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A STUDY ON INDIAN STOCK MARKET

[1]V.VAMSI, [2]Dr.A.RUPA VENI

[1]MBA Student, [2]Associate Professor
DEPARTMENT OF MBA
MALLAREDDY UNIVERSITY, HYDERABAD

ABSTRACT

Participants in the stock market range from small individual stock investors to large hedge fund traders, who can be based anywhere in the world. Their orders usually end up with a professional at a stock exchange, who executes the order of buying or selling.

From experience it is known that investors may 'temporarily' move financial prices away from their long term aggregate price 'trends'. (Positive or up trends are referred to as bull markets; negative or down trends are referred to as bear markets). Over-reactions may occur—so that excessive optimism (euphoria) may drive prices unduly high or excessive pessimism may drive prices unduly low. Economists continue to debate whether financial markets are 'generally' efficient.

According to one interpretation of the efficient-market hypothesis (EMH), only changes in fundamental factors, such as the outlook for margins, profits or dividends, ought to affect share prices beyond the short term, where random 'noise' in the system may prevail. (But this largely theoretic academic viewpoint—known as 'hard' EMH—also predicts that little or no trading should take place, contrary to fact, since prices are already at or near equilibrium, The 'hard' efficient-market hypothesis is sorely tested and does not explain the cause of events such as the stock market crash in 1987, when the Dow Jones index plummeted 22.6 percent—the largest-ever one-day fall in the United States.

This event demonstrated that share prices can fall dramatically even though, to this day, it is impossible to fix a generally agreed upon definite cause: a thorough search failed to detect *any* 'reasonable' development that might have accounted for the crash. (But note that such events are predicted to occur strictly bychance, although very rarely.)

I. INTRODUCTION

INDIAN EQUITY MARKET:-

The Indian Equity Market is also known as Indian share market or Indian stock market. The Indian market of equities is transacted on the basis of two major stock indices, National Stock Exchange of India Ltd. (NSE) and The Bombay Stock Exchange (BSE).

Indian Equity Market at present is a lucrative field for the investors and investing in Indian stocks are profitable for not only the long and medium-term investors, but also the position traders, short-term swing traders and for intra-day traders. In terms of market capitalization, there are over 5000 companies in the BSE chart list. Generally the bigger companies are listed with the NSE and the BSE, but there is the OTCEI or the Over the Counter Exchange of India, which lists the medium and small sized companies. There is the SEBI or the Securities and Exchange Board of India which supervises the functioning of the stock markets in India.

The growing financial capital markets of India being encouraged by domestic and foreign investments is becoming a profitable business more with each day. If all the economic parameters are unchanged Indian Equity Market will be conducive for the growth of private equities and this will lead to an overall improvement in the Indian economy.

THE INDIAN CAPITAL MARKET: -

The function of the financial market is to facilitate the transfer of funds from surplus sectors (lenders) to deficit sectors (borrowers). Normally, households have investible funds or savings, which they lend to borrowers in the corporate and public sectors whose requirement of funds far exceeds their savings. A financial market consists of investors or buyers of securities, borrowers or sellers of securities, intermediaries and regulatory bodies. Financial market does not refer to a physical location. Formal trading rules, relationships and communication networks for originating and trading financial securities link the participants in the market.

Primary market

Primary market refers to the long term flow of funds from the surplus sector to the government and corporate sector (through primary issue) and to banks and non bank financial intermediaries (through secondary issues).Primary issues of the corporate sector lead to capital formation (creation of net fix asset and incremental change in inventories) thus primary market is again sub divided into:

- ❖ Public issue
- ❖ Right issue
- ❖ Private placement
- ❖ Professional allotment

Secondary market

Secondary market is a market for outstanding securities. An equity instrument, being an eternal fund, provides an all-time market while a debt instrument with a defined maturity period, is traded at the secondary market till maturity. Unlike primary issues in the primary market which result in capital formation, the secondary market facilities only liquidity

and marketability of outstanding debt and equity instruments. The secondary market contributes to economic growth by channelizing funds into the most efficient channel through the process of disinvestment to reinvestment. The secondary market also provide instant valuation of securities made possible by changes in the internal environment, that is , through companywide and industry wide factors. Such a valuation facilities the measurement of the cost of capital and rate of return of economic entities at the micro level.

