

## Composition, growth and trend of Indian stock market in the post liberalisation era- An overview

<sup>1</sup> Aadil Hussain Baba, <sup>2</sup> Dr. NVR Rajagopalan

<sup>1</sup> Doctoral Scholar, Department of Commerce, Annamalai University, Tamil Nadu, India

<sup>2</sup> Assistant Professor, Department of Commerce, Annamalai University, Tamil Nadu, India

### Abstract

Stock market of a country plays a pivotal role in the development of the market economy. Indian stock market is considered as one of the largest growing markets of the world. India being an open economy attracts investors all over the world. The participation of foreign investors in Indian stock market is contributing to the growth and development of the market. The study is an attempt to analyse the growth and trend of Indian stock market from the early 90's to 2015-16, using the Simple Percentage, Standard Deviation, Coefficient of Variation and Compound Annual Growth Rate. The study inferred that except during the early years in the 1990's and the year 2008-09, the market has been growing at a good pace.

**Keywords:** Sensex; Nifty; Global Financial Crisis; Growth; Market Capitalisation

### Introduction

Finance sector is the backbone of economic development of a country. In finance sector a well organised financial market helps the economy in accumulating and channelizing the savings of the people and it leads to industrial development. It supports economy by giving employment opportunities and increases the standard of livings of people. Stock market is one of the important components of finance sector and it is playing a major role for economic development. The stock market deals with securities already issued by the companies. Stock markets are dealing with shares, debentures, bonds and other securities. Shares issued by the companies to the public for the first time is called Initial Public Offering (IPO). After making the issuance of the shares/securities the companies make application to a recognised stock exchange for listing the shares/securities in the exchange. The stock exchange scrutinises the application and it list the shares if the exchange is satisfied with the application. After the share is getting listed it is allowed to trade in the exchange. The share is listed at a specific price, later the share price is fluctuating in the market, and this is caused by various factors such as macro and micro economic variables and the factors specifically related to the company.

Index system is followed by the exchanges for understanding the overall movement of stock markets. Under this system, an exchange considers collective value change of certain number of shares of top companies in terms of turnover of shares. So the index plays as proxy for the overall market fluctuations. In India, the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) are functioning as national level stock exchanges. Out of total quantity and value of shares traded in India by the recognised stock exchanges, 99.5 per cent are traded in these two exchanges together. It reveals the importance of these two exchanges. The BSE was started in 1875 and NSE was incorporated in 1992 and started functioning in 1994. SENSEX is the major and sensitive index maintained by BSE. For this index BSE considers top

thirty (30) companies. Nifty is the primary index maintained by NSE. It considers top 50 companies.

### Statement of the Problem

Indian Stock Market is one of the largest growing stock markets in the world. India being an open economy and Indian stock market being in the developing phase, it attracts the investors all over the world to participate. Along with domestic portfolio investors and domestic institutional investors, after allowing the Foreign Institutional Investments (FIIs) in the country by changing the economic policy of India, the foreign institutional investors have also been investing in India since 1992. So the study has been undertaken to study the aspect of growth and trend of Indian Stock Market in the post liberalisation era.

### Review of Related Literature

Capital markets has always been an important topic of research for authors and researchers all over the world. A considerable amount of literature is available about the international stock markets and Indian stock markets as well. Nagraj (1996) <sup>[4]</sup> in his research paper analysed the causes behind exponential growth of Indian primary capital market in the post liberalisation era. Burch and Foester (2004) <sup>[2]</sup> in their book highlighted growth and development of US primary capital market over a period of time and discussed impact of several regulation and policy recommendations on development of this market with special emphasis on Initial Public Offering (IPO). Nayak (2010) <sup>[5]</sup> in his research paper made an attempt to empirically analyse the developments in primary market in pre and post liberalisation era, common grievances of the investors in new issue market and regulatory measures taken to protect their interest. Chakrabarti and De (2010) <sup>[3]</sup> in their book, took an analytical approach to assess current status of Indian financial sector and developments in the field of legal structure that helps to improve operational efficiency of Indian primary market. Ahuja (2012) <sup>[1]</sup> in her article thoroughly discussed several

reforms, developments and regulatory interventions made in Indian primary market and compared this market with other markets of the world. The study is intended to update the developments in the Indian stock market thereafter.

