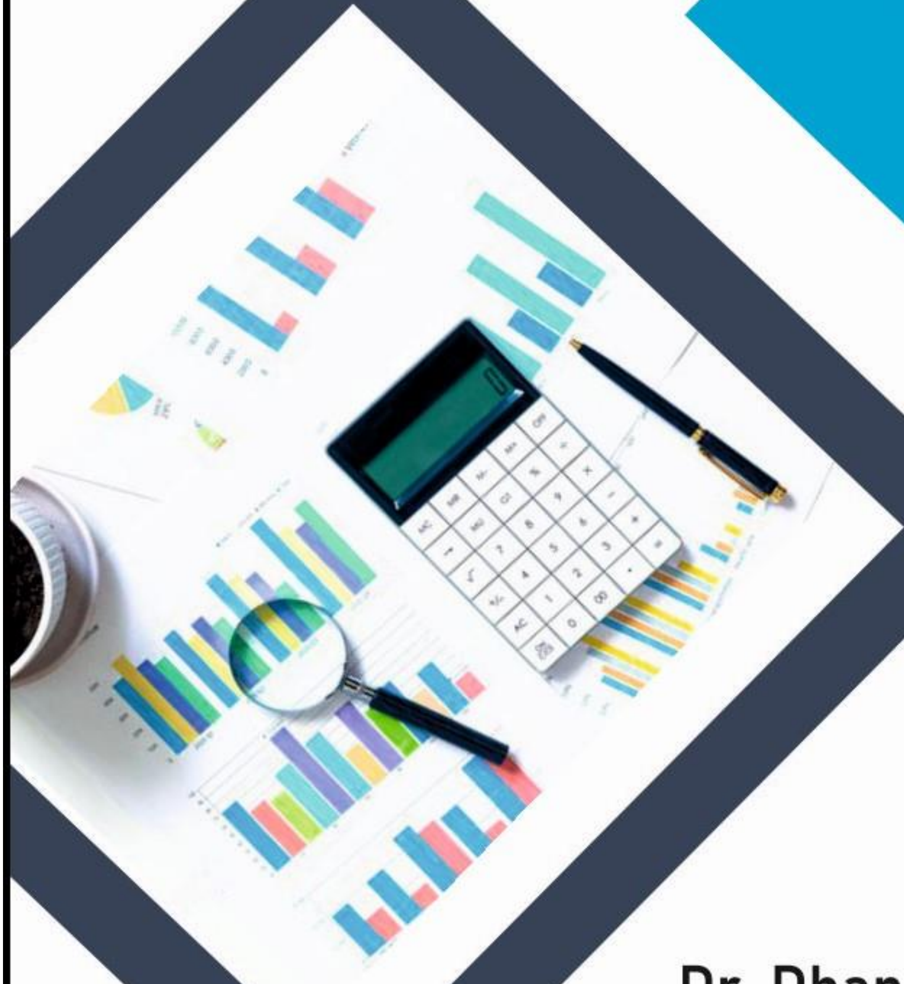
INDIA'S FINANCIAL MARKETS : RECENT TRENDS



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CONTENT

ISBN: 978-93-90847-81-5

1. Inclusive Growth in Micro Finance in India

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Abstract:

Microfinance has come as a breakthrough in the philosophy and practices of poverty eradication, economic empowerment and inclusive growth. Yet given the enormity of economic compulsions and complexities in developing countries, microfinance is an unfinished agenda. Over the last several years, the Indian microfinance industry has undergone considerable evolution. The poor need a diverse range of financial instruments to be able to build assets, stabilize consumption and protect themselves against risks.

It is achieved through investing money received through micro finance with or without the help of NGOs in business depending upon their capacity and capability. Micro finance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. Microfinance the great white hope for inclusive growth shows in some senses the India problems in action. It started as a non-profit mini loans designed to help the very poor to buy means of alleviating the poverty.

Keywords: *Microfinance, Economy, NGOs, Inclusive Growth and Self Help Groups.*

1.1 Introduction:

Achieving balanced and inclusive economic growth is a key challenge faced by policymakers in countries around the world. The gains of economic growth are accessible to a greater extent by the relatively advantaged, who find it easier to participate in the growth process.

Poorer people, who are separated by distance from the urban areas where economic activity is concentrated, have to wait much longer to reap the benefits of economic growth. Engaging these sections of society in the economic mainstream is essential to achieve balanced growth, which is critical for the long-term sustainability of social development and economic prosperity.

Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers. a range of services which include, in addition to the provision of credit, money transfers, counseling and enables women's empowerment by routing credit directly to women, thereby enhancing their status within their families, the community and society at large.

Microfinance sector has transverse a long journey from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance micro remittance and micro pension. This gradual and evolutionary growth process has given great opportunity to the rural poor in India to attain reasonable economic, social and cultural empowerment, leading to better standard of living and sustainable growth. Microfinance has demonstrated the potential of building the social capital of the poorest communities.

Micro credit is a component of microfinance and is the extension of small loans to entrepreneurs, who are too poor to qualify for traditional bank loans. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families. Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include in addition to the provision of credit many other services such as Savings, Insurance, Money Transfers., and Counseling. Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services.

1.1.1 Classification of Players in Micro Finance Industry:

Model	Outstanding Portfolio
Self Help Group (SHG) linkage Model	58%
Non-Banking Finance companies (NBFC)	34%
Trusts, Societies	

The SHG-Bank Linkage Model was pioneered by NABARD in 1992. Under this model, women in a village are encouraged to form a Self-help Group (SHG) and members. Of the Group regularly contribute small savings to the Group.