For trading in issue of corporate and financial intermediaries, there are:

- ❖ Recognized stock exchanges,
- ❖ National stock exchange of India limited (NSE)

Organized money market

Indian financial system consists of money market and capital market. The money market has two components - the organized and the unorganized. The organized market is dominated by commercial banks. The other major participants are the Reserve Bank of India, Life Insurance Corporation, General Insurance Corporation, Unit Trust of India, Securities Trading Corporation of India Ltd. and Discount and Finance House of India, other primary dealers, commercial banks and mutual funds. The core of the money market is the inter-bank call money market whereby short-

term money borrowing/lending is affected to manage temporary liquidity mismatches.

Equity investments

An equity investment generally refers to the buying and holding of shares of stock on a stock market by individuals and firms in anticipation of income from dividends and capital gains, as the value of the stock rises. It may also refer to the acquisition of equity (ownership) participation in a private (unlisted) company or a startup company. When the investment is in infant companies, it is referred to as venture capital investing and is generally understood to be higher risk than investment in listed going-concern situations.

The equities held by private individuals are often held via mutual funds or other forms of collective investment scheme, many of which have quoted prices that are listed in financial newspapers or magazines; the mutual funds are typically managed by prominent fund management firms, such as Schroder's, Fidelity Investments or The Vanguard Group. Such holdings allow individual investors to obtain the diversification of the fund(s) and to obtain the skill of the professional fund managers in charge of the fund(s). An alternative, which is usually employed by large private investors and pension funds, is to hold shares directly; in the institutional environment many clients who own portfolios have what are called segregated funds, as opposed to or in addition to the pooled mutual fund alternatives.

A calculation can be made to assess whether an equity is over or underpriced, compared with a long-term government bond. This is called the Yield Gap or Yield Ratio. It is the ratio of the dividend yield of equity and that of the long-term bond.

Un-organized money market

Despite rapid expansion of the organized money market through a large network of banking institutions that have extended their reach even to the rural areas, there is still an active unorganized market. It consists of indigenous bankers and moneylenders. In the unorganized market, there is no clear demarcation between short-term and long-term finance and even between the purposes of finance.

Stock prices change every day in the market. Buyers and sellers cause prices to change as they decide how valuable each stock is. Basically, share prices change because of supply and demand. If more people want to buy a stock, then the price of that stock moves up. Conversely, if more people want to sell a stock, there would be more supply (sellers) than demand (buyers), the price would start to fall. In financial term, this is called as Volatility. Volatility is a symptom of a highly liquid stock market. Pricing of securities depends on volatility of each asset. An increase in stock market volatility brings a large stock price change of advances or declines. Investors interpret a raise in stock market volatility as an increase in the risk of equity investment and consequently they shift their funds to less risky assets. Technically, volatility is found by calculating the "standard deviation" of the daily change in price. If the price of an investment moves up and down by large percentage amounts, and in short periods of time, it has high volatility. If the price almost never changes, or only by very small amounts, then it has very low volatility.

It has an impact on business investment spending and economic growth through a number of channels. Changes in local or global economic and political environment influence the share price movements and show the state of stock market to the general public.

The behavior of Stock Market and the prices of stocks depend greatly on the speculation of the investors. So, over- reactions and wrong speculation can give rise to irrational behavior of the Stock Market. Excessive optimistic speculation of future prospects can raise the prices of stocks to an extreme high and excessive pessimism on the part of the investors can result in extremely low prices. Stock Market behavior is also affected by the psychology of "Group Thinking". The thinking of a majority group of people many times influences others to think in the same line and the Stock Market behavior gets naturally affected.

Sometimes the Stock Market behavior is affected by rumors and mass panic. The prices of the stocks fluctuate tremendously by the economic use even if it has nothing to done with values of stocks and securities.

So, it is extremely difficult to make predictions about the Stock Market and the inexperienced investors who are not that much interested in financial analysis of stocks; rarely get the financial assistance from the Stock Market at the time of need.

