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RECENT TRENDS IN INDIAN CAPITAL MARKET

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Abstract— **The 'Capital market ' is generally understood as the market long term funds. In its broad sense, it embraces the new issues market and money market also. In this sense both primary and secondary markets are covered.in fact the money and capital market are independent .The main indicator of the state of the capital market is the quantum of new capital issues floated or raised the capital market.in India has exhibited some special feasibility features in recent years .Issues of debentures floatation of mega issues ,fast growth of mutual funds leading to larger mobilisation of saving from the capital market etc.**

The government has recently permitted the financial institution and companies also to become members of the stock exchanges. The consolidation which the market has undergone is a healthy development, since it reflects investors becoming more choosy and cautious in managing their investment portfolio. This is a welcome development as it indicates greater investor maturity. In South Asia, Indian capital market is the only which is capable of growing into an international center. A step towards this is that we have opened up our closed economy on selective basis. We have to cast our sight to a new global horizon.

Index Terms— **Capital market, Financial institution, economy.**

I. INTRODUCTION

"Financial Market features a significant role to play in country's economic development and capital market features a prominent place among financial market. The term "Capital Market" is generally understood as the market for long term funds. In its broad sense, it embraces the new issues market and the money market also. In this sense both primary and secondary markets are covered. The capital market consists of individuals and institutions. The stock exchange, Mutual funds, commercial banks, co-operative banks, development banks, insurance companies, investment trusts, merchant banks, finance companies etc are the important constituents of the capital market.

Objectives:-

This aim of study is to emphasize the recent trends in Indian Capital Market.

Methodology:-

The study is descriptive in nature and secondary data has been used for study.

II. SPECIAL FEATURE OF THE INDIAN CAPITAL MARKET

The capital market in India has exhibited some special feasibility features in recent years which are worth noting here:-

- Greater reliance on debt instruments as against equity and especially borrowing from financial institutions.
- Issue of debenture particular convertible debenture with automatic or compulsory conversion into equity without normal option given to investor.
- Flotation of mega issue for the aim of takeover amalgamation etc and avoidance of borrowing from amalgamation and financial institutions for the fear of their market discipline and conversion clause by the larger companies.
- Avoidance of underwriting by some companies to scale back the prices and avoid scrutiny by the fls.
- Fast growth of mutual funds and subsidiaries of banks for financial services, resulting in larger mobilization of saving from the capital market.

The capital market has taken a quantum jump in the last few years, A more liberal economic environment resulting in refreshing changes in licensing policy improved performance by corporate leaders introduction of new instruments and aggressive marketing of new issues set the tone for the recent development in the corporate sector have had a marked impact on the market

A. Economic Liberalization through Indian Capital Market:-

The economic liberalization has gone more deregulation, Liberalization and privatization of some of the public sector undertakings in India. This has resulted within the shares of the general public sector undertakings being made available to the general public.

B. Promotion of maximum private sector banks:-

Opening of more private sector banks has consequences in the public contributing to the shares of these banks in Indian capital market. Recently, the government has announced 74% equity participation by foreigners to in private sector banks in India.

C. Promotion of Mutual Funds:-

The promotion of mutual funds by nationalized also as non-nationalized banks has also improved the New Delhi market. They were helpful to the general public by way of tax saving schemes. Example: UTI'S monthly income scheme. Mutual Funds promoted by nationalized banks increased investments. SEBI has regulated the working of mutual funds and therefore the banks need to publish their net asset value by furnishing the small print in leading newspapers.

D. Regulation of NRI Investments:-

The conversion of Foreign Exchange Regulation Act (FERA) as Foreign Exchange Management Act (FEMA) has permitted better encouragement to non resident investors. The percentage of NRI investment in Indian companies has been increased from 5% to 24%. In the year 1991, India suffered from acute shortage of foreign exchange and the then finance minister adopted certain methods to improve the foreign exchange reserves.

E. FERA Companies:-

Under the FERA Act, a company is one which has 40% equity participation by foreigner. This limit has been removed and now even foreign companies are allowed to possess 51% equity participation. For example, Colgate Pomolive increased its foreign equity participation from 40% to 51%.

F. Online Trading in Indian Capital Market:-

Some of the stock markets in India have introduced computer system for their trading regarding activities. The brokers can get hooked-up and do their trading on online basis.

G. Transparency through online trading:-

The online trading by using computer has brought transparency to the transactions in the financial market. People are able to know prices prevailing in the market at any time as such the brokers cannot use their clients of their profits.

