

Stock Market in India – An Outlook on Its Recent Trends and Growth

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ABSTRACT

The present research work has been undertaken to analyse the growth and trend of Indian stock market in recent decade. The study has considered the criteria of annual average indices of Sensex and Nifty, quantity of shares traded, value of shares traded and market capitalisation of top exchanges namely BSE and NSE. The study required secondary data such as annual indices namely Sensex of BSE, Nifty of NSE, quantity of shares traded, value of shares traded and market capitalisation for the study period of ten years from 2006-07 to 2015-16. These data were collected from Hand Book of Statistics of SEBI from 2006-07 to 2015-16. The researcher used percentage, mean, standard deviation, co-efficient of variation and compounded annual growth rate as statistical tools. The study found that Indian stock market met a considerable growth during the study period in terms of annual average indices, but both BSE and NSE met a drastic decline during 2008-09 due to global financial crisis. The results of quantity and value of shares traded showed that both BSE and NSE shared more than 99.5 per cent of total transactions carried out in all exchanges in India, of which the share of NSE is more than BSE and share of NSE is increasing every year. Market capitalisation of both BSE and NSE increased considerably during the study period.

KEY WORDS: Stock exchange, index, market capitalisation, shares and financial crisis.

1. INTRODUCTION

Stock market is an important contributor to Indian financial system. Capital market is divided into two such as primary market and secondary market. Primary market deals with fresh issues of securities by corporate and the Government. The value of equity is higher than other types of securities. In other words, shares and other securities are directly issued to public. Once the transferable securities issued in primary market can be bought or sold only through stock exchanges called secondary market. Hence secondary market deals with second hand securities. Stock exchanges are privately organised association of persons. Indian stock market is the oldest in Asia. Bombay stock exchange is the oldest exchange in Asia. It was started on 9th of July, 1875. Presently there are 23 organised stock exchanges in India. Among them Bombay stock exchange and National stock exchange are the national level stock exchanges. Study of these two stock exchanges will give a clear picture on whole stock market in India. Hence the researcher has analysed the growth and trend of Sensex and Nifty in the present study.

STATEMENT OF THE PROBLEM

Stock exchanges are helping the economy by channelising savings of the people for industrial development, it helps investors for getting fair returns and bringing foreign exchanges in to the country investments. Indian stock market is one of the fastest developing markets in the world. Stock market is helping the investors for getting fair return than any other investment avenues. Investors in the market are earning returns on account of fluctuations in the market. Many factors are responding for fluctuating in the market. Growth of market will help the economy of the country in many ways such as increase of GDP, increase savings level, return on investors, bringing foreign exchanges and so on. Hence, in this paper the researchers have analysed the trend and growth of stock market in India in recent decade.

2. OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives.

- To study the growth and trend of Indian stock market in terms of
 - Average annual Indices
 - Quantity of shares traded
 - Value of shares traded and
 - Market capitalization

3. METHODOLOGY

The study required secondary data such as annual indices namely Sensex of BSE, Nifty of NSE, quantity of shares traded, value of shares traded and market capitalisation for the study period of ten years from 2006-07 to 2015-16. These data were collected from Hand Book of Statistics of SEBI from 2006-07 to 2015-16. The researcher used percentage, mean, standard deviation, co-efficient of variation and compounded annual growth rate as statistical tools.

RESULTS AND INFERENCES

The trend and growth of Indian stock market has been studied in terms of quantity of shares traded, value of shares traded, indices (Sensex and Nifty) and capitalisation of both BSE and NSE. Table 1 present the result of annual average indices of Sensex and Nifty, their return (in percentage) Mean, Standard deviation (SD), Co-efficient of variation (CV) and compound annual growth rate for the period of 10 years from 2006-07 to 2015-16.

ANNUAL AVERAGE OF INDICES

YEAR	BSE	RETURN	NSE	RETURN
2006-07	12277		3572	
2007-08	16569	34.96	4897	37.09
2008-09	12366	-25.37	3731	-23.81
2009-10	15585	26.03	4658	24.85

2010-11	18605	19.38	5584	19.88
2011-12	17423	-6.35	5243	-6.11
2012-13	18202	4.47	5257	0.27
2013-14	20102	10.44	6010	14.32
2014-15	26557	32.11	7967	32.56
2015-16	26322	-0.88	7984	0.21
Mean	18401		5490	
SD	4926		1512	
CV	26.77		27.53	
CAGR	7.93		8.38	

Source: Computed from Data Collected from SEBI Reports.

