The Evolution of Stock Exchange in India

By: Mrs. Deena Mehta (Former President BSE)

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Not only for Stock Exchange but life in general learning involves four steps:

- Information
- Contemplation
- Discussion
- Implementation

Today in the world of information technology, information is widely available. Contemplation requires time and deep thinking. Discussion helps acquire different points of view and implementation perhaps is the hardest part where learning is an everyday effort.

On a global scale if a year is to be pinpointed which led to the growth of the Stock Exchange then that would be 1864. It was in this year the Suez Canal designed by a French engineer was opened connecting the Red sea with the Mediterranean Sea cutting short the travel time for ships destined towards the Americas and Europe. Also during this period we saw the American Civil War which saw a boom in cotton demand and production. In India we saw Morarji Mills which participated in this cotton boom.

The main purpose of the Stock Market is to move household savings in the market (to put it to a more productive use).Till the year 1974 the Stock Market in India was dominated by Brokers and Foreign Companies. The participation of common people in the market was negligible. The Govt. of India seeing the dominance of foreign capital in India came up with a rule that foreign ownership of any company should not be more than 40%. Because of this change in the companies' law many International companies like Coca Cola left the country but others like Hindustan Unilever, Procter & Gamble decided to stay in the Indian markets.

Mr. Dhirubhai Ambani was the first to realize the power of the capital markets for expansion purposes and to increase the participation of the people.

The decade of 80's saw shares being issued cheap (much lower than their intrinsic value). This was done to increase the public participation which was less.

The period of 90's saw the rise of many Mutual Funds like UTI where people participated in large number. It also saw some scams like Harshad Mehta, Ketan Parikh which shattered the confidence of the people in the Stock Market.

The turn of the millennium was very important for the Stock Exchange. The exchange went online, trade guarantee fund was created and dematerialization were some of the important features introduced. From 2000-2020 settlements have never failed. The arbitrations are less than 200 per year which showcases the efficiency of the market.

Foreign Investments came in India since 2003. New laws came up to support the investment environment. From 2003-2004 value based investment started. Overall participation of the people in the market increased. The subprime crisis and the collapse of Lehman Brothers in 2008 in the USA led to the fall of markets all over the world. We have recovered since then and are touching new highs. All this shows that markets move in cycles.

Market is the most sensitive place. Share price is nothing but future expectations of the company. It is a play of stories. Now in the present times business dynamics has changed. There is a transition in the economy.

Market is all about sentiments. Market is a playground for behavioral economics and psychological economics.

Today almost 70% of the trading done in stock is done by Algorithm. Technology has played a vital role in upgrading the secondary markets and also enabled people to participate in large numbers.

There is a difference between speculation and investing. When one assigns a value to an outcome it becomes speculation. Investment is more long term and goal oriented. People involved in speculation are there for easy money. Greed and quick money is the underlying emotion dominating a speculator. A speculator never make money. An investor on the other hand always creates wealth.

More and more individuals should participate in the Stock market for long term wealth creation as the next two decades will give enough opportunities to create wealth.