REFORMS IN INDIAN SECURITIES MARKET

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Abstract
This paper attempted to make an analysis reforms in Indian securities market. Capital market is the backbone of any country's economy. It facilitates conversion of savings to investments. The Indian capital markets have witnessed a major transformation and structural change during the past one and half decades, since the early 1990's. These reforms have been aimed at improving market efficiency, enhancing transparency, preventing unfair trade practices and bringing the Indian capital market to international standards. The main objective of the study to learn about the reforms in Indian Securities Market. The Secondary data have been collected through journals, Bombay Stock Exchange, National Stock Exchange, Reserve Bank of India and Securities and Exchange Board of India websites. This study concludes that the developments in the securities market provide the necessary impetus for growth and development, and thereby strengthen the emerging market economy in India.

Keywords: Reforms in Indian Securities Market, BSE, NSE, RBI, SEBI.

Introduction
The Indian capital markets have witnessed a major transformation and structural change during the past one and half decades, since the early 1990's. The Financial Sector Reforms in general and the Capital Market Reforms in particular were initiated in India in a big way since 1991 – 1992. These reforms have been aimed at improving market efficiency, enhancing transparency, checking unfair trade practices and bringing the Indian capital market up to the International Standards. The Capital Issues (control) Act, 1947 was repealed in May 1992 and the office of the Controller of Capital Issues was abolished in the same year. The National Stock Exchange (NSE) was incorporated in 1992 and was given recognition as a Stock Exchange in April 1993, which has been playing a lead role as a change agent in transforming the Indian Capital Market to its present form. The Securities and Exchange Board of India (SEBI) was set up in 1988 and acquired the statutory status in 1992. Since 1992, SEBI has emerged as an autonomous and independent statutory body with definite mandate such as: (a) to protect the interests of investors in securities, (b) to promote the development of securities market and (c) to regulate the securities market. In order to achieve these objectives, SEBI has been exercising power under: (a) Securities and Exchange Board of India Act, 1992, (b) Securities Contracts (Regulation) Act, 1956, (c) Depositories Act, 1996 and delegated powers under the (d) Companies Act, 1956. Indian Capital Market has made commendable progress since the inception of SEBI and has been transformed into one of the dynamic capital markets of the world.

Objectives of the Study
1. To learn about the reforms in the Indian Securities Market.
2. To review the stock market developments in India.

Nature and Sources of Data
The present study is based on Secondary data. The relevant secondary data has been collected from journals, books, reports of the BSE, NSE, SEBI and RBI.

Review of Literature
Nagaishi (1999)[1] in his paper on stock market development and economic growth viewed that Indian stock market development from the 1980s onwards has not played any prominent role in domestic savings mobilization. Both GDS and the share of the financial assets of the household sector have been stagnating since 1992, that is, in the post reform period.

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Jain (1999)[2] in his study on restructuring capital market observed that the agenda for further reforms of capital market in India broadly comprise the developments in the debt market, revival of equity markets and improved disclosures and corporate governance standards, reforms in insurance and pension funds to enable flow of funds to infrastructure and the emergence of financial derivatives and risk management products.

Shirai (2004)[3] examines the impact of financial and capital market reforms on corporate finance in India. India's financial and capital market reforms since the early 1990s have had a positive impact on both the banking sector and capital markets. Nevertheless, the capital markets remain shallow, particularly when it comes to differentiating high-quality firms from low-quality ones (and thus lowering capital costs for the former compared with the latter). While some high-quality firms (e.g., large firms) have substituted bond finance for bank loans, this has not occurred to any significant degree for many other types of firms (e.g., old, export-oriented and commercial paper-issuing ones). This reflects the fact that most bonds are privately placed, exempting issuers from the stringent accounting and disclosure requirements necessary for public issues. As a result, banks remain major financiers for both high and low-quality firms. The paper argues that India should build an infrastructure that will foster sound capital markets and strengthen banks' incentives for better risk management.

