Trends of Capital Market in India

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Abstract

Capital markets help to channelize surplus funds into productive use. Generally, this market trades mostly in long-term securities. The important divisions of the capital market are stock market, bond market and primary, secondary markets. Primary markets deal with the trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously-issued securities.The present study tries to study the trends in capital market in India.Total resources mobilized through issuance of equity declines continuously for 3 years from 2011-12 to 2014-15 and after that a huge rise is noted.The cumulative net assets under management by all mutual funds increased by 27 per cent to Rs16, 50,011 crore in 2016 from Rs 12,95,131 crore in 2015 .FIIs have withdrawn equity Rs14171.57 crore during 2015-16. Whereas debt market outflow was more during 2013-14 and 2016-17.The market capitalization of BSE is increasing throughout the period of 2011-15 but market capitalization of BSE decreased by 7.11 per cent to Rs94, 75,328 crore during 2015-16

Keywords:*Capital market,Primary market, BSE,NSE,market capitalization, Mutual fund*

I. INTRODUCTION

Capital market is the backbone of any country’s economy. It is an engine for economic growth, providing an efficient means of resource mobilisation and allocation. Companies and governments can raise long-term funds. It is a market in which money is lent for periods longer than a year. A nation's capital market includes such financial institutions as banks, insurance companies, and stock exchanges that channel long-term investment funds to commercial and industrial borrowers. Unlike the money market, on which lending is ordinarily short term, the capital market typically finances fixed investments like those in buildings and machinery.The capital market consists of number of individuals and institutions (including the government) that canalize the supply and demand for longtermcapital and claims on capital. The stock exchange, commercial banks, co-operative banks, saving banks, development banks, insurance companies, investment trust or companies, etc., are important constituents of the capital markets. The capital market, like the money market, has three important Components, namely the suppliers of loanable funds, the borrowers and the Intermediaries who deal with the leaders on the one hand and the Borrowers on the other. The demand for capital comes mostly from agriculture, industry, trade the government. The predominant form of industrial organization developed Capital Market becomes a necessary infrastructure for fast industrialization. Capital market not concerned solely with the issue of new claims on capital, But also with dealing in existing claims.

During last 20 years or so, the capital market in India has witnessed growth in volume of funds raised as well as of transactions. The changes in economic scenario and the economic growth have raised the interest of Indians as well as foreign institutional investors in the Indian capital market. The buoyancy in the capital market has appeared as a result of increasing industrialization,growing awareness ,globalization of the capital market ,etc. several financial institutions, financial instruments, and financial services have emerged as a result of economic liberalization policy of the government of India. The capital market has two independent segments: the primary market and the secondary market.

II. OBJECTIVES OF THE STUDY

To know the trend in capital market in India with reference to primary market, mutual fund industry,FII, secondary market, derivative market

III. REVIEW OF LITERATURE

Singh **(**2004) examined the liquidity scenario of Indian stock exchanges and raisedthe issues related to illiquidity. In the paper, the author explained the indicators and present position of liquidity which showed there were no trades on several companies listed on number of regional stock exchanges. This suggested illiquidity in such securities. It has been observed that the trends of liquidity of shares traded on NSE have remained constant but there has been an increase in turnover.

Khan (2005) observed the existence of close interconnection between undesirable trading practices in stock exchanges and the type, nature and structure of the key body governing the stock exchanges i.e. governing body/ board of directors that dominated by the brokers and speculative interests. The subject chosen for the study by the author was operations, turnover and trading at Indian stock exchanges. It has been concluded that stock market trading has witnessed radical changes at the dawn of new millennium.

Kato and Long (2006) highlighted executive turnover and its link to firm performance of China. The study provided that over 42 per cent of the firms have a shareholder owned more than half of the company stock and only 10 per cent had private firms as the ultimate controller whereas for 83 per cent had government firms. The study argued that in countries with weak investor protection, concentrated control and ownership of firms to monitor top executives and discipline when performance got poor.