These savings which form an ever growing nucleus are lent by the group to members, and are later supplemented by loans provided by banks for income-generating activities and other purposes for sustainable livelihood promotion. The Group has weekly/monthly meetings at which new savings come in, and recoveries are made from members towards their loans from the SHGs, their federations, and banks. Under the NBFC model, NBFCs encourage villagers to form Joint Liability Groups (JLG) and give loans to the individual members of the JLG. The individual loans are jointly and severally guaranteed by the other members of the Group. Many of the NBFCs operating this model started off as non-profit entities providing micro-credit and other services to the poor. However, as they found themselves unable to raise adequate resources for a rapid growth of the activity, they converted themselves into for-profit NBFCs. Others entered the field directly as for-profit NBFCs seeing this as a viable business proposition. Significant amounts of private equity funds have consequently been attracted to this sector. Self Help Groups (SHG"s) are major sources of finance these SHGs are refinanced by banks or institutions like NABARD, SIDBI etc. but these days SHGs are also financing micro activities of the economy as they are transforming themselves into Microfinance Organizations (MFOs).

1.1.2 Different Modes of Services Provided by MFIs:

Microfinance sector has covered a long journey from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance, micro pension and micro livelihood.

Micro-savings: These are deposit services that allow one to save small amounts of money for future use. Often without minimum balance requirements, these savings accounts allow households to save in order to meet unexpected expenses and plan for future expenses.

Micro credit: Micro credit is the extension of microloans to the unemployed, to poor entrepreneurs and to others living in poverty that is not considered bankable. Micro credit can be offered, often without collateral, to an individual or through group lending.

Micro-insurance: It is a system by which people, businesses and other organizations make a payment to share risk. Micro insurance products are mainly targeted at low income groups in the unorganized sector-farmers and craftsmen.

The amount of premium in these schemes ranges between Rs.200 to Rs.500. The finance ministry recently considered two schemes- Aam Admi Bima yojna‘ to extend death and disability insurance and Rashtriya Swasthya Bima Yojna‘, a health insurance scheme for below poverty line families.

Remittances: These are transfer of funds from people in one place to people in another, usually across borders to family and friends. Compared with other sources of capital that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

1.1.3 Participants in the Micro Finance System:

Asmitha: Provides rural poor women access to financial resources in the form of collateral free small loans for income generation and livelihood promotion. This enables them to set-off small startup business as a result low-income women become economic agents intrinsic to development rather than simply homemakers

Bandhan: Bandhan was set up to address the dual objective of poverty alleviation and women empowerment. The microfinance activities are carried on by Bandhan Financial Services Pvt. Ltd. (BFSPL), incorporated under the Companies Act, 1956 and also registered as a Non-Banking Financial Company (NBFC) with the Reserve Bank of India (RBI).

Cashpor India: The mission is to identify and motivate poor women in the rural areas and to deliver financial services to them.

Grameen Foundation: Works in 6 key areas: Connecting microfinance institutions with capital markets, strengthening organizations by building people practices, Harnessing the power of technology, Helping track people‘s movement out of poverty, Sharing knowledge widely for broader impact and Social Business.

Hand in Hand: is a development organization whose objective is to eliminate poverty by creating enterprises and jobs. Focusing on help to self-help, we take a holistic approach that combines microfinance and support for women to start enterprises with work in four other areas that matter most to poor communities: education and child labour elimination, health and sanitation, a sustainable local environment and information technology access.

With currently more than 450,000 members in Tamil Nadu, Karnataka and Madhya Pradesh, who have collectively started more than 250,000 micro-enterprises, our goal is to create 1.3 million jobs by 2013. Supported by international offices in the UK and Sweden, we are now taking our model to South Africa, Afghanistan and Latin America.

Micro Credit India: Today MFI works primarily with women. Through its field staff, MFI helps them form Self Help Groups (SHGs), trains them in good financial practice, facilitates access to micro credit loans, equips them with business skills and facilitates access to new markets for their products.

MYRADA: MYRADA is a Non-Governmental Organization managing rural development programmes in 3 States of South India and providing on-going support including deputations of staff to programmes in 6 other States. It also promotes the Self Help Affinity strategy in Cambodia, Myanmar and Bangladesh.

New Life: New Life designs projects based on survey of the socio, economic problems of the project area and support the poor, abused and abandoned children and women by executing the projects with defined goals/objectives.

The current projects of New Life includes orphanages for children of incarcerated parents, Save children from Child Labor, Ensuring primary education for the rural children in India, Early learning centers for children of vulnerable community groups, Read to Lead Project, Taking care of the medical needs of Physically handicapped and Mentally retarded children.

Saadhana: Saadhana is a non- profit organization established in the year 2001 to reach out to the urban and rural poor women with the specific mandate to catalyze the ‗Endeavor of the Poor for Self-Sufficiency.

Samrudhi: Samrudhi's mission is to empower the poor and underprivileged to become economically self-reliant by providing cost effective and need based financial services in a financially sustainable manner.

SKS India: Launched in 1998, SKS Microfinance is one of the fastest growing microfinance organizations in the world. SKS also offers interest-free loans for emergencies as well as life insurance to its members. Its NGO wing SKS foundation runs the Ultra Poor Program. SKS currently has microfinance branches in 19 states across India. SKS aims to reach members 15 million by 2012. In the last year alone, SKS Microfinance has achieved nearly 170 % growth, with 99% on-time repayment rate.

Spandana: Spandan is one of the largest and fastest growing microfinance organizations in India, with 1.2 million active borrowers in March 2008, up from 520 borrowers in 1998-9, its first year of operation (MIX Market 2009). From its birth place in Guntur, a dynamic city in Andhra Pradesh, it has expanded in the State of Andhra Pradesh, and several others. The basic Spandana product is the canonical group loan product, first introduced by the Gramen Bank. A group is comprised of six to 10 women, and 25-45 groups form a center.