Gupta and Biswas (2006)[4] examines the development and efficiency of Indian capital market during the post liberalization period and conducted that the process of reforms has led to a pace of growth of Indian stock market almost unparallel in the history of any country. Ironically, this market suffers from the menace of over-speculation and excessive price fluctuations, which are in fact fiercer than many of its counterparts. These vices are sufficient to defeat at basic purpose of financial liberalization where the society in effect authorizes the financial system to mobilize and allocate resources.

Sadhan Kumar Chattopadhyay and Samir Ranjan Behera , (2006)[5] , in their paper, "Financial Integration for Indian Stock Market", the Indian stock market is considered to be one of the earliest in Asia, which is in operation since 1875. However, it remained largely outside the global integration process until 1991. The reform of the Indian stock market started with the establishment of Securities and Exchange Board of India (SEBI), although it became more effective after the stock market scam in 1991. With the establishment of SEBI and technological advancement Indian stock market has now reached the global standard. The study finds that contrary to general belief, Indian stock market is not co-integrated with the developed market as yet. It is derived from the study that although some positive steps have been taken up, which are responsible for the substantial improvement of the Indian stock market, these are perhaps not sufficient enough to become a matured one.

Deleep Kumar P M and Deyanandan M N (2009)[6] analyzed the opinion of retail investors on the major market reforms as well as their investment performance. The study revealed introduction of derivatives trading and internet trading are found useful by only a marginal group of investors. The empirical results of the study concluded that even though SEBI claims itself to be the champion of investor protection, it has not been successful in instilling a sense of confidence in the minds of majority of investors.

Narendra Jadhav, (2010)[7]**,** in his article, "Development of Securities Market –The Indian Experience"**,** the Indian securities markets have witnessed far-reaching reforms in the post-liberalization era in terms of market design, technological developments, settlement practices and introduction of new instruments. The markets have achieved tremendous stability and as a result, have attracted huge investments by foreign investors. There still is tremendous scope for improvement in both the equity market and the government Securities market. However, it is the corporate debt market, which needs to be given particular emphasis given its importance for providing long-term finance for development.

Juhi Ahuja (2012)[8] presents a review of Indian Capital Market & its structure. In last decade or so, it has been observed that there has been a paradigm shift in Indian capital market. The application of many reforms & developments in Indian capital market has made the Indian capital market comparable with the international capital markets. Now, the market features a developed regulatory mechanism and a modern market infrastructure with growing market capitalization, market liquidity, and mobilization of resources. The emergence of Private Corporate Debt market is also a good innovation replacing the banking mode of corporate finance. However, the market has witnessed its worst time with the recent global financial crisis that originated from the US sub-prime mortgage market and spread over to the entire world as a contagion. The capital market of India delivered a sluggish performance.

Reforms & Developments in Capital Market Since 1991

The government has taken several measures to develop capital market in post-reform period, with which the capital market reached new heights. Some of the important measures are,

Securities and Exchange Board of India (SEBI)

SEBI became operational since 1992. It was set with necessary powers to regulate the activities connected with marketing of securities and investments in the stock exchanges, merchant banking, portfolio management, stock brokers and others in India. The objective of SEBI is to protect the interest of investors in primary and secondary stock markets in the country.

National Stock Exchange (NSE)

The setting up to NSE is a landmark in Indian capital markets. At present, NSE is the largest stock market in the country. Trading on NSE can be done throughout the country through the network of satellite terminals. NSE has introduced inter-regional clearing facilities.

Dematerialization of Shares

Demat of shares has been introduced in all the shares traded on the secondary stock markets as well as those issued to the public in the primary markets. Even bonds and debentures are allowed in demat form. The advantage of demat trade is that it involves paperless trading.

Screen Based Trading

The Indian stock exchanges were modernized in 90s, with Computerized Screen Based Trading System (SBTS), It cuts down time, cost, risk of error and fraud and there by leads to improved operational efficiency. The trading system also provides complete online market information through various inquiry facilities.

