Capital market reforms in India

भारतीय पूंजी बाजार में सुधार

A well developed financial system is the backbone of any developed as well as fast developing economies. Capital market provide the financial backbone for business entities.

Indian capital market has undergone tremendous changes after the commencement of securities and exchange board of India SEBI in 1992

Dematerialisation of shares:

Dematerialisation of shares has been introduced and all the shares traded on the secondary stock markets as well as those issued to the public in the primary markets.

The advantage of demat trade is that it involves paperless trading.

Screen based trading:

The Indian stock exchanges modernized in 90s with computerised screen based trading system, it cuts down time, cost, risk of errors and frauds and thereby leads to improved operational efficiency. The trading system also provides complete online market information through various enquiry facilities.

Establishment of 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.

Establishment of 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.

Increasing of merchant banking activities:

Many Indian and foreign commercial banks have set up their merchant banking division in the last few years. These divisions provide financial services such as underwriting facilities, issue organising, consultancy services, etc.It as good as a helping hand to factors related to the capital market.

Rising electronic transactions:

Due to technological development in the last few years. The physical transaction with more paperwork is reduced.Now paperless transactions are increasing at a rapid rate. It saves money time and energy of investors.

Growing mutual fund industry:

The growing of mutual funds in India has certainly helped the capital market to grow.

Public sector banks, foreign banks, financial institutions and joint mutual funds between the Indian and foreign firms have launched many new funds.It has given a wide choice for common investors to enter the capital market.

Investor's protection:
under the purview of the SEBI the central government of India has set up the Investors Education and Protection Fund(IEPF) in 2001. It works in educating and guiding investors. It tries to protect the interest of the small investors from frauds and malpractices in the capital market.

Growth of derivative transactions:
since June 2010 the NSE has introduced the derivatives trading in the equities.In November 2001 it also introduced the future and options transactions. These innovative products have given variety for the investment leading to the expansion of the capital market.

Insurance sector reforms:
Indian insurance sector has also witnessed massive reforms in the last few years. Insurance regulatory and development authority (IRDA) was set up in 2000. It paved the entry of the private insurance firms in India. As main insurance companies invest their money in the capital market it has expanded.

Commodity trading:
Along with the trading of ordinary securities, trading in commodities is also recently encouraged. The Multi Commodity Exchange(MCX) is set up. The volume of transactions is growing at a splendid rate.

Establishment of credit rating agencies:
Three credit rating agencies viz.The Credit Rating Information Services of India Limited (CRISIL), the investment information and credit rating agency of India limited (ICRA) credit analysis and research limited (CARE)was set up in order to assess the financial health of different financial institutions and agencies related to the stock market activities.