National Bank for Agricultural and Rural Development (NABARD): NABARD was established in 1982 as a Development Bank, in terms of the Preamble of the Act, ―for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto‖.

The major support provided by NABARD relates to promotion and nurturing of SHGs by SHPIs, training and capacity building of the stakeholders in the Sector right from SHGs' leaders to policy level officials of the NGOs, banks and Government, equity/ capital support and provision of soft loan assistance to MFIs. NABARD is also experimenting innovative projects for further developing the SHG–Bank linkage, particularly in different areas which are lagging behind and are prioritized for promotional efforts.

NABARD also provides refinance support to banks to the extent of 100% of the bank loans disbursed to SHGs. The total refinance disbursed to banks against banks‘ loans to SHGs during the year 2008-09 was Rs. 2620.03 crore as against Rs. 1615.50 crore during the year 2007-08 registering a growth rate of 62.2 %. Further, the cumulative refinance disbursed under SHGs bank linkage programme by NABARD to Banks upto 31 March 2009 stood at Rs.9688.09 crore.

Reserve Bank of India: The earliest reference to microfinance in a formal statement of monetary and credit policy of RBI was in former RBI President Dr. Bimal Jalan's Monetary and Credit Policy Statement of April 1999. The policy attached importance to the work of NABARD and public sector banks in the area of microfinance.

The banks were urged to make all out efforts for provision of micro credit, especially forging linkages with SHGs, either at their own initiative or by enlisting support of Non-Government Organisation (NGOs).

The micro credit extended by the banks is reckoned as part of their priority sector lending, and they are free to device appropriation loan and saving products in this regard (Y.V. Reddy, 2005). Considerable work had been done by RBI in this sector since 1991. In 1991-92 a pilot project for linking up SHGs with banks was launched by NABARD in consultation with the RBI. In 1994, the RBI constituted a working group on SHGs.

Self Help Groups: The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus SHG was started and formed in 1975. SHG are considered a new lease of life for the women in villages for their social and economic empowerment. SHG is a suitable means for the empowerment of women. Since SHGs have been able to mobilize savings from persons or groups who were not normally expected to have any saving and also to recycle effectively the pooled resources amongst the members, their activities have attracted attention as a supportive mechanism for meeting the credit needs of the poor.

As on 31 March 2009, there are more than 61 lakh saving-linked SHGs and more than 42 lakh credit-linked SHGs and thus, about 8.6 crore poor households are covered under the programme. As on 31 March 2009, total 61,21,147 SHGs were having saving bank accounts with the banking sector with outstanding savings of Rs. 5,545.62 crore as against 50,09,794 SHGs having savings of Rs. 3785.39 crore as on 31 March 2008, thereby having growth rate of 22.2% and 46.5% respectively.

As on 31 March 2009, the Commercial Banks had the maximum share of SHGs‘ savings of 35,49,509 SHGs (58%) with savings amount of Rs. 2772.99 crore (50%) followed by Regional Rural Banks having savings bank accounts of 16,28,588 SHGs (26.6%) with savings amount of Rs. 1989.75 crore (35.9%) and Cooperative Banks having savings bank accounts of 9,43,050 SHGs (15.4%) with savings amount of Rs. 782.88 crore (14.1%).

1.2 Other Micro Finance Institutions (MFIs):

A range of institutions in public sector as well as private sector offers the micro finance services in India. Based on asset sizes, MFIs can be divided into three categories:

a. 5-6 institutions which have attracted commercial capital and scaled up dramatically when last five years. The MFIs which include SKS, SHARE and Grameen Style program but after 2000, converted into for-profit, regulated entities mostly Non-Banking Finance Companies (NBFCs).
b. Around 10-15 institutions with high growth rate, including both News and recently form for-profit MFIs. Some of MFIs are Grameen Koota, Bandhan and ESAF.

c. The bulk of India's 1000 MFIs are NGOs struggling to achieve significant growth. Most continues to offer multiple developmental activities.

d. The Non-Government Organizations (NGO's) involved in promoting SHGs and linking them with the Formal Financial Agencies (FFAs) perform the following functions:

- Organizing the poor people into groups
- Training and helping them in the organizational, managerial and financial matters
- Helping them access more credit and linkage with formal financial agencies
- Channelizing the group effort for various development activities
- Helping them in availing opportunities, widening the options available for economic development.

1.3 The Profile of Microfinance in India

- Estimated that 350 million people live Below Poverty Line
- This translates to approximately 75 million households.
- Annual credit demand by the poor in the country is estimated to be about Rs. 80,000 crores.
- Cumulative disbursements under all microfinance programmes is only about Rs. 8000 crores. (January 2011)
- Total outstanding of all microfinance initiatives in India estimated to be Rs. 4600 crores. (January 2011)
- Only about 5 % of rural poor have access to microfinance.
- Though a cumulative of about 20 million families have accessed microfinance to the extent of Rs. 8000 crores, the total outstanding is estimated to be only about Rs. 4600 crores. The active borrowers are estimated to have a per capita outstanding of only Rs. 2500.
- While 10 % lending to weaker sections is required for commercial banks, they neither have the network for lending and supervision on a large scale nor the confidence to offer term loans to big MFIs.
- The non-poor comprise of 29 % of the outreach.