NEED OF THE STUDY:

Derivatives a product created from equities, and the product when applying short positions when an investor has long positions in equity segment, where to make break even. And the major need to choose this topic to have a brief idea about arbitrage trading system in two different market segments. One of the single best things you can do to further your education in trading commodities is to keep thorough records of your trades. Maintaining good records requires discipline, just like good trading. Unfortunately, many commodity traders don't take the time to track their trading history, which can offer a wealth of information to improve their odds of success most professional traders, and those who consistently make money from trading commodities, keep diligent records of their trading activity. The same cannot be said for the masses that consistently lose at trading.

SCOPE OF THE STUDY

- 'Investor can assess the company financial strength and factors that affect the company. Scope of the study is limited. We can say that 70% of the analysis is proved good for the investor, but the 30% depends upon market sentiment.

- The topic is selected to analyses the factors that affect the future EPS of a company based on fundamentals of the company.

- The market standing of the company studied in the order to give a better scope to the Analysis is helpful to the investors, share holders, creditors for the rating of the company.

Objectives:

The objectives of the project can be mentioned as below:

- To study volatility in Indian stock market while taking **SENSEX** of Bombay stock exchange as a source of secondary data which broadly represent Indian stock market along with **NIFTY** of National Stock Exchange also the study of **Indiabulls stock broking limited**.
- To study the factors which are making Indian stock market volatile?
- Build understanding of central ideas of stock market.
- Develop familiarity with the analysis of stock market.
- Furnish institutional material relevant for understanding the environment in which trading decisions are taken.
- Understanding of **Bull Market** and **Bear Market**.

This project will be helpful to know volatility in Indian Stock Market and reasons for such high volatility and would be able to take decisions for investment in volatile stock market.

II. Methodology:

Methodology means the methods, processes or tools used in driving the project. At the very biggining, an overview of the stock market is given. The level of SENSEX at various points of time and causes for the same is given. Some graphs and tables also used here. Bull market and Bear market have been broadly described in the report. Volatility of Indian stock market is analysed through graph and table. The returns in bull and bear phase are also given. Hence an analysis has been made to know the volatility trend in the Indian stock market and the reasons for the bear and bull trend in the market.

Data Collection:

All the data are collected from secondary source, i.e, magazines, newspapers, websites etc. Data were collected from BSE Sensex and NSE Nifty. Sensex is a basket of 30 constituent stocks representing a sample of large, liquid and representative companies. Due to its wide acceptance amongst the Indian investors, sensex is regarded the pulse of the Indian stock market. Nifty is a well diversified 50 stock index accounting for 24 sectors of the economy. Hence these two indices were taken for the study.

Limitations:

- A period of 45 days was a very short period to understand the stock market.
- The project is based on secondary data collected from other sources magazines, newspaper and websites etc.
- Reliability of the sources could also be limitation for the project.
- Possibility of error in analysis of data.
- The analysis is based on the past performance and does not confirm the future performance.

III. STOCK MARKET:

The Stock Market is a market for the trading of company stocks. In other words, Stock Market refers to the business of buying and selling shares in companies and the place where this happens is known as stock exchange.

The Stock Market is distinct from a stock exchange, which can be said to be an entity, say

a corporation or a mutual organization countenance within the business of bringing people and sellers of stocks and securities together.

Function and purpose

The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional capital for expansion by selling shares of ownership of the company in a public market. The liquidity that an exchange provides affords investors the ability to quickly and easily sell securities. This is an attractive feature of investing in stocks, compared to other less liquid investments such as real estate.

History has shown that the price of shares and other assets is an important part of the dynamics of economic activity, and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up and coming economy. In fact, the stock market is often considered the primary indicator of a country's economic strength and development. Rising share prices, for instance, tend to be associated with increased business investment and vice versa. Share prices also affect the wealth of households and their consumption. Therefore, central banks tend to keep an eye on the control and behavior of the stock market and, in general, on the smooth operation of financial system functions.

Exchanges also act as the clearinghouse for each transaction, meaning that they collect and deliver the shares, and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counterparty could default on the transaction.

The smooth functioning of all these activities facilitates economic growth in that lower costs and enterprise risks promote the production of goods and services as well as employment. In this way the financial system contributes to increased prosperity.

