

A STUDY ON ONLINE SHARE TRADING AND CAPITAL MARKET AT ANGEL BROKING AT VISAKHAPATTANAM

K. Kishore Naidu¹, M. Lakshmi Raju²

¹MBA, Asst. Professor, Santhiram Engineering College Nandyal India.

²MBA, Santhiram Engineering College Nandyal India.

ABSTRACT

Purpose – This paper aims to critically examine capital market developments in India before and after liberalization.

Research design, data, and methodology – The paper examines the Indian capital market from its inception to the latest developments related to both primary and secondary markets, and also discusses recent initiatives of capital markets to enhance the expected level of services to the investor community. It also sheds light on the regulatory framework for investor protection.

Results – The study further highlights the future roadmap for the radical development of the Indian capital market. The paper identifies the various initial obstacles and intricacies that affect the smooth functioning of the Indian capital markets. Hence, the paper articulates that these concerns should be addressed by the regulatory authorities and at the policy level at the earliest for further strengthening the capital markets in the interests of the economy in general and retail investors in particular.

Conclusion – This is a topic of utmost contemporary importance to worldwide national economies, and calls for novel methods and techniques in dealing effectively with the menace facing capital markets.

Keywords: Capital Markets, Primary Markets, Secondary Markets, India.

1. INTRODUCTION

The capital market is designed to finance the long-term investments. The transactions taking place in this market will be for periods over a year. Herbert K. Dougall defines the term Capital Market as “a complex of institutions and mechanisms whereby intermediate term funds (Loans up to 10 years maturity) and long term funds (longer maturity loans and corporate stocks) are pooled and made available to business, government and individuals and where instruments that are already outstanding are transferred.” The Capital Market is a medium through which small and scattered savings of investors are directed into productive activities of corporate entities. It also provides the essential attributes of liquidity, marketability, and safety of investments to the investors. Today India has two national exchanges, the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Each has fully electronic trading platforms with around 9400 participating broking outfits. Foreign brokers account for 29 of these. There are some 9600 companies listed on the respective exchanges with a combined market capitalization near \$125.5bn. Any market that has experienced this sort of growth has an equally substantial demand for highly efficient settlement procedures. In India 99.9% of the trades, according to the National Securities Depository, are settled in dematerialized form in a T+2 rolling settlement environment.

2. SCENARIO OF INDIA CAPITAL MARKET

Reforms in the securities market, particularly the establishment and empowerment of SEBI, market determined allocation of resources, screen based national wide trading, dematerialization and electronic transfer of securities, rolling settlement and ban on deferral products, sophisticated risk management and derivatives trading, have greatly improved the regulatory frame work and efficiency of trading and settlement. Indian market is now comparable to many developed market in terms of a number of qualitative parameters. Securities market are markets in financial assets or instruments. Business organizations, corporate units and the Governments, Central or state issues these Public sector undertakings also issue these securities. These are thus sources of funds to the issuers. Securities are the claims on money and are like promissory notes. Securities are sources of fund for companies, Govt. etc. The external sources of funds of the companies are as follows:

Long term funds:

- Ownership capital-equity and preference capital.
- Debt capital-debentures and long term borrowings in the form of deposits from public or credit limits or advances from banks and financial institutions.

Short term funds:

- Borrowings from banks.
- Trade credits and supplier's credits.

The Securities Market can again be classified into:

Primary Market: A primary market is a market where securities are issued to the public for the first time. New issues are dealt within this market.

- ❖ The new issues have three functions to perform origination, underwriting and distribution. There are three ways by which a company may raise capital in primary market.
- Public issue
- Right issue
- Private Placement

Intermediate in the Primary market are merchant bankers, collecting bankers, registrants and transfer agents, broker underwriters, advertising agencies, printers, stock-brokers and solicitors and mailing agents.

Secondary Market: Secondary market is a market where securities, which have already issued in the primary market, are traded. This market consists of all stock exchanges recognized by the Govt. of India, and is regulated under the securities contract (regulation) act 2006. The BSE is principal stock exchange in India, which sets the other stock markets. Intermediate in the Secondary market are brokers, jobbers, dealers, arbitrators, investment advisors, portfolio managers and sub-brokers.

3. RESEARCH METHODOLOGY

The data collection methods include both the Primary and Secondary Collection methods.