1.4 The Status of Microfinance in India:

- Considerable gap between demand and supply for all financial services
- Majority of poor are excluded from financial services. This is due to, inter-alia, the following reasons
    - Bankers feel that it is fraught with risks and uncertainties.
    - High transaction costs
    - Unfavourable policies like caps on interest rates which effectively limits the viability of serving the poor.
- While MFIs have shown that serving the poor is not an unviable proposition there are issues that have constrained MFIs while scaling up. These include

    - Lack of an appropriate legal vehicle
    - Limited access to equity
    - Difficulty in accessing low cost on-lending funds (as of now they are unable to offer savings services in a legitimate manner.
        - Limited access to Capacity Building support which is an important variable in terms of quality of the portfolio, MIS, and the sustainability of operations.
        - About 56 % of the poor still borrow from informal sources.
        - 70 % of the rural poor do not have a deposit account
        - 87 % have no access to credit from formal sources.
        - Less than 15 % of the households have any kind of insurance.
        - Negligible numbers have access to health insurance (0.4 %) and crop insurance (0.2 %).

1.5 Features of Indian MF:

- About 60 % of the MFIs are registered as societies.
- About 20 % are Trusts
- About 65 % of the MFIs follow the operating model of SHGs.
- Large concentration in South India
- 600 MFI initiatives have a cumulative outreach of 1.25 crore poor households

- NABARD's bank linkage program has cumulatively reached a total of 9.4 lakh SHGs with about 1.4 crore households.

1.5.1 Projections for the Future:

- Annual growth rate of about 20 % during the next five years.
- 75 % of the total poor households of 80 million (i.e. about 60 million will be reached in the next five years.
- The loan outstanding will consequently grow from the present level of about 4600 crores to about 95000 crores.

1.6 Evolution of Microfinance in India:

- Microfinance has been in practice for ages (though informally).
- Legal framework for establishing the co-operative movement set up in 1904.
- Reserve Bank of India Act, 1934 provided for the establishment of the Agricultural Credit Department.
- Nationalization of banks in 1969
- Regional Rural Banks created in 1975.
- NABARD established as an apex agency for rural finance in 1982.
- Passing of Mutually Aided Co-op. Act in AP in 1995.

With a population of over 1 billion and estimates of the number of poor people ranging from 300 to 400 million, India is one of the largest markets for micro financial services. It is estimated that a large part of the demand for credit in this stratum is currently met by informal sources. The twentieth century saw large-scale efforts to improve the quality of life in rural India. Different approaches were adopted by government agencies and nongovernment organisations (NGOs) to improve the condition of the rural population. These included land redistribution, building economic and political awareness, technology transfer and delivery of a variety of services. Credit in the rural sector was largely supplied by co-operative societies till the mid-1960s with the 'commercial banks' rural operations centered on agri-businesses and marketing. One of the objectives of bank nationalizations in 1969 and 1980 was to increase the flow of rural credit.

However, merely expanding physical presence in rural areas did not achieve the desired results, given the need to overlay mainstream financial service delivery models with the social mobilization skills that were essential to meet developmental objectives.

1.7 Challenges Ahead:

- Appropriate legal structures for the structured growth of MF operations
- Finding adequate levels of equity for the new entities to leverage loan funds
- Ability to access loan funds at reasonably low rates of interest.
- Ability to attract and retain professional and committed human resources.
- Design of apt MIS including user friendly software for tracking accounts and operations.
- Appropriate loan products for different segments.
- Ability to innovate, adapt and grow.
- Bring out a compendium of small and micro enterprises for the MF clients.
- Identify and prepare a panel of locally available trainers.
- Ability to train trainers.
- Capacity to provide backward linkages or create support structures for marketing.

1.8 Conclusion and Suggestions:

The Indian economy at present is at a crucial juncture, on one hand, the optimists are talking of India being among the top 5 economies of the world by 2050 and on the other is the presence of 260 million poor forming 26 % of the total population. The enormity of the task can be gauged from the above numbers and if India is to stand among the comity of developed nations, there is no denying the fact that poverty alleviation and reduction of income inequalities has to be the top most priority. India’s achievement of the MDG of halving the population of poor by 2015 as well as achieving a broad based economic growth also hinges on a successful poverty alleviation strategy.

The micro-finance sector in India is at the threshold of massive expansion. However, the sector faces a large number of major issues which need to be addressed so that a congenial environment is created for the continued growth of the sector.

There is a need to strength all the existing mechanisms of micro credit delivery such as the SHG-Bank Linkage programme, the PACs, the MFIs and also bringing in new agencies such as the post-offices to the micro-finance sector. However, the SHG- Bank Linkage programme is a potent initiative for delivering financial services to the poor in a sustainable manner. Presence of large number of SHGs in the State highlights the need for creation of right awareness about conceptual and operational aspects of microfinance approach among banks, NGOs, government officials and others concerned. Massive geographical spread of SHG movement (without dilution in quality aspects) needs commensurate capacity building of all the partners. Capacity building of SHGs at regular intervals ensures their quality and sustainability. The capacity building intervention would focus on training and capacity building of field level functionaries of government departments, banks, NGOs as well as members or leaders of SHGs.

Any strategy for up scaling the SHG movement in the State requires consensus and whole-hearted support from all partner agencies as to the modalities of implementation. Experience of other states which made rapid progress in this field proved that state governments' commitment holds the key to success. Being the major SHG promoting agency, the State Government may bring about uniformity in operational guidelines for all the line departments in formation and nurturing of the groups, encompassing the best practices in SHGs.

Besides this, Rural Development Department at the State level and Zilla Panchayat at the District level may be suitability advised to act as nodal department for collection and dissemination of data relating to SHGs. Grading of the existing SHGs may be undertaken in a time-bound manner and details of good working SHGs may be furnished to the concerned bank branches.