The Financial System of the Market Performs Three Main tasks:

- It handles transfer of payments in the markets.
- It channels savings to investments with a good return for future consumption in the Stock Market.
- It spreads and reduces the economic risks in relation to the players' targeted returns.

The smooth functioning of all these activities and facilitates in the Stock Market give economic growth and the lower costs and enterprise risks promote the production of goods and services as well as employment.
The stock market is one of the primary most important sources for companies to raise money. The continuously rising share prices tend to be associated with increased business investment and vice versa in the Stock Market.

Share prices also affect the wealth of households and their consumption. So, central banks keep a bull's eye on the magnificent control and behavior of the market.

Stock market investment:
Stock Market Investment refers to the investment in the market; where exchange of company stocks or collective shares of the companies and other kinds of securities and derivatives takes place. Stocks are traded in Stock Market by the help of Stock Exchange.

The Stock Exchange brings the sellers and buyers of stocks and securities under same roof. The available stocks are listed and traded in the Stock Exchange among the buyers and the sellers. Proper investment in Stock Market essentially requires detailed knowledge of Stock Market, its' participants, knowledge about the functioning, behavior and contribution of the stock market.

Main Participants of the Stock market
The main participants of Stock Market are the individual investors, banks, insurance companies, mutual funds and pension funds. Since, markets of today have turned more "institutionalized", the largest share of the market participation comes from the large institutions rather than individual rich investors.

Functioning of the Stock Market
The stock market functions through the Stock Exchanges. Stock Exchanges can be a physical entity and sometimes a virtual entity. In physical stock exchanges, transactions are made by auctioning. In this case, a buyer offers a specific price for a stock by verbal bid and the seller asks a specific price for the stock. When the buyer's bid price and seller's price match, exchange of stock takes place. In the presence of multiple buyers and sellers market operations are carried on a first come first served basis.

Contribution of Stock Market
Stock Market is the best medium of raising funds. Businesses which need financing for expansion or improvement can easily raise required capital by participating in Stock Market. On the other hand, for the investors; investing in stocks is a better option than investing in property or real estate as the stocks contain more liquidity than any other property. This means, stocks can be sold more easily and quickly than any other property and so, the investors can get their money back by selling the stocks anytime they need.

The prices of stocks or shares in the Stock Market have strong effects on the economy in various ways. Prices of stock influence business investment, individual household consumption and wealth of individual households. For this deepening effect, Central banks of each country keep a track of the Stock Market activities. A proper functioning of Stock Market in a country can result in low costs, increased production of goods and services and increased level of employment. In this way, an efficient Stock Market can contribute to economic growth of the country.

Stock Market and Economic Growth:
A country's economic growth is largely associated with the changing dynamics of its stock market. Since Independence, Indian stock market has been incessantly growing. Many government norms and regulations have been formulated so as to keep the market free from trickery and deception. In spite of all these norms and regulations, Indian Stock market could not be totally sterilized from scams; even through the performance was quite noticeable. But the market got a boost after the financial reforms which opened the doorway for FII inflow.

Economic growth of the nations is closely linked with the liquidity of the stock market existing in the country. The concept of liquidity that is dealt here is market liquidity, which stands in sharp contrast to the definition of liquidity from the point of view of a firm. The stock markets around the globe contribute to the economic development by imparting liquidity to the capital investments. It is this market that

allows entry even to the small savers, who invests their savings for short periods. The liquidity of the stock market enables them to sell off their shares easily within a short span of time, which has undoubtedly attracted investments in shares.

However, the most profitable business requires long-term investments. When the small potential investors reach the comfort zone in terms –term of investing in long-term equities, they balance their portfolios more towards long-term investments. This balancing mechanism forces the financial units to shift towards more profitable, productive and long-term products, resulting in higher capital productivity. The higher-productivity capital boosts economic growth and raises the returns on equity investment, which further increases the incentives to save and invest and hence, furthers economic growth.

So, we have to focus on the linkage between the stock market and economic growth. On the positive side, a well-functioning stock market helps in developing the economy through the growth of savings, efficient allocation of investment resources and better utilization of the existing resources. However, on the other hand, the analysts view stock market as a place, where the owners buy and sell stocks according to their convenience. This often affects the profitability of the firms by affecting the funds available to them. In this process, economic growth gets hampered due to the volatile nature of the stock market. Hence, the aspect of validity needs to be addressed.