TABLE NO 1

Table 1 shows that both Sensex and Nifty had grown drastically during the study period. During the period Sensex had grown from 12,277 in 2006-07 to 26,322 in 2015-16, this growth recorded an average annual growth of 7.93 percent. Nifty had grown from 3572 in 2006-07 to 7984 in 2015-16, this growth recorded an average annual growth of 8.38 percent as shown by the result of CAGR. Both Sensex and Nifty achieved high rate of growth during 2007-08 and 2014-15 with more than 30 percent over the previous years. High growth was also noticed in these indices during 2009-10 and 2010-11 with more than 20 percent and about 20 percent respectively. Indian stock market went down drastically during 2008-09 due to global financial crisis. During the year both these indices declined more than 20 percent. A slight decline was identified during 2011-12 in Sensex and Nifty by 6.35 and 6.11 percent respectively. In 2015-16 Sensex declined by 0.88 percent, where as the growth rate of Nifty was very low (0.21 percent). The result of mean, standard deviation(SD) and co-efficient of variation(CV) show low level of deviation in both the indices during the period. In other words, fluctuation in these indices is low during the study period. The above results show fair growth in Indian stock market during the study period except during 2008-09, 2011-12 and 2015-16, of which the market was hit by global financial crisis during 2008-09.

QUANTITY OF SHARES TRADED

Number of shares traded in an exchange is one of the tools used to measure the growth of stock market. Table 2 Present quantity of shares traded in BSE, NSE, other exchanges and total in all recognised stock exchanges in India. It also presents the share of both BSE and NSE on total number of shares traded. Mean, SD, CV and CAGR were calculated and presented in the table.

QUANTITY OF SHARES TRADED (LAKH)

YEAR	BSE	SHARE ON TOTAL	NSE	SHARE ON TOTAL	OTHER EXCHANGES	SHARE ON TOTAL	TOTAL
2006-07	560780	39.72	850515	60.23	650	0.05	1411945
2007-08	986005	39.96	1481229	60.02	372	0.02	2467606
2008-09	739600	34.26	1418928	65.93	258	0.01	2158786
2009-10	1136513	34.00	2205878	65.98	556	0.02	3342947
2010-11	990716	35.35	1810910	64.62	778	0.03	2816069

2011-12	654137	28.93	1605205	71.00	1681	0.09	2272796
2012-13	567220	25.46	1659160	74.46	1793	0.08	2228173
2013-14	479951	23.81	1533716	76.09	1993	0.10	2015659
2014-15	856755	26.62	2361779	73.38	0	0.00	3218534
2015-16	762545	25.93	2177861	74.06	241	0.01	2940647
Mean	773422		1710518		832		2487316
SD	216164		449716		722		594488
CV	27.95		26.29		86.72		23.90
CAGR	3.12		9.86		-9.45		7.61

Source: Computed from Data Collected from SEBI Reports.

TABLE NO 2

It could be noted from table 2 that quantity of shares traded in stock exchanges in India increased from 14,11,945 lakh shares in 2006-07 to 29,40,647 lakh shares in 2015-16, this growth recorded an average annual growth of 7.61 percent. The growth rate of quantity of shares traded in NSE during the study period is three times more than BSE. The calculated value of CAGR of quantity of shares traded in NSE and BSE are 9.86 and 3.12 respectively. It shows NSE is growing faster than BSE in terms of number of shares traded. It is also observed from the table that both BSE and NSE together contributed more than 99.9 percent of the total transactions in the country. Shares of BSE in terms of quantity of shares traded decreased drastically during the study period. Its share was 39.72 percent during 2006-07, it went down to 25.93 percent during 2015-16, whereas share of NSE increased drastically during the study period. Shares of NSE in terms of number of shares traded increased from during 60.23 percent in 2006-07 to 74.06 percent 2015-16. It shows that the investors like to make trade in NSE rather than BSE. Shares of other recognised stock exchanges is very low during the study period. Their share is less than 0.10 percent during the study period and during 2014-15, no share was traded in these exchanges. The results of Mean, SD and CV showed low level of deviation of total, BSE and NSE from the mean value of the number of shares traded whereas the deviation was high for other stock exchanges. It is summarized that both BSE and NSE are the leading exchanges in terms of quantity of shares traded.

VALUE OF SHARES TRADED

In order to know the trend and growth of stock market in India, value of shares traded in BSE, NSE and other exchanges are analysed with Mean, SD, CV and CAGR. It also analysed the share of these exchanges on total. Value of shares may differ from quantity of shares. Value of shares represent the value of number of shares traded. Table 3 presents the above results.