### Scope of the Study

The study has been undertaken to study the stock market operations in the Post liberalisation era, with respect to growth and trend of the stock market, number of listed companies and market capitalisation, and quantity and value of shares traded in Indian stock market. Cash segment and derivative segment have not been studied separately.

### Objective of the Study

The study has the only objective of studying the Composition, Growth and Trend of Indian Stock Market.

### Data Collection

The study is purely based on the Secondary Data related to the stock market. The literature related to the study was collected from various Books, Magazines, Journals and Newspapers. The data were collected from the Official websites of Bombay Stock Exchange (BSE), National Stock Exchange (NSE) and Securities Exchange Board of India (SEBI).

### Period of the Study

The study is carried out for the period of 24 years spanning from 1992-93 to 2015-16 as far as the general movement of the market is concerned. The aspect of Quantity and Value of shares traded were restricted for the period of 15 years spanning from 2001-02 to 2015-16 based on the availability of data.

### Key Terms

**Composition:** It denotes the institutional break-up of stock market activities with reference to Bombay and National

stock exchanges and the other platforms through which the trading activity is undertaken.

**Growth:** It denotes the general growth level achieved during the study period by calculating compounded annual growth rate for the whole period in select variables.

**Trend:** It refers to the increase, decrease or fluctuating nature of the market movement during various years of study period in select variables.

### Statistical Tools Used

The study used Simple Percentage, Standard Deviation, Coefficient of Variation and Compounded Annual Growth Rate as statistical tools.

### Analysis and Discussion

Indian stock market is one the fastest growing stock markets in the world. India is pioneer in stock markets in Asia. BSE is one of the oldest stock exchanges in Asia. The growth rate of stock markets in India was found to be low until 1990's. In early 1990's major economic reforms were undertaken by the Government of India and the Government opened its door to foreign investors to invest in India both directly and through stock market. Hence after the period the growth rate of stock markets was considerable and it was found high after 2000. The first and the current decade of the 21<sup>st</sup> century are considered important because during the period the stock market of India experienced growth. It was affected by global economic crisis and it recovered subsequently. Sensex of BSE and Nifty of NSE are the major indices in India. The following table gives the indices of Sensex, Nifty, their trend, standard deviation, coefficient of variation and CAGR, for the period of twenty four years from 1992-93 to 2015-16.

**Table 1:** Growth and Trend of Stock Market in India

Year	Sensex	Change Over Previous Year	Percentage Change Over Previous Year	Nifty	Change Over Previous Year	Percentage Change Over Previous Year
1992-93	2280.52	-	-	-	-	-
1993-94	3778.99	1498.47	65.70	-	-	-
1994-95	3260.96	-518.03	-13.70	-	-	-
1995-96	3366.61	105.65	3.23	985.3	-	-
1996-97	3360.89	-5.72	-0.16	963.3	-22	-2.23
1997-98	3892.75	531.86	15.82	1116.9	153.6	15.94
1998-99	3739.96	-152.79	-3.92	1078.05	-38.85	-3.47
1999-00	5001.28	1261.32	33.72	1528.45	450.4	41.77
2000-01	3604.38	-1396.9	-27.93	1148.2	-380.25	-24.87
2001-02	3469.35	-135.03	-3.74	1129.55	-18.65	-1.62
2002-03	3048.72	-420.63	-12.12	978.2	-151.35	-13.39
2003-04	5590.6	2541.88	83.37	1771.9	793.7	81.13
2004-05	6492.82	902.22	16.13	2035.65	263.75	14.88
2005-06	11279.96	4787.14	73.72	3402.55	1366.9	67.14
2006-07	13072.1	1792.14	15.88	3821.55	419	12.31
2007-08	15644.44	2572.34	19.67	4734.5	912.95	23.88
2008-09	9709	-5935.44	-37.93	3021	-1713.5	-36.19
2009-10	17528	7819	80.53	5249	2228	73.75
2010-11	19445	1917	10.93	5834	585	11.14
2011-12	17404	-2041	-10.49	5296	-538	-9.22
2012-13	18,836	1432	8.22	5,683	387	7.30
2013-14	22,386	3550	18.84	6,704	1021	17.96