Major Indian Stock Market Reforms:

Securities and Exchange Board of India (SEBI):

On 31st March 1992, the SEBI was established as an autonomous and statutory body. The SEBI is the regulatory authority to oversee the new issues, protect the interests of investors, promote the development of the capital market and regulate the working of stock exchanges. It has initiated a number of measures in these directions such as registration of intermediaries, strict disclosure norms, regulations on insider trading and inspection of the functioning of the stock exchanges and mutual funds, etc.

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

Over the Counter Exchange of India has been promoted jointly by ICICI, UTI, IDBI, IFCI, GIC, LIC, SBI, Capital Markets, and Canbank Financial Servics. It has been registered as a stock exchange with the SEBI and has commenced its operations from 6th October 1992. Its main aim is to provide small and medium companies an access to capital market in order to raise capital in a cost-effective manner. It is a regulatory body which supervises monitors and controls the trading activity at OTC (over the counter). The OTCEI operates at Mumbai with regional windows at other metrpolitan cities and representative offices in a few major cities.

National Stock Exchange (NSE):

With the liberalization of the Indian economy, it was found inevitable to lift the Indian stock market trading system on par with the

international standards. On the basis of the recommendations of high powered Pherwani Committee, the National Stock Exchange was incorporated in 1992 as a tax-paying company unlike other stock exchanges in the country by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, all Insurance Corporations, selected commercial banks and others.

On its recognition as a stock exchange under the Securities Contracts (Regulation) Act, 1956 in April 1993, NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital Market (Equities) segment commenced operations in November 1994 and operations in Derivatives segment commenced in June 2000.

The NSE was incorporated with the following objectives:-

- To establish a nationwide trading facility for equities, debt intruments and hybrids.
- To ensure all investor all over the country equal access through an appropiate communication network.
- To provide a fair, efficient, and transparent securities market to investors through an electronic trading system.
- To enable shorter settlement cycles and book entry settlement system.
- To meet the current international standards of securities markets.

The exchange is professionally managed in that the ownership and managemet of the NSE are completely separated from the rightto trade on the exchange. In order to upgrade the professional standards of the market intermediaries, the exchange lays stress on factors such as capital adequacy, corporate structure, track record, and educational experience.

Trading at NSE can be classified under two broad categories:

- Wholesale debt market and
- Capital market.

Wholesale debt market operations are similar to money market operations - institutions and corporate bodies enter into high value transactions in financial instruments such as government securities, treasury bills, public sector unit bonds, commercial paper, certificate of deposit, etc.

There are two kinds of players in NSE:

- Trading members and
- Participants.

Recognized members of NSE are called trading members who trade on behalf of themselves and their clients. Participants include trading members and large players like banks who take direct settlement responsibility.

Trading at NSE takes place through a fully automated screen-based trading mechanism which adopts the principle of an order-driven market. Trading members can stay at their offices and execute the trading, since they are linked through a communication network. The prices at which the buyer and seller are willing to transact will appear on the screen. When the prices match the transaction will be completed and a confirmation slip will be printed at the office of the trading member.

NSE has several advantages over the traditional trading exchanges. They are as follows:

- NSE brings an integrated stock market trading network across the nation.
- Investors can trade at the same price from anywhere in the country since inter-market operations are streamlined coupled with the countrywide access to the securities.
- Delays in communication, late payments and the malpractice's prevailing in the traditional trading mechanism can be done away with greater operational efficiency and informational transparency in the stock market operations, with the support of total computerized network.

Unless stock markets provide professionalised service, small investors and foreign investors will not be interested in capital market operations. And capital market being one of the major sources of long-term finance for industrial projects, India cannot afford to damage the capital market path. In this regard NSE gains vital importance in the Indian capital market system.

Index-based Market-wide Circuit Breakers:

An index based market-wide circuit breaker system applies at three stages of the index movement either way at 10%, 15% and 20%. These circuit breakers bring about a coordinated trading halt in trading on all equity and equity derivatives markets across the country. The breakers are triggered by movements in either Nifty 50 or Sensex, whichever is breached earlier.

