A DISCRIPTIVE STUDY OF INDIAN CAPITAL MARKET

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Abstract: The present research article covers the key aspects of Indian capital market. Indian capital market provides a very crucial role in long term loanable funds. It provides adequate capital at reasonable rate to the businesses as well industries. Capital market is also composed of those who demand funds (borrowers) and those who supply funds (lenders).India has a fair share of the world economy and hence the capital markets or the share markets of India form a considerable portion of the world economy. The capital market is vital to the financial system.The capital Markets are of two main types. The Primary markets and the secondary markets. These two markets perform for the economic growth of Indian financial system.

Objective of the Study:

The present paper studies following objectives

O1- To understand the Indian Capital market in details.

O2- To study the various important constituents of the capital market.

Data Collection:

Present research article is a descriptive study. This research article is studied on secondary data which derived from academic reference books, websites and academic magazines.

Introduction:

The capital market support to the system of capitalism of the country. SEBI - The Securities and Exchange Board of India and Reserve Bank of India are the two regulatory authorities of Indian securities market who protect investors and improve the microstructure of capital markets in India. The trading platforms of stock exchanges are accessible from anywhere in the country through its trading terminals because of todays advanced technology.It refers to the facilities and institutional arrangements for borrowing and lending 'term funds', medium term and long-term funds. In principal capital market loans are used by industries mainly for fixed investment. It does not deal in capital goods, but is concerned with raising money capital or purpose of investment.Thesupply of funds tor capital markets comes largely from Commercial Banks, Provident Fund Societies, Merchant Banking Agencies, Insurance CompaniesLIC-GIC,Credit Guarantee Corporations, Financial institutions IFCI, IDBI, ICICI, SIDCS, SFCS, UTI etc. Some individualsinvest directly on their own in securities are also suppliers of fund to the capital market.India has a fair share of the world economy and hence the capital markets or the share markets of India form a considerable portion of the world economy. The capital market is vital to the financial system.The capital Markets are of two main types. The Primary markets and the secondary markets. Primary market contains companies, governments or public sector institution can raise funds through bond issues. Also, Corporations can sell new stock through an initial public offering (IPO) and raise money through that. In this waythe party directly buys shares of a companyin the primary market. The process of selling new shares to investors is called underwriting.Secondary Markets includes the stocks, shares, and bonds etc. are bought and sold by the customers. Examples of the secondary capital markets include the stock exchanges like NSE, BSE etc. In these markets, using the technology of the current time, the shares, and bonds etc. are sold and purchased by parties or people.

Definitions

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. The buying/selling is undertaken by participants such as individuals and institutions.

The Indian capital market is the market for long term loanable funds as distinct from money market which deals in short-term funds.

Broad Constituents in the Indian Capital Markets

Market Regulators: Market Regulators include the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), and the Department of Company Affairs (DCA).

Organizations: Organizations include various entities such as MCX-SX, BSE, NSE, other regional stock exchanges, and the two depositories National Securities Depository Limited (NSDL) and Central Securities Depository Limited (CSDL).

Fund Raisers: Fund Raisers are companies that raise funds from domestic and foreign sources, both public and private. The following sources help companies raise funds.

Fund Providers: Fund Providers are those who invest in the capital markets. They are domestic and foreign investors, institutional and retail investors. The list includes subscribers to primary market issues, investors who buy in the secondary market, traders, speculators, FIIs/ sub-accounts, mutual funds, venture capital funds, NRIs, ADR/GDR investors, etc.

Intermediaries: Intermediaries are service providers in the market, including stock brokers, sub-brokers, financiers, merchant bankers, underwriters, depository participants, registrar and transfer agents, FIIs/ sub-accounts, mutual Funds, venture capital funds, portfolio managers, custodians, etc.

Role And Importance of Capital Market in India:

The capital market has a crucial significance to capital formation. For a speedy economic development, the adequate capital formation is necessary. The significance of capital market in economic development is explained below:

Easy Liquidity: With the help of secondary market, investors can sell off their holdings and convert them into liquid cash. Commercial banks also allow investors to withdraw their deposits, as and when they are in need of funds.

Promotion Of Industrial Growth: The stock exchange is a central market through which resources are transferred to the industrial sector of the economy. The existence of such an institution encourages people to invest in productive channels. This is how it stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

Ready And Continuous Market: The stock exchange provides a central convenient place where buyers and sellers can easily purchase and sell securities. Easy marketability makes an investment in securities more liquid as compared to other assets.

Mobilization Of Savings and Acceleration of Capital Formation:In developing countries like India, the importance of capital market is self-evident. In this market, various types of securities help to mobilize savings from various sectors of the population. The twin features of reasonable return and liquidity in stock exchange are definite incentives to the people to invest in securities. This accelerates the capital formation in the country.

Technical Assistance: An important shortage faced by entrepreneurs in developing countries is technical assistance. By offering advisory services relating to the preparation of feasibility reports, identifying growth potential and training entrepreneurs in project management, the financial intermediaries in capital market play an important role.

Raising Long-Term Capital: The existence of a stock exchange enables companies to raise permanent capital. The investors cannot commit their funds for a permanent period but companies require funds permanently. The stock exchange resolves this dash of interests by offering an opportunity to investors to buy or sell their securities, while permanent capital with the company remains unaffected.

Development Of Backward Areas: Capital Markets provide funds for projects in backward areas. This facilitates economic development of backward areas. Long-term funds are also provided for development projects in backward and rural areas.

Reliable Guide to Performance: The capital market serves as a reliable guide to the performance and financial position of corporate, and thereby promotes efficiency.

Provision Of Variety of Services: The financial institutions functioning in the capital market provide a variety of services such as a grant of long-term and medium-term loans to entrepreneurs, provision of underwriting facilities, assistance in the promotion of companies, participation in equity capital, giving expert advice etc.

Foreign Capital: Capital markets make possible to generate foreign capital. Indian firms are able to generate capital funds from overseas markets by way of bonds and other securities. The government has liberalized Foreign Direct Investment (FDI) in the country. This not only brings in the foreign capital but also foreign technology which is important for economic development of the country.

Proper Channelization of Funds: The prevailing market price of a security and relative yield are the guiding factors for the people to channelize their funds in a particular company. This ensures effective utilization of funds in the public interest.

Conclusion:

From the above study we understand that Indian capital market is composed of those who demand funds are the borrowersand those who supply funds are lenders. An ideal capital market attempts to provide adequate capital at reasonable rate of return for any business, or industrial proposition which offers a prospective high yield to make borrowing worthwhile.The secondary market on the other hand is the market for old and already issued securities. The secondary capital market is composed of industrial security market or the stock exchange in which industrial securities are bought and sold and the gilt-edged market in which the government and semi-government securities are traded.

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