2014-15	27,957	5571	24.88	8,491	1787	26.65
2015-16	25,342	-2615	-9.35	7,738	-753	-8.86
CAGR	11			10		
ST.DEV	2249.97			733.51		
C.V	50.66			49.99		

Source: www.bseindia.com; www.nseindia.com

Table 1 shows that Sensex increased from 2280.52 points in the year 1992-93 to 25342 points in the year 2015-16. It is also observed that Nifty increased from 985.3 points in 1995-96 to 7738 points in 2015-16. The indices kept fluctuating throughout the study period. The market showed exceptional increase in the year 2003-04. In this year Sensex increased by 83.37 per cent over the previous year and reached 5590.6 points whereas Nifty also had increased trend of 81.13 per cent over the previous year and reached 1771.9 points. The market had the second best increase in the year 2009-10 where Sensex got increased by 80.53 per cent over the previous year and reached 17528 points and Nifty reached 5249 points after an increase of 73.75 per cent over the previous year. The major downfall for the market was found in the year 2008-09, when the Global Financial Meltdown (GFM) terribly effect all the financial markets in the world. The decrease was 37.93 per cent over the previous year and Sensex stood at 9709 points from 15644.44 points where as the Nifty got decreased by 36.19 per cent and stood at 3021 points from 4734.5 points and the market recovered exceptionally well in the following years. The market reached the peak value in the year 2014-15, where Sensex reached 27957 points and Nifty for the first time touched 8000 points mark and reached 8491. But the market again showed a downfall in the final year of the study and in the year 2015-16 Sensex stood at 25342 points and Nifty stood at 7738 points. Standard deviation and Coefficient of variation of the Sensex were 2249.97 points and 50.66 respectively; these results showed a fluctuating market. The CAGR of Sensex for the study period stood at 11 per cent. This result showed that

there was a considerable growth in Sensex during the study period. Standard deviation and Coefficient of variation of the Nifty were 733.51 points and 49.99 per cent respectively; it showed a high level of fluctuation. The Coefficient of Variation for Sensex and Nifty is 50.66 per cent and 49.99 per cent respectively, which is almost same. It showed that the volatility is almost same for both the exchanges. The CAGR of Nifty for the study period was 10 per cent; and it seems to be a considerable growth.

The result of the above table showed that Stock Market in India experienced a good growth in the study period. It was also observed that Indian Stock market had grown well from 2003-04 and the Market went down at a greater rate in 2008-09 due to global financial crisis and in the latter years the market recovered from the downfall, but in 2011-12 it experienced a downfall again. The market got its highest value in year 2014-15, but in the last year of the study period the market went down again thereby recording fluctuation.

#### Market Capitalisation of BSE and NSE

Market Capitalisation is the aggregate valuation of the company based on its current market price and the total number of outstanding stocks. It is calculated by multiplying the current market price of company's share with the total outstanding shares of the company. Market capitalisation of companies in stock market reveals its corporate value. Analysing the growth and trend of market capitalisation of an exchange gives an idea about its growth. Table 2 gives number of companies listed and market capitalisation of BSE and NSE for the period of 24 years from 1992-93 to 2015-16.

Table 2: Listed Companies and Market Capitalization in Indian Stock Market

Year	BSE			NSE		
	Number of Companies Listed	Market Capitalisation (Rs. In Crores)	Change Over Previous Year (%)	Number of Companies Listed	Market Capitalisation (Rs. In Crores)	Change Over Previous Year (%)
1992-93	2861	188146	-	-	-	-
1993-94	3585	368071	95.63	-	-	-
1994-95	4702	468837	27.37	135	363350	
1995-96	5603	563748	20.24	422	401459	10.48
1996-97	5832	505137	-10.39	550	419367	4.46
1997-98	5853	630221	24.76	612	481503	14.81
1998-99	5849	619532	-1.69	648	491175	2.00
1999-00	5815	912842	47.34	720	1020426	107.75
2000-01	5869	571553	-37.38	785	657847	-35.53
2001-02	5782	612224	7.11	793	636861	-3.19
2002-03	5650	572197	-6.53	818	537133	-15.65
2003-04	5528	1201207	109.92	909	1120976	108.69
2004-05	4731	1698428	41.39	970	1585585	41.44
2005-06	4781	3022190	77.94	1069	2813201	77.42
2006-07	4821	3545041	17.30	1228	3367350	19.69
2007-08	4887	5138014	44.93	1381	4858122	44.27
2008-09	4929	3086075	-39.93	1432	2896194	-40.38
2009-10	4975	6165619	99.78	1470	6009173	107.48
2010-11	5,067	6839084	10.92	1,574	6702616	11.53
2011-12	5,133	6214941	-9.12	1,646	6096518	-9.04