- In case of a 10% movement in either of these indices, there would be a one-hour market halt if the movement takes place before 1:00 p.m. In case the movement takes place at or after 1:00 p.m. but before 2:30 p.m. there would be trading halt for ½ hour. In case movement takes place at or after 2:30 p.m. there will be no trading halt at the 10% level and market would continue trading.
- In case of a 15% movement of either index, there should be a two-hour halt if the movement takes place before 1 p.m. If the 15% trigger is reached on or after 1:00 p.m. but before 2:00 p.m., there should be a one-hour halt. If the 15% trigger is reached on or after 2:00 p.m. the trading should halt for remainder of the day.
- In case of a 20% movement of the index, trading should be halted for the remainder of the day.

FOREIGN INSTITUTIONAL INVESTMENTS AND THE INDIAN STOCK MARKET:

An important feature of the 1990s was the participation of FIIs in the stock market.FIIs was allowed to participate in the Indian stock Market in September 1992. They have become active investors since August 1993. As of 31st July, 2009, there are 1,679 FIIs registered with SEBI.

FIIs Flows:

We can see the substantial increase in FIIs investment during the years between 2005 and

2008. FII investment in India has come in waves. The first wave of FII came in 1993-94 when the stock markets were opened up or foreign investors. FII net flow touched Rs. 6,791 crore in 2000. Then a large number of FIIs arrived with 'emerging market' funds in 2000-01 wherein the FII net investment touched a high of Rs. 13,084 crore. However, the FII fund flow declined tremendously in the year 2002. It came down to Rs. 3,555 crore. The major reasons for the decline in their investment were the dismal performance of the Indian stock market and the slow pace of reforms. The third wave which came in 2003 brought in new FIIs such as Hedge funds, university funds and development market funds to encash India's growth story. The net FII inflow touched a record Rs. 30,893 crore in 2004 and Rs. 37,183 crore in 2005 with most of the investment in promising mid-cap stocks. Since 2005, a rally in mid-cap shares raised the market capitalization ratio thereby benefitting FIIs and increasing their interest in Indian stock. This increased investment was on the account of strong macro-economic fundamentals, abolition of long-term capital gains tax, etc. In 2011 we can see more than 100% growth when compare to 2010 values.

Most FIIs took advantage of depressed prices increased their stakes in frontline Sensex stocks such as Infosys, HLL, Reliance, ITC, etc. FIIs increase their activity whenever there is downturn in the stock market. They identified and picked up the old economy Indian companies which were being traded at a discount and actively bought those shares.

IV. FINDINGS:

Factors responsible for Volatility:

Indian stocks are found to be highly volatile. Volatility is caused by a number of factors such as speculation, the trading and settlement system, the government, inflation, interest rates, announcement of corporate results, etc. All these factors directly or indirectly influence movement in share prices. Apart from these, the factors responsible for high volatility can be explained as follows:

- Inclusion of the new economy stocks, most of which were over-valued in the BSE index.
- Increased influence of international stock indices, espicially the NASDAQ.
- Day trading increased which led to wild fluctuations in intra-day prices.
- Foreign Institutional Investors (FIIs), exit the markets at the slightest whiff of trouble. This increases volatility in the stock markets. Domestic investors follow FIIs and emaluate their investment pattern. If, FIIs buy, everyone buys and if FIIs sell, everyone sells.
- Indian markets have high volume but they lack depth as the volums are contributed by few institutional participants. Indian markets lack hedge funds and pension funds, whch can take a long-term view of the markets.
- External factors such as world politics and disturbances, the IT revolution, the information boom by the business news channels, rising oil prices and apprehensions of rise in international rates contributed to high volatiliy.