H. National Stock Exchange:

A new stock market called National Stock Exchange has been created where a large number of companies have listed. It is a strong competitor to the Bombay Stock Exchange and it is able to influence the Bombay Stock Exchange. The National stock market deals in shares of companies throughout India and therefore the prices prevailing within the market may be a benchmark for stock prices

I. Sensitivity Index:

The calculation of index has also undergone a change. Sensitivity index has been introduced which represents important 30 companies whose volume and value of shares determines the market condition. The sensitivity index is an indication of the condition prevailing in the market and the condition that are likely to be encountered by the market.

J. Circuit-Breaker:

Fluctuations in the stock market are a thing of the past. There cannot be any more "stock scam" as engineered by Harshad Mehta. For this purpose, the Bombay stock market has introduced a cut-off switch which is called circuit breaker.

K. Demating of shares:-

Demating may be a system under which physical delivery of shares is not any more adopted. It is called "scrip less trade". The shares of individual's investors are held by stock holding company and a pass book is given to individual investors.

L. Market Makers:-

The share price of companies will be decided by the market forces of supply and demand. There are market makers who will ensure the supply and reasonable price for the stock of companies.

M. Securities and Exchange Board of India:-

SEBI was the one among the most important milestone in era of 90's. SEBI provided security to all or any sort of investors who are involve in investment activities.

N. Over the Counter Exchange of India (OTCEI) :-

For the aim of newly promoted companies, another stock market with lowest degree of condition has been promoted and it's called Over The Counter Exchange of India(OTCEI).It may not be possible for all the new companies to list their shares with the prevailing stock exchanges.

O. Renewal of Registration:-

All the brokers and sub brokers have to register afresh with SEBI and SEBI will keep its eyes on each and every activity and inquire about all the complaints .

P. Non-Banking Financial Companies:-

The role of non-financial companies has also been reviewed. RBI has introduced new condition, restricting their activities. New norms with reference to capital of non banking financial companies are introduced.

Q. Merchant Banker:-

Merchant bankers have been allowed to take part in the stock market operation and their functions are also regulated by SEBI. They not only help companies in capital budgeting but also guide the foreign investors in the purchase of securities.

R. Forward trading:-

Forward trading has been introduced since 9th June 2000 in Bombay Stock Exchange on a trial basis and it found successful, it will be extended. It will be helpful to the investors in ascertaining truth colours of existing companies.

S. Badla transactions in Indian Capital Market

Badla may be a transfer of a contract from one period to a different , where, either the customer or the vendor is unable to execute the contract that purpose, the defaulting parties will pay Badla charges (which is decided by the stock exchange). At present, SEBI has banned Badla transactions.

T. Restriction on M F's Investment:-

There are restrictions on the role of mutual funds within the market. They cannot invest quite 10%of their investable funds in any single company and less than 10% of single company's issue of shares are often purchased by Mutual Funds.

U. Educating Public:-

Press and media have contributed tons in popularity the New Delhi market and that they are highlighting the costs of securities a day. The mutual funds and merchant banks are asked to line apart some of their funds towards educating the general public on the developments within the New Delhi Market.

V. Government Securities Market:-

The central government has de-linked Government securities from trading along with company securities. In other words, there'll be separate marketplace for Government securities and that they won't be dealt along side company securities within the stock exchange .

W. Future trading:-

Future trading may be a contract to shop for or sell a selected financial instrument on a future date at a specific price. The contract enables the parties to transfer risk is minimized. In every future contract, we've a buyer and a seller. And if one makes a profit during a particular contract, the opposite person may attempt to minimize his loss through another contract.

X. Penalty for insider trading:-

In 2002, SEBI Act Was amended to make insider trading punishable as a serious offense. The penalty rate has been enhanced to Rs.1 lakh per day and the maximum penalty can go up to RS 25 corers. From a financial stability perspective it is necessary to have a balance financial system whereby both financial market and financial institutions play an important role. Not with standing a long history the capital market in India remained on periphery of the financial system.

III. CONCLUSION

Capital market plays a vital role in providing liquidity and investment instruments. A liquid corporate bond market can play a critical role in supporting economic development as it supplement the banking system to meet the requirements at the corporate sector to for long term capital investment and assets creation. The domestic capital market can help financial stability by reducing currency mismatch and lengthening the duration of debt. The private corporate debt market which is an important segment of the capital market plays a crucial role in promoting financial.