IV. TRENDS IN CAPITAL MARKET IN INDIA

A. *Performance of Primary Market*

A growing number of companies have been accessing the Capital Market rather than depending on loans from financial institutions.11 Tremendous developments have taken place in the primary market where the corporates issue fresh securities through public issues as well as private placements. Huge amount of resources have been mobilised by the corporates from the primary market

Table 1 : Resource mobilization through primary market(Rscrore)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Debt	4791	2217	15042	6912	4232	23,893
Equity	11647	7446	3313	3872	18260	24,432
Private placement	156634	237405	177561	221348	3,88,988	4,19,388

Source: SEBI

Table 1 provides statistics on the resources mobilized through primary market. It can be noted from the table that, total resources mobilized through issuance of debt in 2016–17 increased to Rs 23893 crore from Rs 4232 crore.Total resources mobilized through issuance of equity declines continuously for 3 years from 2011-12 to 2014-15 and after that a huge rise is noted. Whereas total resources mobilized through issuance of private placement continuously increased from 2013 onwards.

B. *Performance of Mutual Fund Industry*

Table 2 : Trends in Resource Mobilisation by Mutual Funds(Rscrore)

Period	Net Inflow/ Outflow	Assets at the End of Period
2011-12	1,00,338	6,81,655
2012-13	1,61,169	7,93,152
2013-14	1,50,675	8,89,952
2014-15	1,29,330	10,90,309
2015-16	1,84,263	12,95,131
2016-17	3,02,918	16,50,011

Source: SEBI

During the financial year 2011-12, so far, mutual funds mobilized Rs 1,00,338 crore . The market value of assets under management stood at Rs 6, 81,655 crore and increases throughout the year. The cumulative net assets under management by all mutual funds increased by 27 per cent to Rs16, 50,011 crore in 2016 from Rs 12,95,131crore in 2015 .

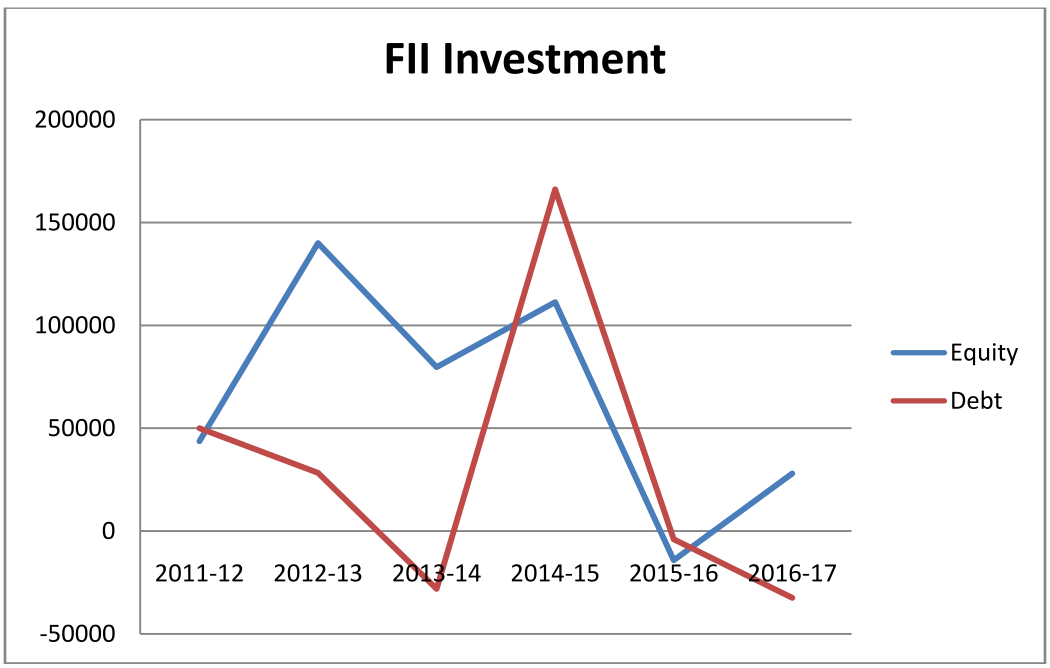
C. Performance of FIIs

Table 3 FII Investment

Financial year	INR Crores	
	Equity	Debt
2011-12	43737.60	49987.90
2012-13	140032.60	28334.40
2013-14	79708.68	-28059.89
2014-15	111332.59	166127.09
2015-16	-14171.57	-4003.76
2016-17	28026.57	-32436.51