This will facilitate the banks to extend credit to SHGs without any difficulties. For achieving the goal of inclusive growth in the state, it is necessary to adopt a more aggressive linkage plan, through better synergy of interventions and involvement of various partner agencies. The SHGs are mainly being formed by various government agencies such as Zilla Panchayats, Women and Child Welfare Department, Rajiv Gandhi Mission for Watershed Development and Literacy, etc. under various programmes, notable among them being the

Swarnajayanti Grameen Swarojgar Yojna. With a view to ensuring the right direction and appropriate momentum to the linkage programme, it is imperative to have an effective monitoring and evaluation mechanism at all levels. NABARD has been issuing guidelines from time to time in this direction.

Banks are expected to lend at least 10 percent of their net bank credit to weaker sections of the society. The list of the beneficiaries under this group largely refers to the poor and excluded section. Banks need to understand the market and develop products suited to the clients. They need to develop data sets to evolve risk assessment models for proper rating and pricing. Financial inclusion has to be viewed as a business strategy for growth and banks need to position themselves accordingly. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low-income group treating it both a business opportunity as well as corporate social responsibility.

It is observed that the real benefit does not percolate to the needy people because of lack of proper planning and identification of problem. So it is suggested that problematic areas and problems of the people should be identified and accordingly, development programme should be initiated. Awareness and action plan of the programme should be communicated to the people, so that they can take interest in its implementation. Otherwise lack of motivation and information about the programme make the scheme partial failure and finally leads to wastage of time and money. So before starting any programme, people should be fully informed, motivated and prepared for it. Further, improvements in rural connectivity, through roads, power, and telecom, can ensure greater penetration by the financial system into remote areas and provide safe and efficient financial services to large segments of the financially excluded and in the areas where banking services are not easily available, there is need to explore other alternative avenues.

In this backdrop, the impressive gains made by SHG-Bank linkage programme in coverage of rural population with financial services offers a ray of hope. The paper argues for mainstreaming of impact assessment and incorporation of local factors in service delivery to maximize impact of SHG –Bank linkage programme on achievement of MDGs and not letting go this opportunity.

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2. The Impact of Covid-19 on Indian Financial System

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Abstract:

The covid-19 created economic disaster almost in all countries. It created un-employment to the millions all around the world. Due to low income in pandemic days, low employment opportunities the financial institutions of the country affected a lot. The banking economic costs have increased a lot due to insufficient banking customers in the pandemic days. Now it is the time to come up with the new economic strategic plan to safeguard the banking customers in the pandemic days. Even it affected a lot to the banking employees not having feasibility to come to the banks and to perform their regular duties. In fact, the bankers plays a crucial role for the accelerating the economy in all directions which creates huge employment opportunities. In fact, RBI Repo rate deciding also depends the growth of banking system and the amount which they are granting to the public in the forms of various loans. Therefore, there is a need to study the impact of COVID-19 on Indian financial sector and steps to be taken to bridge the gap between and to accelerate the financial system of the country.

2.1 Introduction:

The thousands of the people died due to the pandemic of corona virus. The most migrated people from one place to another place for employment opportunities lost their jobs in the pandemic days. Every day there are thousands of the cases are coming into the picture but there is no specific vaccine in pandemic days [1]. Many countries are deeply involved in

R&D work to introduce vaccine and remedial measures for the influenza. Almost all sectors like: manufacturing, trading and service sector affected a lot due to pandemic days. Especially, the IT sector and projects impacted mostly by the contemporary issue [2].

As the Moody's Group of rating agency explained that, India can turn economic phase from negative to positive phase very soon. Due to the pandemic the economy and its progress will gradually decrease which creates huge employment opportunities [3].

It is also evident that, the rise in the essential commodities and its prices and down trend of employment opportunities and cost cutting strategies followed by low income creating lot of problems to individuals.

The government monetary and fiscal policies are essential to safeguard the Indian financial system [4]. The Reserve Bank of India, has taken strategic steps to give some sort of relief to the financial institutions, liquidity and liberalized rules and regulations and financial markets.

People huge portfolio investments in the countries like: USA and UK have impacted a lot in first wave of pandemic days [5].

2.2 Literature Review:

This has already been dubbed a "Black Swan" event for the world economy by many experts. On January 30, 2020, India reported the first instance of the disease [6]. Stress among non-bank financiers will limit their ability to lend, hampering India's already sluggish economic growth before the covid-19 epidemic [7].

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The COVID-19 situation can be viewed as a chance to make a significant cost reduction [8]. A few years ago, the Indian banking sector began its digital transformation path. While the intended goal may have been to compete with tech-savvy, new-age competitors, the COVID-19 situation could be a game changer, forcing banks to adopt digital technologies.