VALUE OF SHARES TRADED (RS.CRORE)

YEAR	BSE	SHARE ON TOTAL	NSE	SHARE ON TOTAL	OTHER EXCHANGES	SHARE ON TOTAL	TOTAL
2006-07	297660	35.38	543018	64.54	635	0.08	841313
2007-08	476196	32.90	970618	67.07	406	0.03	1447220
2008-09	230332	27.38	610498	72.57	372	0.04	841202
2009-10	311364	25.34	916460	74.38	788	0.06	1228612

2010-11	302126	23.58	978015	76.32	1299	0.10	1281440
2011-12	181560	18.74	784407	80.94	3119	0.32	969086
2012-13	168560	17.63	784407	82.05	3081	0.05	956048
2013-14	180243	17.97	822446	81.98	538	0.00	1003227
2014-15	299836	11.01	2422737	88.99	0	0.01	2722573
2015-16	246883	16.47	1251732	83.52	97		1498712
Mean	269476.00		1008433.80		1033.50		1278943.30
SD	91401.64		535432.78		1147.61		560024.96
CV	33.92		53.10		111.04		43.79
CAGR	-1.85		8.71		-17.13		5.94

Source: Computed from Data Collected from SEBI Reports.

TABLE NO 3

Table 3 reports that value of shares traded in all recognised stock exchange in India increased during the study period from ₹ 8,41,313 crore in 2006-07 to ₹ 14,98,712 crore in 2015-16, this growth recorded a compounded annual growth rate of 5.94 percent, it seems to moderate. Value of shares traded in BSE went down during the study period from ₹ 2,97,660 crore to ₹ 2,46,883 crore in 2015-16, this decline recorded a CAGR of -1.85 percent. On the other hands NSE met a rapid growth during the study period in terms of value of shares traded. Value of shares traded in NSE increased from ₹ 12,51,732 crore in 2015-16, this growth recorded an average annual growth rate of 8.71 percent. Value of shares traded in other stock exchanges are very low and it decreased drastically during the period. The calculated value of CAGR of value of shares in other exchanges stood negative at 17.13 percent. It decreased from ₹ 635 crore in 2006-07 to 97 crore in 2016-17. Moderate level of deviation was found in value of shares traded in BSE, NSE and total in all recognised stock exchanges as shown by the results of Mean, SD and CV. The deviation was high for other stock exchanges. It was also noticed that both BSE and NSE together shared more than 99.5 percent of total value of shares traded in India in all stock exchanges, of which the share of NSE is more than the shares of BSE. Share of BSE in value of shares traded decreased drastically during the study period. It's share was 35.38 percent during 2006-07, it decreased to 16.47 percent in 2015-16. In case of NSE, share of value traded on total increased drastically during the study period. It went up 64.54 percent during 2006-07 to 83.52 percent in 2016-16.

It is summarised from table 3 that value of shares traded in all stock exchanges increased moderately during the study period. Both BSE and NSE are the leading stock exchanges in trading in terms of value of shares traded with more than 99.5 percent of the total, of which the share of NSE is more than BSE. Growth of stock exchanges in terms of value of shares traded over the study period.

MARKET CAPITALISATION

Market capitalization is one of the popular factors to measure the growth of stock market. As shown by the results of above tables it is known that BSE and NSE are the leading stock exchanges in India. Hence, market capitalization of these two exchanges, its trend mean, SD, CV and CAGR are calculated and presented in table 4.

MARKET CAPITALISATION OF BSE NSE (RS. CRORE)

YEAR	BSE	CHANGE %	NSE	CHANGE %
2006-07	3545041		3367350	
2007-08	5138041	44.94	4858122	44.27
2008-09	3086075	-39.94	2896194	-40.38
2009-10	6165619	99.79	6009172	107.49
2010-11	6839084	10.92	6702616	11.54
2011-12	6214941	-9.13	6096518	-9.04
2012-13	5348645	-13.94	5232273	-14.18
2013-14	7415296	38.64	7277720	39.09
2014-15	10149290	36.87	9930122	36.45
2015-16	9475328	-6.64	9310471	-6.24
Mean	6337736		6168056	
SD	2275952		2278304	
CV	35.91		36.94	
CAGR	10.33		10.71	

Source: Computed from Data Collected from SEBI Reports.