Investor Protection

The Central Government notified the establishment of Investor Education and Protection Fund (IEPF) with effect from 1st Oct. 2001: The IEPF shall be credited with amounts in unpaid dividend accounts of companies, application moneys received by companies for allotment of any securities and due for refund, matured deposits and debentures with companies and interest accrued there on, if they have remained unclaimed and unpaid for a period of seven years from the due date of payment. The IEPF will be utilized for promotion of awareness amongst investors and protection of their interests.

Rolling Settlement

Rolling settlement is an important measure to enhance the efficiency and integrity of the securities market. Under rolling settlement all trades executed on a trading day (T) are settled after certain days (N). This is called T + N rolling settlement. Since April 1, 2002 trades are settled' under T + 3 rolling settlement. In April 2003, the trading cycle has been reduced to T + 2 days. The shortening of trading cycle has reduced undue speculation on stock markets.

The Clearing Corporation of India Limited (CCIL)

The CCIL was registered in 2001, under the Companies Act, 1956 with the State Bank of India as the Chief Promoter. The CCIL clears all transactions in government securities and repos and also Rupee / US $ forex spot and forward deals All trades in government securities below Rs. 20 crores would be mandatorily settled through CCIL, white those above Rs. 20 crores would have the option for settlement through the RBI or CCIL.

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The National Securities Clearing Corporation Limited (NSCL)
The NSCL was set up in 1996. It has started guaranteeing all trades in NSE since July 1996. The NSCL is responsible for post trade activities of NSE. It has put in place a comprehensive risk management system, which is constantly monitored and upgraded to pre-expect market failures.

Trading In Central Government Securities
In order to encourage wider participation of all classes of investors, including retail investors, across the country, trading in government securities has been introduced from January 2003. Trading in government securities can be carried out through a nationwide, anonymous, order-driver, screen-based trading system of stock exchanges in the same way in which trading takes place in equities.

Credit Rating Agencies
Various credit rating agencies such as Credit Rating Information services of India Ltd. (CRISIL – 1988), Investment Information and credit Rating Agency of India Ltd. (ICRA – 1991), etc. were set up to meet the emerging needs of capital market. They also help merchant bankers, brokers, regulatory authorities, etc. in discharging their functions related to debt issues.

Accessing Global Funds Market
Indian companies are allowed to access global finance market and benefit from the lower cost of funds. They have been permitted to raise resources through issue of American Depository Receipts (ADRs), Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) and External Commercial Borrowings (ECBs). Further Indian financial system is opened up for investments of foreign funds through Non-Resident Indians (NRIs), Foreign Institutional investors (FIls), and Overseas Corporate Bodies (OCBs).

Mutual Funds
Mutual Funds are an important avenue through which households participate in the securities market. As an investment intermediary, mutual funds offer a variety of services / advantages to small investors. SEBI has the authority to lay down guidelines and supervise and regulate the working of mutual funds.

Internet Trading
Trading on stock exchanges is allowed through internet, investors can place orders with registered stock brokers through internet. This enables the stock brokers to execute the orders at a greater pace.

Buy Back Of Shares
Since 1999, companies are allowed to buy back of shares. Through buy back, promoters reduce the floating equity stock in market. Buy back of shares help companies to overcome the problem of hostile takeover by rival firms and others.

Derivatives Trading
Derivatives trading in equities started in June 2000. At present, there are four equity derivative products in India Stock Futures, Stock Options, Index Futures, and Index Options. Derivative trading is permitted on two stock exchanges in India i.e. NSE and BSE. At present in India, derivatives market turnover is more than cash market.

PAN Made Mandatory
In order to strengthen the ―Know your client" norms and to have sound audit trail of transactions in securities market, PAN has been made mandatory with effect from January 1, 2007.

Conclusion
The study concludes that the Indian securities market is in transition. 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 Securities Market is at par with the global standards. The

goal of SEBI is to make the Indian Securities market truly world class, competitive, transparent and efficient. Finally this study concludes that the developments in the securities market provide the necessary impetus for growth and development, and thereby strengthen the emerging market economy in India.

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