2.3 Data Analysis and Interpretation:

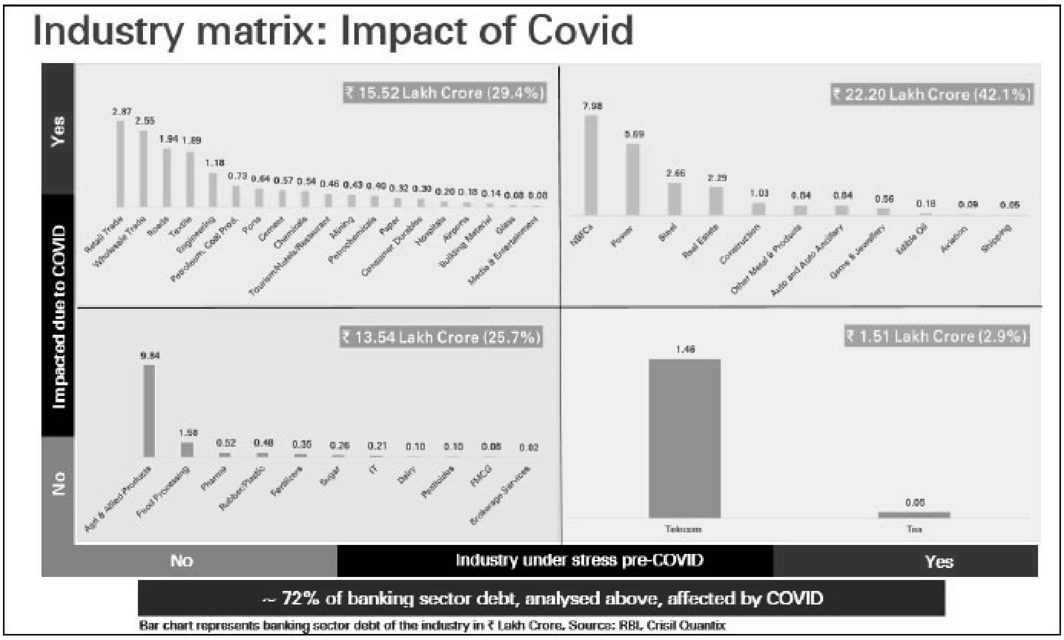
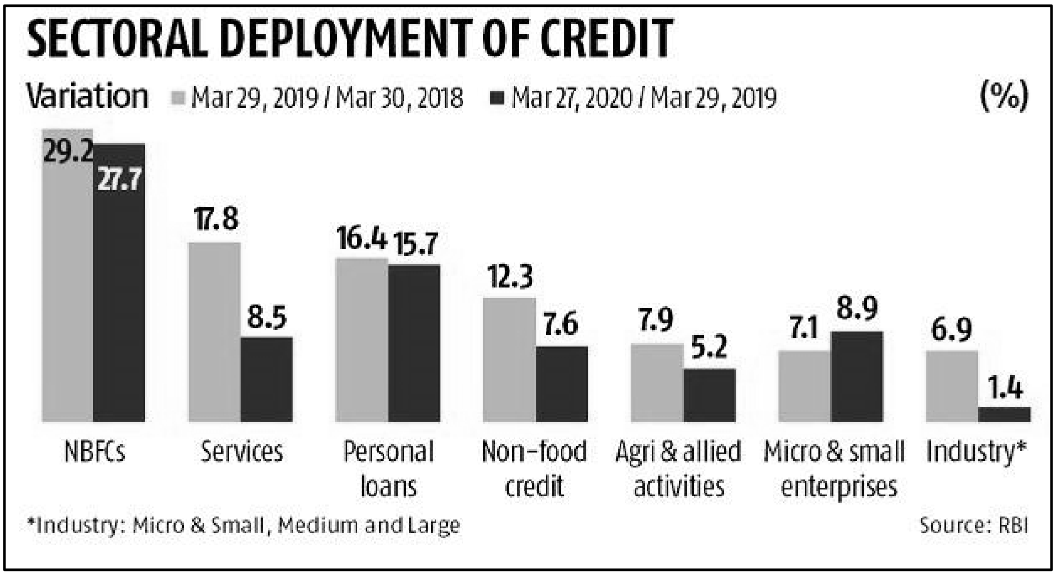