2012-13	5,211	6387887	2.78	1,666	6239035	2.33
2013-14	5,336	7415296	16.08	1,688	7277720	16.64
2014-15	5,624	10149290	36.86	1,733	9930122	36.44
2015-16	5,911	9475328	-6.64	1,808	9310471	-6.24
CAGR	3	17.73		13	15.88	

Source: SEBI handbook of statistics

The number of listed companies in BSE got increased from 2861 in year 1992-93 to 5911 in 2015-16. It is shown in the table that the market capitalisation of BSE got increased from Rs. 188146 crores in the year 1992-93 to Rs. 9475328 crores in the year 2015-16. The number of listed companies in NSE increased from 135 in year 1994-95 to 1808 in year 2015-16 and the market capitalisation of NSE got increased from Rs. 363350 crores in the year 1994-95 to Rs. 9310471 crore in the year 2015-16. The highest market capitalisation of both the stock exchanges were found in the year 2014-15 with Rs. 10149290 crore and Rs. 9930122 crore for BSE and NSE respectively. The market capitalisation kept fluctuating during the study the period and it increased tremendously in the 2003-04, with the highest increase of 109.92 per cent over the previous year for BSE and reached Rs. 1201207 crores whereas for NSE, it increased to Rs. 11209976 crore with an increase of 108.69 per cent over the previous year.

The CAGR of number of listed Companies for BSE and NSE was found to be 3 per cent and 13 per cent respectively which shows that growth rate of number of listed companies for NSE is much higher than BSE. The CAGR of market capitalisation for BSE and NSE is 17.73 per cent and 15.88 per cent respectively, showing a good growth of market capitalisation for both the exchanges. The growth rate of BSE in terms of market capitalisation was found to be higher than NSE. Even though the value of market capitalisation of BSE was high, NSE is growing at a higher rate than BSE over the study period.

The above figures of number of companies listed and market capitalisation of BSE and NSE is presented in the charts below:

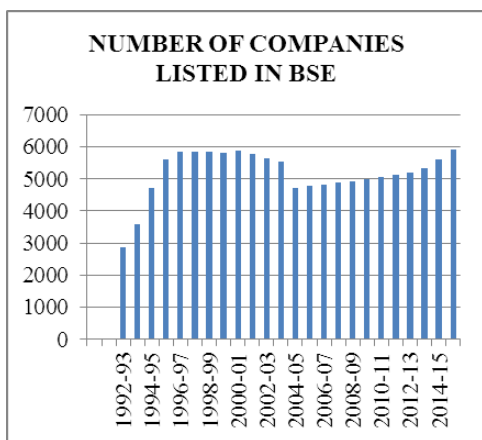
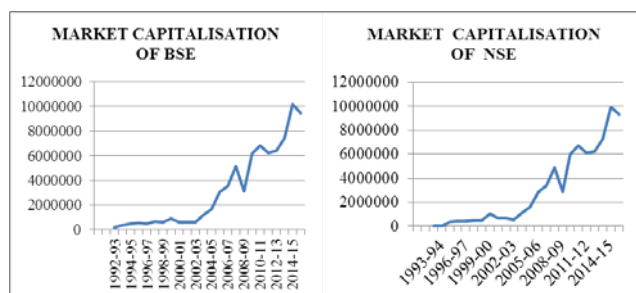


Fig 1



Fig 2



Source: Compiled from the data in Table 2

Fig 3

Fig 4

It has been observed that the figures and pattern of market capitalisation of both the exchanges (BSE and NSE) is almost similar. The reason behind is that the market capitalisation of BSE and NSE is calculated on the basis of the BSE and NSE benchmark indices, where the BSE SENSEX constitutes the 30 major companies and Nifty constitutes the 50 major companies. The similarity in the figures and pattern of the market capitalisation of the both exchanges may be contributed to the minute difference in the number of companies which are taken into account while calculating the market capitalisation of the exchanges.

