultaneously can enhance liquidity and the overall functioning of the stock market.

Presence of Speculation: The Indian stock market experiences significant speculation, indicating that some market participants engage in speculative trading.

Measuring Risk: Risk is considered difficult to quantify precisely. However, it is often assessed based on historical volatility, which provides a measure of uncertainty in the market.

Factors Influencing Stock Market Movements: Stock market movements are influenced by factors such as broad money supply, inflation, the credit-to-deposit ratio, and fiscal deficits, in addition to political stability.

Derivatives for Risk Management: Low execution costs make derivatives, especially futures, suitable for frequent and short-term trading to manage risk effectively.

Stock Market Cycles: The analysis of stock market cycles indicates that bull phases (periods of rising stock prices) tend to be longer, with higher amplitudes and volatility. Expansions yield larger gains than the losses incurred during bear phases (periods of falling stock prices).

Post-Liberalization Stability: The stock market has exhibited greater stability in the post-liberalization phase compared to its pre-liberalization character.

Volatility: Volatility in both bull and bear phases of the stock market cycle has decreased in the recent past during the post-liberalization phase.

ACKNOWLEDGEMENT

I would also like to extend my gratitude to Prof.Radhika Bajaj and Dr.Shrikant wagulkar for their able guidance and support in completing my research paper

REFERENCE

1. Narasimham Committee Report (1992) on financial system..
2. www.nseindia.com
3. Damodar N. Gujarati (2007), “Basic Econometrics”, Tata Mc. Graw Hill publishers, 4e, pp. 1-396.
4. One minute trader
5. 5.Ramu Ramanathan (2002), “Introductory Econometrics with Applications”, 5e, Cengage Learning, Harcourt College Publishers.
6. www.capitalline.com
7. 7.http://www.futuresindustry.org /volume-.asp
8. 8.wikipedia.org/wiki/Derivative_(@nance) 9.www.bseindia.com/markets/Derivatives/DeriReports/introduct ion.aspx