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GENESIS AND GROWTH OF THE INDIAN STOCK MARKET An Analytical Perspective

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ABSTRACT :

Abstract The Indian stock market stands today as one of the most dynamic financial systems in the world. Tracing its evolution from informal gatherings of brokers in the 19th century to a technologically advanced and globally integrated exchange, this paper examines the development, regulation, and investor behavior associated with Indian stock markets. It further analyzes empirical findings based on a descriptive study conducted in Chandigarh to understand investor preferences, behaviors, and satisfaction levels. The study culminates in recommendations aimed at improving investor awareness, regulatory oversight, and market participation.

Introduction

1. Introduction The Indian stock market is one of the oldest in Asia, with roots going back to the 18th century. It has evolved from a loosely organized structure into a regulated, high- tech market system that supports the country's economic framework. Major stock exchanges like the Bombay Stock Exchange (BSE), founded in 1875, and the National Stock Exchange (NSE), established in 1992, play pivotal roles in capital mobilization and wealth creation.

As India liberalized its economy in the early 1990s, stock markets became central to capital formation and investor participation. The study investigates how historical transformations, investor psychology, and market regulation shape the current investment climate.

Historical Evolution of Indian Stock Markets

Historical Evolution of Indian Stock Markets India's stock market journey began with trading in East India Company securities in the late 1700s. By the 1830s, Mumbai emerged as a hub for stock trading, culminating in the formation of the BSE in 1875. Key milestones include: - 1956: Securities Contracts (Regulation) Act formalized trading practices. - 1986: Launch of SENSEX, the benchmark index of BSE. - 1992: Establishment of the NSE and statutory empowerment of SEBI. - 1994: NSE introduced electronic screen-based trading, transforming market transparency.

The 2000s and 2010s witnessed dematerialized accounts, mobile trading, and algorithmic transactions, making markets more inclusive and efficient.

Institutions and Regulatory Framework

Institutions and Regulatory Framework - Bombay Stock Exchange (BSE): Asia's oldest exchange and a global benchmark, the BSE has facilitated capital growth and trading for
decades. - National Stock Exchange (NSE): A game-changer in the 1990s, NSE brought automation, transparency, and speed. - Securities and Exchange Board of India (SEBI): Established in 1988 and granted statutory powers in 1992, SEBI regulates market participants, protects investors, and ensures ethical conduct. - Reserve Bank of India (RBI): While not a direct stock market regulator, the RBI influences the financial ecosystem through monetary policies.

These institutions collectively ensure market integrity, investor protection, and systemic stability.

Methodology

Methodology This study follows a descriptive research design to analyze investor behavior in the Indian stock market. The research was conducted in Chandigarh using a convenience sampling method. - Sample Size: 50 respondents - Target Group: Students and professionals - Data Collection Tool: Structured questionnaire - Data Type: Primary data with limited secondary inputs

Key variables analyzed included investment preferences, risk perception, income allocation, and satisfaction levels.

Key Findings

Key Findings - Majority of respondents are aware of multiple investment instruments such as stocks, mutual funds, and debentures. - Equity and mutual funds are the most preferred investment vehicles. - Most investors allocate between 15-20% of their annual income into investments. - Factors influencing investment decisions include ROI, capital appreciation, and liquidity. - Personal judgment and advice from friends and relatives play significant roles in decision-making. - Investors generally express satisfaction with their returns, but many also show interest in better awareness and financial education.

Conclusion and Recommendations

Conclusion and Recommendations India's stock market, while rooted in a long historical tradition, has modernized considerably. Key regulatory advancements and technological integration have increased participation and efficiency.

Recommendations: - Investor Education: Awareness campaigns on lesser-known instruments beyond equities and mutual funds. - Risk Profiling Tools: Providing digital tools for investors to assess their risk tolerance. - Policy Reforms: Continued simplification of trading and settlement processes. - Research Accessibility: Dissemination of financial insights through public platforms to aid retail investors.

Investors are more likely to achieve satisfaction when they align investments with personal goals and market understanding. Platforms like Karvy Stock Broking and others must continue to innovate to retain investor trust.

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