**Quantity of Shares Traded in Indian Stock Market**

The data related to number of shares traded in an exchange will reveal its status and it is also placed among growth variables. BSE and NSE are playing as major exchanges in India. The percentage of shares traded in these exchanges on total number of shares traded in all recognised exchanges will explain the importance of these exchanges. Table 3 gives the picture discussed above for the study period of 15 years from 2001-02 to 2015-16.

Table 3: Quantity of Shares Traded (Fig. in lakhs)

Year	BSE	Market Share	Nse	Market Share	Rest of Exchanges	Market Share	Total
2001-02	182196	36.1	278409	55.2	43544	8.7	504149
2002-03	221403	36.3	364066	59.8	23475	3.9	608944
2003-04	388748	34.8	713301	64	13758	1.2	1115807
2004-05	477174	37.6	787996	62	5365	0.4	1270535



2005-06	664467	44.8	818438	55	3042	0.2	1485947
2006-07	560780	39.7	850515	60.2	650	0.04	1411945
2007-08	986005	39.9	1481229	60	372	0.01	2467606
2008-09	739600	34.2	1418928	65.7	258	0.01	2158786
2009-10	1136513	33.9	2205878	65.9	556	0.01	3342947
2010-11	990776	35.3	1810910	64.6	778	0.02	2802464
2011-12	654137	28.9	1605205	71	1681	0.07	2261023
2012-13	567220	25.4	1659160	74.4	1796	0.08	2228176
2013-14	479951	23.8	1533716	76.1	1992	0.1	2015659
2014-15	856755	26.6	2361779	73.4	0	0	3218534
2015-16	762545	25.7	2201771	74.3	0	0	2964316
CAGR	10.01		14.78				12.53

Source: SEBI Handbook of Statistics

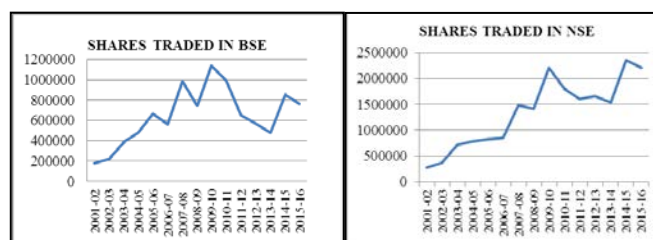
It is observed that quantity of shares traded increased from 504149 lakh during the year 2001-02 to 2964316 lakh shares in the year 2015-16. BSE traded 182196 lakh shares in the year 2001-02 which increased to 762545 lakh shares in the final year of study. For NSE, the number of shares traded was 278409 lakh shares in the year 2001-02 which increased to 2201771 lakh shares in the last year 2015-16. The quantity of shares traded in the rest of exchanges was very less. BSE traded the most number of shares in the year 2005-06 with a percentage of 44.8 per cent of the total quantity traded in the stock market in India where as the NSE traded a highest percentage of shares in the year 2013-14 with 76.1 per cent of total shares traded in the market. It is observed that throughout the period of 15 years, NSE had higher market share than BSE in terms of number of shares traded and leading the market operations in India.

The CAGR of total quantity of shares traded in Indian stock market is 12.53 per cent, for BSE it is 10.01 per cent, where as that of NSE is 14.78 per cent which is larger than BSE showing a considerable growth over the study period. NSE has grown well than BSE in terms of quantity of shares traded.

It was seen that in initial years BSE contributed more or less 40 per cent of the trading activities in India in terms of number of shares traded and NSE contributed around 60 per cent of the trading activities. But over the period of study,

contribution of NSE in trading activities in terms of number of shares traded was increasing and it has been becoming market leader with three fourth shares of total number of shares traded in the exchange and one fourth of the shares were traded by BSE. In other words BSE was losing business to NSE. The compounded annual growth rate revealed the results clearly.

The above figures of the Shares traded in BSE and NSE is given in the charts below:



Source: Compiled from the data in Table 3

Fig 5

Fig 6

**Value of Shares Traded in Indian Stock Market**

Table 4 gives the value of shares traded in BSE and NSE, with their respective share on total value traded for the period of 15 years from 2001-02 to 2015-16.