- The announcement in the Union Budget 2004-05 regarding imposition of the Securities Transaction Tax (STT) affected the market sentiments adversely.
- The inflation rate in India was last reported at 6.04 percent in January of 2016. From 1969 until 2010, the average inflation rate in India was 7.99 percent reaching an historical high of 34.68 percent in September of 1974 and a record low of -11.31 percent in May of 1976. Inflation rate refers to a general rise in prices measured against a standard level of purchasing power. The most well known measures of Inflation are the CPI which measures consumer prices, and the GDP deflator, which measures inflation in the whole of the domestic economy. This page includes: India Inflation Rate chart, historical data and news.
- When index rises with equity buying, it indicates actual growth, and the growth stands for long time. Speculation growth is more than actual growth in Indian stock market.
- The Indian Rupee exchange rate depreciated 1.25 percent against the US Dollar during the February 2016. During the last 12 months, the Indian Rupee exchange rate depreciated 1.20 percent against the US Dollar. Reaching an historical high of 66.38 in December of 2015. Within two months dollar recorded low of 68.94 in February 2016.
- IIP DATA also a factor for market volatility, increasing IIP numbers are positive impact and decreased negative impact.
- Changes in interest rates also a cause to fluctuate Indian stock market. Inflation and interest rates have positive correlation.
- Quarterly financial results of index weighted companies also a cause for index (market) fluctuations.
- When FII'S net sales increases it means they are in profit booking stage and when net purchases increases, it means they are accumulating.
- There are so many factors fluctuating Indian stock market, but it's not possible to measure the growth/fall with single factor. Because in intraday there are so many factors influencing the market.
- Every day common factors are international markets, dollar fluctuations, speculation.

These factors, in turn, are responsible for the development of the stock market in our country and making it comparable with the global markets.

SUGGESTIONS:

This kind of volatility and sudden crash of the market is not a good indicator of sound financial markets. The following measures are suggested to remove the structural deficiencies of the market and improve the market mechanism:

- There is lack of depth in the market. The fear of FIIs pulling their money out of the market is always seen as a big threat. To avoid this, more institutional players such as pension funds are required to invest in the market and provide it the required depth.
- There is a need for a robust securities lending and short selling infrastructure. It will help the long term investors to

earn on their investments and provide heterogenerity in the market.

- Securities and Exchange Board of India (SEBI) needs to keep a vigil on the sharp rise in any stock without a reasonable cause. It needs to keep track of the investors in such companies and trace the source of investment to avoid any type malpractices.
- There is inability of the banking system to turn around the funds quickly. When the Sensex was falling, the banking could not divert the funds to rescue the investors quickly which led to margin calls and sudden crash of the market.
- To control insider trading and manipulation of prices, strict regulatory and punitive measures should be adopted by the SEBI and stock exchanges.
- To stop operations in the unofficial and unregulated grey market, the publication of unofficial quotation in newspaers and magazines should be declared illegal and sale of shares before acquisition by buyers should be banned.
- To avoid confusion among the investors, there should be proper coordination among the stock exchanges in India. There should not be any overlapping in their areas of operations.
- Investors should take into consideration various things before investing into scripts such as:
    - Financial position of the company.
    - Liquidity position.
    - Past performance of company.
- Brokers should not exceed their trading limit in terms of upper and lower limit.
- Entry levels, the price should not historical highs while entering into that.

V. CONCLUSION:

The behavior of Stock Market and the prices of stocks depend greatly on the speculation of the investors. So, over- reactions and wrong speculation can give rise to irrational behavior of the Stock Market. Excessive optimistic speculation of future prospects can raise the prices of stocks to an extreme high and excessive pessimism on the part of the investors can result in extremely low prices.

So, it is extremely difficult to make predictions about the Stock Market and the inexperienced investors who are not that much interested in financial analysis of stocks; rarely get the financial assistance from the Stock Market at the time of need.

The factors influencing the stock market affect the volatility of the market in which they are traded. These factors, in turn, are responsible for the development of the stock market in any country and making it compareable with the global markets. So, stock market development is a multi-dimensional concept.

Though many of the investors have lost life saving in the recent correction, there is life after the crash. The Indian growth story is intact with a forecast of over 9% growth for 2011-2012. The investment pipeline is estimated to be Rs.5, 85,000 crores. The government continues to spend heavilty on the infrastructure projects. Domestic demand is still robust. Nevertheless, the Indian stocks will continue to be attractive. Moreover, the fear of recession in the US will force the global investors to look for alternative investment destinations and India will be the

biggest beneficiary. The only thing to be kept in mind is that greed always leads to devastations. The investors should not aim for very high returns as the level of returns is always positively correlated to the level of risk.

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