Figure 2.1: Industry Matrix: The Impact of Covid-19 on Indian Financial Sector



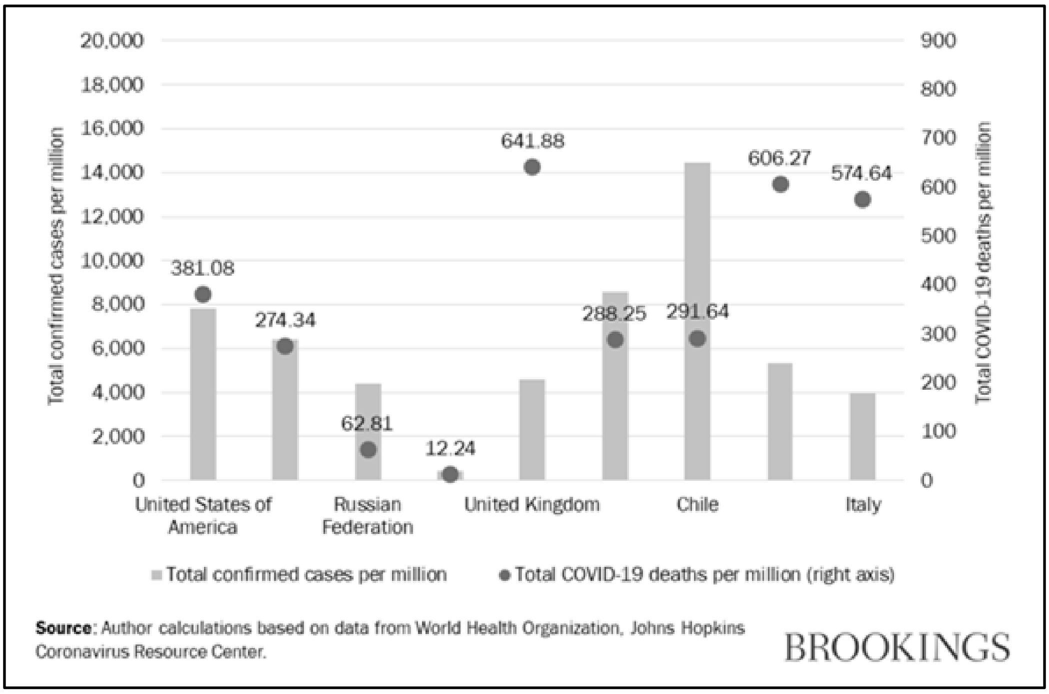
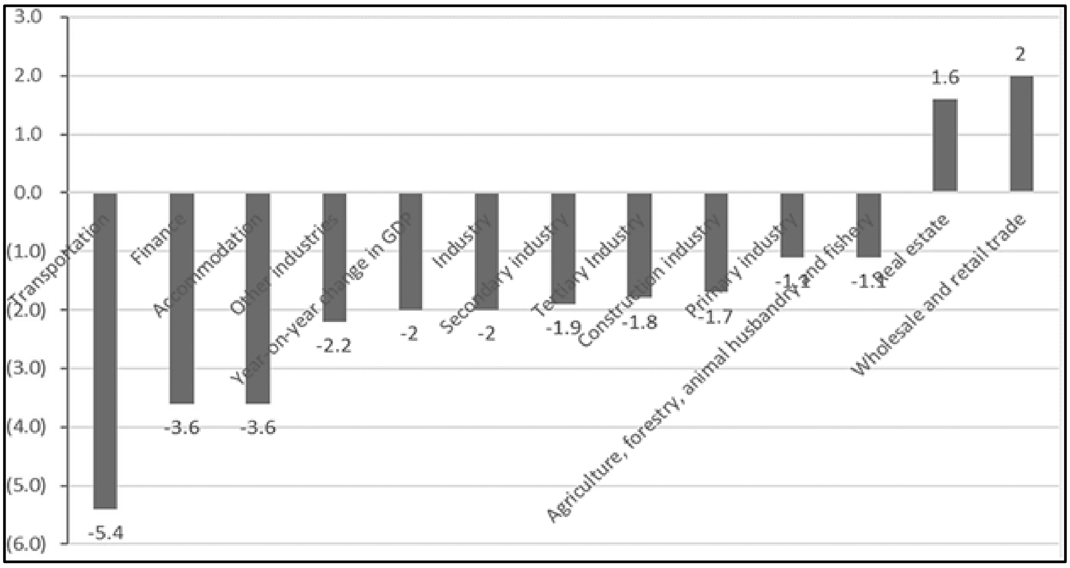
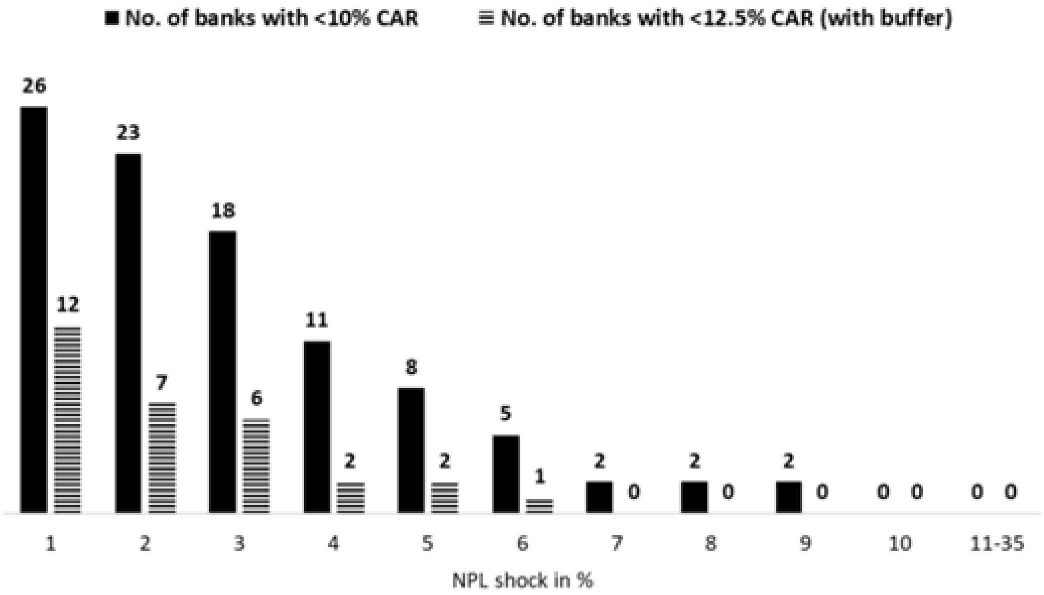


Figure 2.2: International Comparison of Total Cases and Deaths per Million as of June 30, 2020





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3. Comparative Analysis of Sectoral Indices with NSEINDEX

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Abstract:

The Indian capital Market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an Equity Guilt emerged in statutory legislations has helped the capital market. Foreign Exchange regulation act is one such legislation in this direction. An important recent development has been the Entry of Foreign Institutional investors are participants to the primary and secondary markets for the securities. In the past several years, investments in developing countries have increased remarkably. Among the developing countries India has received considerable capital inflows in recent years. The liberalization policy of the government of India has now started fielding results and the country is poised for a big leap in the industrial and economic growth. The Economy of the country is mainly based on the development of the corporate sectors. A better understanding of the stock market trend will facilitate allocation of financial sources to the most profitable investment opportunity. The behavior of stock returns will enable the investors to make appropriate investment decisions. The fluctuations of stock returns are due to several economic and non-economic factors. The study is aimed at ascertaining the behavior of share returns. This project analyses the equity share fluctuations in India Selected Industry. It also measures the strength of the trend and the money involved in investing in the stocks. Simple moving average model is applied for selected companies which would give the investor a sell signal or buy signal.

***Keywords**: NSE Indices, Nifty 50, Comparative Analysis, Returns, Risk, Correlation*

3.1 Introduction:

The Indian Capital Market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an Equity Guilt emerged in statutory legislations has helped the capital market.

Foreign Exchange regulation act is one such legislation in this direction. An important recent development has been the Entry of Foreign Institutional investors are participants to the primary and secondary markets for the securities.

In the past several years, investments in developing countries have increased remarkably. Among the developing countries India has received considerable capital inflows in recent years.

The liberalization policy of the government of India has now started fielding results and the country is poised for a big leap in the industrial and economic growth.