1. **Primary Collection Methods:** This method includes the data collected from the personal discussions with the authorized clerks and members of the Exchange.
2. **Secondary Collection Methods:** The Secondary Collection Methods includes the lectures of the superintendent of the Department of Market Operations, EDP etc, and also the data collected from the News, Magazines of the NSE, BSE and different books issues of this study

Data Analysis Tools:- For my project "Online Share trading and Capital Market" I took 8 (Bajaj Auto, Hero Motocorp, ICICI Bank, Axis Bank, Cipla, Dr. Reddy's, Infosys and Wipro) companies portfolios as sample for calculating the "Risk, Returns, Standard Deviation, covariance and correlation". While I calculated these points I used some formulas as showed below:-

Required Return:- $R_e = r_f + B \cdot (r_m - r_f)$

$$\text{Variance} = \frac{1}{N-1} \sum (R - \bar{R})^2$$

$$\text{Standard Deviation} = \sqrt{\text{Variance}}$$

$$\text{cov}_{x,y} = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{N-1}$$

$$r_{xy} = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}}$$

3.1 LIMITATIONS OF THE STUDY

- Time constraint was a major limiting factor. 30 days were insufficient to even grasp the theoretical concepts.
- Several other strategies that could have been studied were not done.
- Lack of knowledge with the brokers.
- Difference of theory from practice.
- Absence of required knowledge and technology.

4. LITERATURE REVIEW

The Indian capital market is one of the oldest capital markets in the world. It dates back to the 18th century when the securities of the East India Company were traded in Mumbai and Kolkata. However, the orderly growth of the capital market began with the setting up of The Stock Exchange of Bombay in July 1875 and Ahmadabad Stock Exchange in 1984. Eventually, 22 other stock exchanges sprang up in various parts of the country (Bajpai, 2006). The term capital

market refers to the institutional arrangements for facilitating the borrowing and lending of long-term funds. In the widest sense, it consists of a series of channels through which the savings of the community are made available for industrial and commercial enterprises and public authorities. It is concerned with those private savings, individual as well as corporate, that are turned into investments through new capital issues and also new public loans floated by government and semi-government bodies. A capital market may be defined as an organized mechanism for effective and efficient transfer of money capital or financial resources from the investing parties, i.e. individuals or institutional savers to the entrepreneurs (individuals and institutions) engaged in industry or commerce in the business either in the private or public sectors of an economy (Gupta, Aggarwal & Gupta, 2004). A structured and able-bodied capital market is operating in a liberated market economy just to ensure best feasible synchronization and balance between the flows of savings on the one hand and the flow of investment leading to capital formation on the other; directs the flow of savings into most profitable channels and thereby ensures best possible deployment of financial resources. Consequently, an ideal capital market is one where finance is used as a hand-maid to serve the needs of industry. Finance is accessible at a rational rate of return for any intention which offers a potential yield adequate to make borrowing valuable. The capital market must facilitate the movement of capital to the point of highest return. Therefore, a capital market attempts for the mobilization of national savings for the economic growth and the mobilization and import of foreign capital and investment to enhance the insufficiency in the required financial resources so as maintain the expected rate of economic growth.

The Indian capital market is working not only for the procurement of finance but also for securing the foreign capital and know-how to fill up the deficit in the required resources for economic growth at a faster rate and ultimately for effective allocation of the mobilized financial resources to the projects which are providing high yielding or to the projects to promote balanced economic development. The Indian capital market has classified into organized and unorganized categories. In the organized sector of capital market demand for long-term capital comes from corporate enterprises, public sector enterprises, government and semi-government institutions. The sources of supply of funds comprise individual investors, corporate and institutional investors, investment intermediaries, financial institutions, commercial banks and governments. In India, even the organized sector of the capital market was ill developed till recently because of the following reasons: a) Agriculture was the main occupation which did not lend itself to the floatation of securities; b) The foreign business houses hampered the growth of securities market; c) Managing agency system also accounted for ill-development of capital market as managing agents performed both activities of promotion and marketing of securities; d) The investment habit of individuals; e) Restrictions imposed on the investment pattern of various financial institutions. The unorganized sector of the capital market consists of indigenous bankers and private money-lenders. The main demand in the unorganized capital market comes from the agriculturists, private individuals for consumption rather than production and even small traders. The supply of money-capital comes, usually from own resources of money lenders and falls short of the requirements made on them (Gupta & Aggarwal, 2004). Levine, Ross & Zervos (1996) argue that well developed stock markets may be able to offer financial services of different kind that may provide a different kind of impetus to the economic development. In India, Aggarwall's (1996), study clearly supports the Levine, Ross & Zervos's argument and proves that the two main parameters of capital market development namely, size and liquidity, are found statistically significant to explain the economic activity

5. DATA ANALYSIS

In the month of March 2020 Hero Motocorp Limited open price 2660 increased to 2941 in the year April 2022. The highest share value is 3301 in feb 2022. April 2021 the share value was 50% down due to corona and no. of trades also increase in march 2020 1878137151 trades but Feb 2022 no of trades are 3800989103. In the year March 2020 Axis Bank Limited open price 713.95 decreased to 663.5 in the year Feb 2022.