TABLE NO 4

It could be known from table 4 that market capitalisation of both BSE and NSE met rapid growth during the study period. The calculated value of CAGR of market capitalisation of BSE and NSE stood at 10.33 and 10.71 percent respectively. It seems to be high. Market capitalisation of BSE increased from 35,45,041 Crore in 2006-07 to 94,75,328 Crore in 2015-16. Market capitalisation of BSE increased by high rate during 2009-10 over the previous year followed by high by 2007-08, 2013-14 and 2014-15. During 2008-09, it decreased by 39.94 percent and market capitalisation of BSE met decrease during 2011-12, 2012-13 and 2015-06. Market capitalisation of NSE increased from Rs 33,67,350 Crore to Rs 93,10,471 Crore in 2015-16. Market capitalisation of NSE went up by more than 100 percent during 2009-10 over the previous year. It increased at high rate during 2007-08, 2013,14 and 2014-15. Market capitalisation of NSE decreased during 2008-09 by 40.38 percent, it also met decline during 2011-12, 2012-13 and 2015-16. The results of mean, SD and CV of market capitalisation of BSE and NSE deviated moderately from the mean value. It is summarised that the value of market capitalisation of both BSE and NSE seems to be equal and growth rate of market capitalisation of both these exchanges are high.

TREND OF INDICES

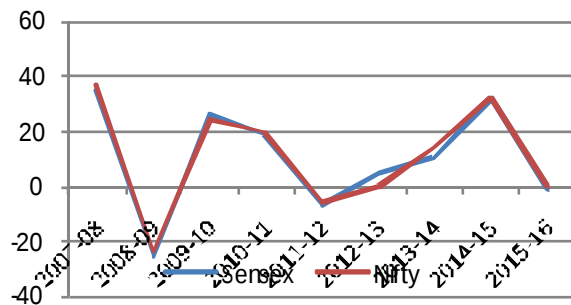


FIG NO 1

QUANTITY OF SHARES TRADED (LAKHS)

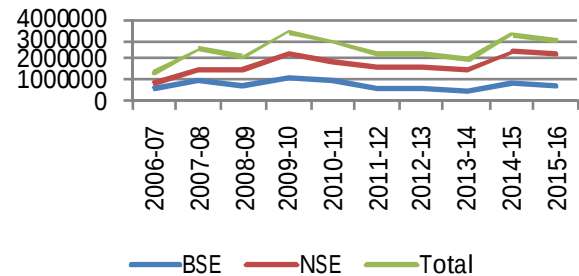


FIG NO 2

VALUE OF SHARES TRADE (RS. CRORE)

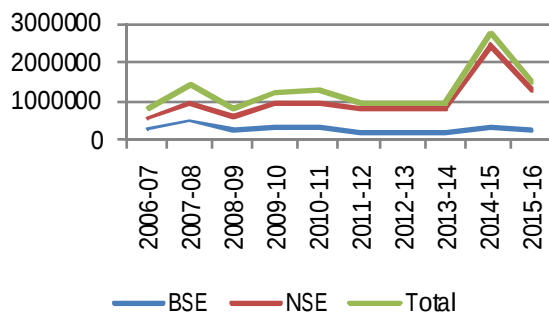


FIG NO 3

MARKET CAPITALISATION (RS. CRORE)

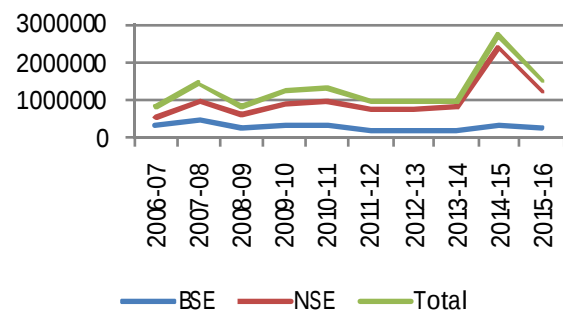


FIG NO 4

4. CONCLUSION

The present research work has been undertaken to analyse the growth and trend of Indian stock market in recent decade. The study has considered the criteria of annual average indices of Sensex and Nifty, quantity of shares traded, value of shares traded and market capitalisation of top exchanges namely BSE and NSE. The study found that Indian stock market met a considerable growth during the study period in terms of annual average indices, but both BSE and NSE met a drastic decline during 2008-09 due to global financial crisis. The results of quantity and value of shares traded showed that both BSE and NSE shared more than 99.5 per cent of total transactions carried out in all exchanges in India, of which the share of NSE is more than BSE and share of NSE is increasing every year. Market capitalisation of both BSE and NSE increased considerably during the study period.

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