Source: CDSL

FIIs investment to equity was highest Rs140032.60Crore during 2012-13 followed by Rs111332.59 Crore during 2014-15. FIIs have withdrawn equity Rs14171.57 crore during 2015-16.Whereas debt market outflow was more during 2013-14 and 2016-17 i.e. Rs28059.89crore and Rs 32436.51crore respectively.



The above figure shows the FII investment between years 2011-2017. It can be clearly concluded that there is very high rate of fluctuation in FII between these periods. Highest negative percentage was observed in financial year 2016-17 for FII investment in the debt market.

D. Performance of Secondary Market

Table 4 : Trend of Market Capitalization, P/E Ratioin BSE FOR 2011-2016

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17

Market Capitalization(Rscrore)	62,14,941	63,87,887	**74,15,296**	1,01,49,290	94,75,328	1,07,88,709
P/E Ratio	17.8	16.9	**18.3**	19.5	19.3	20.6

Source: SEBI

The market capitalization of BSE is increasing throughout the period of 2011-15 but market capitalization of BSE decreased by 7.11 per cent to Rs94, 75,328 crore during 2015-16. And thereafter it increased to Rs 1, 07, 88,709 crore during 2016-17. P/E ratio is the valuation ratio of a company's current share price compared to it's per share earnings. The P/E ratio of S&P BSE Sensex shows fluctuating trend throughout the period of 2011-12 to 2016-17.

Table 5 : Trend of Market Capitalization, P/E Ratio in NSE FOR 2011-2016

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Market Capitalization(Rscrore)	60,96,518	62,39,035	**72,77,720**	99,30,122	93,10,471	1,06,18,012
P/E Ratio	18.7	17.6	**18.9**	22.7	20.9	21.6

Source: SEBI

Market capitalization is the total dollar value of a company's outstanding shares. The NSE shows increasing trend of market capitalization except the year 2015-16. P/E ratio shows a fluctuating trend throughout the period of 2011-12 to 2016-17.

Table 6 : Trading Statistic of BSE and NSE from 2011 to 2016

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
BSE	6,67,498	5,48,774	**5,21,664**	8,54,845	7,40,089	3,81,729
NSE	28,10,893	27,08,279	**28,08,489**	43,29,655	42,36,983	24,31,425

(Rscrore)

Source: SEBI

Both BSE and NSE showsfluctuating trend of quantity of shares delivered throughout the period of 2011-12 to 2016-17.

E. Performance of Derivative Market

Table 7 : Equity Derivative Segment of BSE and NSE from 2011 to 2016

(Rscrore)

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
BSE	8,08,475.99	71,63,576.66	92,19,434.32	2,03,62,741.42	44,75,008.32	6,708.43
NSE	31349731.74	31533003.96	38211408.05	55606453.39	64825834.30	86261650.15

Source: BSE and NSE

Both BSE and NSE shows increasing trend in trading of equity derivatives throughout the period from 2011-12 to 2016-17.

V. CONCLUSION

India being an emerging economy needs innovations and reforms in the financial market. Innovation and reforms not only add value in the existing technology and system but also lead to decrease in the cost of capital and mitigate the risk exposure of the capital market instruments. There has been a revolutionary change over a period of time. In fact, on almost all the operational and systematic risk management parameters, settlement system, disclosures, accounting standards, the Indian Capital Market is at par with the global standards. The goal of SEBI is to make the Indian Capital Market truly world class, competitive, transparent and efficient. A 96 perception is steadily growing about the Indian Capital Market, as a dynamic market, among the international community. Let us dream to make our Indian Capital Market a benchmark for the rest of the world.

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