The highest share value is 810.1 in Jun 2020. No. of trades also decrease in March 2020 10384171741 trades but April 2022 no of trades are 2274933405. In the month of March 2020 Infosys Limited open price 737. 8 increased to 1380 in the year April 2022. The highest share value is 1380 in April 2022. No. of trades also increase in March 2020 8969475065 trades but Jan 2022 no of trades are 22785676745.

6. FINDINGS

1. March 2020 bajaj auto limited open price 2909.95 increased to 3690 in the year April 2022. The share value is increased and no. of trades also increase in march 2020 34671 trades but Jan 2022 no of trades are 97173.
2. Hero MotoCorp Limited open price 2660 increased to 2941 in the year April 2022. The highest share value is 3301 in feb 2022. April 2021 the share value was 50% down due to corona and no. of trades also increase in march 2020 1878137151 trades but Feb 2022 no of trades are 3800989103.

3. ICICI Bank Limited open price 351.8 increased to 587.5 in the year April 2022. The highest share value is 587.5 in April 2022. No. of trades also increase in march 2020 12113236812 trades but Feb 2022 no of trades are 17369755989.
4. Axis Bank Limited open price 713.95 decreased to 663.5 in the year Feb 2022. The highest share value is 810.1 in Jun 2020. No. of trades also decrease in march 2020 10384171741 trades but April 2022 no of trades are 2274933405.
5. Cipla Limited open price 557 increased to 822 in the year April 2022. The highest share value is 823.35 in Jan 2020. No. of trades also increase in march 2020 2817947682 trades but Feb 2022 no of trades are 4276542433.
6. Dr. Reddy's Laboratories Limited open price 2636 increased to 4535 in the year April 2022. The highest share value is 4904.5 in Nov 2021. No. of trades also increase in march 2020 1704526687 trades but Feb 2022 no of trades are 6991368369.
7. Infosys Limited open price 737.8 increased to 1380 in the year April 2022. The highest share value is 1380 in April 2022. No. of trades also increase in march 2020 8969475065 trades but Jan 2022 no of trades are 22785676745.
8. Wipro Limited open price 370 increased to 420.1 in the year April 2022. The highest share value is 4904.5 in Nov 2021. No. of trades also decrease in march 2020 14378338839 trades but April 2022 no of trades are 1600788387.

7. SUGGESTIONS

- Formulation of National Financial and Education Policy and inclusion of financial planning & literacy as a part of school curriculum would result in better awareness for the new generation.
- Investors possess limited knowledge and information on products, their benefits and risk attached, which acts as a deterrent to investment. There is a need for increased penetration of Capital Markets to reach out to investors which are untapped as of today. The lack of penetration is characterized by the fact that around 85% of the trading volume on NSE and BSE comes from top 10 cities. So, Financial Literacy and easy availability and accessibility of information is needed.

8. CONCLUSION

Capital market is an innovation to cash market. Approximately its daily turnover reaches to the equal stage of cash market. The average daily turnover of the NSE derivative segments. In cash market the profit/loss of the investor depend the market price of the underlying asset. The investor may incur huge profits or he may incur huge loss. But in derivatives segment the investor enjoys huge profits with limited downside. In cash market the investor has to pay the total money, but in derivatives the investor has to pay premiums or margins, which are some percentage of total money. Derivatives are mostly used for hedging purpose. In derivative segment the profit/loss of the option writer is purely depend on the fluctuations of the underlying asset.

9. BIBLIOGRAPHY

Books:

- [1] Interest Rate Markets - Siddhartha Jha
- [2] Central Banking 101 - Joseph Wang
- [3] Leveraged Financial Markets - William Maxwell and Mark Shenkman
- [4] Big Debt Crises - Ray Dalio
- [5] The Handbook of Mortgage-Backed Securities - Frank Fabozzi
- [6] The Art of Currency Trading - Brent Donnelly
- [7] Option Volatility and Pricing - Sheldon Natenberg

Web sites Referred:

- [8] www.angelbroking.com
- [9] www.sebi.com
- [10] www.nseindia.com