



STOCK EXCHANGE- A BOON FOR ECONOMY

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INTRODUCTION

- The word stock exchange is made from two words “Stock” and “Exchange” where stock means a contribution in the capital of the company and exchange refers to transferring the ownership for some consideration. Thus stock exchange is the organization which provides a platform for buying and selling the securities where buyers and sellers interact with each other for the purpose of buying and selling.

The Securities Contract Regulation Act ,1956 has defined stock exchange as “association , or organization or body of individuals, whether incorporated or not , established for the purpose of assisting, regulating and controlling business of buying, selling and dealing in securities.”

FEATURES OF STOCK EXCHANGE

- Organized market
- Regulatory framework
- Association of persons
- Liquidity
- Only members can trade
- Listed securities
- Deals in second hand securities
- Recognition of Central Government
- Financial barometer



STOCK EXCHANGE

FUNCTIONS OF STOCK EXCHANGE

- Marketability of securities
- Price determination and continuity
- Liquidity
- Evaluation of securities
- Mobilize savings
- Healthy speculation
- Mobility of funds
- Capital formation
- Economic barometer
- Attracts foreign capital
- Investor protection
- Regulation of foreign capital
- Corporate governance



MECHANISM OF STOCK EXCHANGE

- Selection of a broker
- Placing an order
- Making a contract
- Contract Note
- Settlement
- Electronic settlement of trade
- Rolling settlement



FACTORS AFFECTING SHARE PRICES IN STOCK EXCHANGE

- Demand and supply
- Bank Rate
- Impact of news
- Confidence and expectations
- Earnings per share
- Political situation
- Analyst's report
- Press recommendations
- Market players
- Trade cycle
- General market sentiments
- Action of institutional investors
- Level of foreign investment
- Effective regulation



STOCK EXCHANGE IN INDIA



HISTORY OF STOCK EXCHANGE



The stock exchange was established by “East India company” in 18th century . In India it was established in 1850 with 22 stock brokers opposite to town hall Bombay .This stock exchange is known as oldest stock exchange of Asia.

LARGEST STOCK EXCHANGES

IN THE WORLD

- ✓ LONDON STOCK EXCHANGE
- ✓ NEW YORK STOCK EXCHANGE
- ✓ SHANHAI STOCK EXCHANGE
- ✓ AUSTRALIA STOCK EXCHANGE
- ✓ TOKYO STOCK EXCHANGE
- ✓ HONG KONG STOCK EXCHANGE
- ✓ TORONTO STOCK EXCHANGE
- ✓ DEUTSCHE BORSE
- ✓ BM&F BOVESPA
- ✓ NASDAQ OMX STOCK EXCHANGE

IN INDIA

- ✓ NATIONAL STOCK EXCHANGE
- ✓ BOMBAY STOCK EXCHANGE
- ✓ CALCUTTA STOCK EXCHANGE
- ✓ COCHIN STOCK EXCHANGE
- ✓ MULTI COMMODITY EXCHANGE
- ✓ DERIVATIVES EXCHANGE
- ✓ OTC EXCHANGE
- ✓ PUNE STOCK EXCHANGE
- ✓ INTERCONNECTS EXCHANGE

LIST OF STOCK EXCHANGES IN INDIA

- U.P stock exchange, Kanpur
- Vadodara stock exchange, Vadodara
- Koyambtour stock exchange, Coimbatore
- Meerut stock exchange, Meerut
- Mumbai stock exchange, Mumbai
- Over the counter exchange of India, , Mumbai
- National stock exchange, Mumbai
- Ahmedabad stock exchange, Ahmedabad
- Bangalore stock exchange, Bangalore
- Bhubaneswar stock exchange, Bhubaneswar
- Calcutta stock exchange, Kolkata
- Cochin stock exchange, Cochin

LIST OF STOCK EXCHANGES IN INDIA

- Delhi stock exchange, Delhi
- Guwahati stock exchange, Guwahati
- Hyderabad stock exchange, Hyderabad
- Jaipur stock exchange, Jaipur
- Canara stock exchange, Mangalore
- Ludhiana stock exchange, Ludhiana
- Chennai stock exchange, Chennai
- M.P. stock exchange, Indore
- Magadh stock exchange, Patna
- Pune stock exchange, Pune
- Capital stock exchange Kerala Ltd., Kerala

STOCK MARKET INDICES

Stock market index is a barometer of market behaviour. It reflects day to day fluctuations in the stock prices. They are devices to measure the change in the level of stock with respect to time. The indices help to indicate the trend in the market that whether it's a bullish trend or bearish trend. The index is calculated on the basis of average prices of scrips i.e. average of 30 companies is considered while calculating the index of BSE & average of 50 companies is considered while calculating the index of NSE. The most important indices in INDIA are as follows:

- **BSE SENSEX**

STOCK MARKET INDICES

- S &P CNX Nifty
- S &P CNX 500
- BSE 500
- BSE 100
- BSE 200/Dollex
- BSE IT (Information Technology)
- BSE CG (Capital Goods)
- BSE FMCG (Fast Moving Consumer Goods)
- S &P CNX Defty etc.



REFORMS IN SECONDARY MARKET

- SEBI has got many future plans for secondary market in pipeline. The most important reform is regarding Rolling Settlement system which is currently working as T+2 but it has been planned to make it as T+1 system .
- The central registry of market intermediaries and professionals with unique identification number is under construction.
- Structural consolidation, infrastructure improvements, product innovation, refinement of regulations are some of major reforms in stock exchanges.

WEAKNESSES OF STOCK EXCHANGES

- Failure in checking speculation
- Failure in checking scams
- Insider trading
- Lack of professionalism
- Oligopolistic
- Poor liquidity
- Inadequacy of investor service
- Trading is extremely thin and restricted
- Kerb trading
- Less floating stock
- Weak regulation



CONCLUSION

Undoubtedly stock exchange plays a major role in economic development of the country. Due to advent of liberalization, globalization and privatization the companies go for mergers, acquisitions and take overs which result in formation of new companies. The listing requirements of these companies have become more stringent and thus here comes the major contribution of stock exchanges. The rising and falling prices are governed by stock exchanges thus affecting the economy as a whole . Stock exchange is the major pillar on which the economic growth of company is depended.