**Table 4:** Value of Shares Traded (Rs. in crore)

Year	BSE	Market Share	NSE	Market Share	Rest of Exchanges	Market Share	Total
2001-02	59980	44	71765	52.7	4480	3.3	136225
2002-03	50308	36.2	87956	63.3	733	0.5	138997
2003-04	129312	36.9	220341	63	344	0.1	349997
2004-05	140056	33.6	276120	66.1	1326	0.3	417502
2005-06	271227	39.8	407976	60	1822	0.2	681025
2006-07	297660	35.3	543048	64.6	635	0.1	841343
2007-08	476196	32.9	970618	67.07	406	0.03	1447220
2008-09	230332	27.3	610498	72.6	372	0.04	841202
2009-10	311364	25.3	916460	74.6	788	0.06	1228612
2010-11	302126	23.5	978015	76.3	1300	0.1	1281441
2011-12	181560	18.7	784407	81	3119	0.3	969086
2012-13	168487	17.4	796784	82.3	2878	0.3	968149
2013-14	180243	17.9	822446	81.9	286	0.06	1003227
2014-15	299836	11	2422737	89	0	0	2722573
2015-16	246883	16.4	1252658	83.6	0	0	1499541
CAGR	9.8		21				17.34

Source: SEBI Handbook of Statistics.

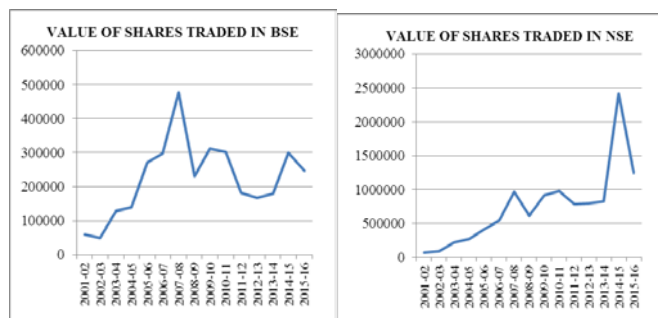
It is observed that the total value of shares traded got increased from Rs. 136225 crore in the year 2001-02 to Rs.

1499541 crore in the year 2015-16. BSE traded the shares of value Rs. 59980 crore in the year 2001-02 which increased to

Rs. 246883 crore in the year 2015-16. For NSE the value of shares of Rs. 71765 crore in the year 2001-02 got increased to Rs. 1252658 crore in the year 2015-16.

The CAGR of value of shares traded in Indian market was 17.34 per cent, for BSE it was found to be 9.8 per cent and for NSE it was 21 per cent, which is far higher than BSE. It showed that growth rate in terms of value of shares traded was found high for NSE than BSE. The results of the table 4 indicates that the percentage contribution of value of shares traded in BSE was one third in the first six years of the study period except for the very first year. This contribution was gradually decreasing and its contribution on total value of shares traded in stock exchanges went down to 16.52 per cent in 2013-14. This was conquered by NSE. Contribution of NSE in total value of shares traded in Indian stock exchange was two third in beginning years of the study period and it was gradually increasing and went up to 83.6 per cent of the total values of the shares traded in all the exchanges in India. Rest of the exchanges were trading only negligible value of shares over the study period. Their contribution all together did not reach even a half per cent in any years of the study period.

The figures of value of Shares traded for BSE and NSE is presented in the charts below:



Source: Compiled from the data in Table 4

Fig 7

Fig 8

**Conclusion**

Stock market plays a key role in the financial system of an economy. Indian stock market is open market inviting the investors all over the world. The growth, composition and trend of Indian stock market were studied. The study is carried out for the period of 24 years spanning from 1992-93 to 2014-15. The quantity and volume of shares were studied for the period of 15 latest years from 2001-02 to 2015-16. The study inferred that the Indian stock market is growing at a considerable rate. Except for the early years of the 1990’s and the year 2008-09, the market has shown a good growth throughout the study period. The market reached its peak level in the year 2014-15. BSE and NSE hold almost all the market activities between the two exchanges. NSE recorded tremendous growth during the post liberalisation era. On account of the introduction of demat accounts and resultant online trading, the physical trading platforms of the other exchanges almost shut their doors due to the presence of two major exchanges.

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