The Economy of the country is mainly based on the development of the corporate sectors.

3.1.1 Objectives of the Study:

- To study the analysis of price movement of shares and company performance with respect to Information Technology
- To study the various factors affecting the price movement of shares and company performance.
- To analyze the performance of select companies in IT industry
- The research report can be used by the organization to assist the investors in making investment decisions.
- In order to accomplish the primary objectives, the following secondary objectives are to be accomplished:
- To understand fundamental and technical analysis.

3.2 Research Methodology:

Type of Study:

The project will be exploratory in the initial stage and the knowledge thus gained will be used for further descriptive research.

Data: The project is done using secondary data.

Sample Size: 2 IT companies listed in the N Stock Exchange. **HCL and INFOSYS**

Sampling Design: The companies for the project shall be selected using Convenience Random Sampling.

3.2.1 Limitations:

The analysis is fully based on secondary data and hence the accuracy of data is a major concern. Only three companies are selected for analysis because of time constraints.

Analysis helps the investor in making investment decisions but not every investment is entirely dependent on the analysis alone.

Some important concepts would have been left uncovered in the project due to lack of data availability and the project has to be completed in a short span of time.

3.3 Analysis of Study:

MEAN, SD, VARIANCE INFOSYS:

Descriptive Analysis	
Mean	0.31
Standard Deviation	3.15
Sample Variance	9.95

MEAN, SD, VARIANCE:

Descriptive Analysis	
Mean	0.31
Standard Deviation	3.15
Sample Variance	9.95

MEAN, SD, VARIEANCE:

Descriptive Analysis	
Mean	0.68
Standard Deviation	2.72
Sample Variance	7.39

MEAN, SD, VARIANCE:

Descriptive Analysis	
Mean	-1.31
Standard Deviation	3.60
Sample Variance	12.96

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	1.08
Standard Deviation	2.17

Descriptive Study	
Sample Variance	4.70

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	-2.11
Standard Deviation	5.89
Sample Variance	34.67

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	-0.96
Standard Deviation	3.33
Sample Variance	11.11

MEAN, SD, VARIANCE HCL:

Descriptive Study	
Mean	1.08
Standard Deviation	2.17
Sample Variance	4.70

FUNDAMENTAL ANALYSIS FOR HCL:

Balance Sheet of HCL Technologies					
------------------- in Rs. Cr. -------------------					
	Mar '20	**Jun '19**	**Jun '18**	**Jun '17**	**Jun '16**
Sources of Funds					
Total Share Capital	282.08	281.2	140	139.37	138.66
Equity Share Capital	282.08	281.2	140	139.37	138.66
Share Application Money	0.05	0.02	7.65	5.01	2.77
Reserves	21,226.78	19,124.53	15,605.61	10,093.36	6,465.15
Net worth	21,508.91	19,405.75	15,753.26	10,237.74	6,606.58
Secured Loans	28.16	27.22	27.45	532.66	698.87
Unsecured Loans	0.03	0	29.25	82.48	0
Total Debt	28.19	27.22	56.7	615.14	698.87
Total Liabilities	21,537.10	19,432.97	15,809.96	10,852.88	7,305.45
Application of Funds					
Gross Block	5,446.61	5,297.03	4,489.56	3,764.05	3,153.74
Less: Accum. Depreciation	2,372.86	2,232.80	2,040.99	1,809.87	1,540.03
Net Block	3,073.75	3,064.23	2,448.57	1,954.18	1,613.71
Capital Work in Progress	582.12	543.95	518.5	488.19	549.55
Investments	3,973.44	4,124.96	4,116.01	4,055.70	3,297.95
Inventories	128.56	83.65	15.54	81.84	99.99
Sundry Debtors	4,084.53	3,578.28	3,224.19	2,709.21	1,992.42
Cash and Bank Balance	8,662.96	8,829.41	7,911.08	2,808.83	1,041.20
Total Current Assets	12,876.05	12,491.34	11,150.81	5,599.88	3,133.61
Loans and Advances	6,095.02	4,690.58	3,580.61	3,861.38	2,282.21
Total CA, Loans & Advances	18,971.07	17,181.92	14,731.42	9,461.26	5,415.82

Balance Sheet of HCL Technologies					
------------------ in Rs. Cr. ------------------					
	Mar '20	Jun '19	Jun '18	Jun '17	Jun '16
Current Liabilities	3,886.96	4,395.19	4,914.06	3,748.66	2,613.79
Provisions	1,176.32	1,086.90	1,090.48	1,357.79	957.79
Total CL & Provisions	5,063.28	5,482.09	6,004.54	5,106.45	3,571.58
Net Current Assets	13,907.79	11,699.83	8,726.88	4,354.81	1,844.24
Total Assets	21,537.10	19,432.97	15,809.96	10,852.88	7,305.45
Contingent Liabilities	975.34	1,222.24	3,519.61	4,186.27	3,644.36
Book Value (Rs)	152.5	138.02	224.94	146.84	95.25

Profit & Loss account of HCL Technologies					
	20-Mar	19-Jun	18-Jun	17-Jun	16-Jun
INCOME					
Revenue from Operations [Gross]	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Revenue from Operations [Net]	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Total Operating Revenues	13,433.35	17,153.44	16,497.37	12,517.82	8,907.22
Other Income	968.76	1,199.50	659.12	378.84	300.86
Total Revenue	14,402.11	18,352.94	17,156.49	12,896.66	9,208.08
EXPENSES					
Purchase of Stock-In Trade	162.66	363.76	345.37	251.66	180.51
Changes In Inventories of FG, WIP And Stock-In Trade	-46.79	-66.23	64.75	7.83	25.85
Employee Benefit Expenses	4,854.22	5,924.62	5,123.95	4,628.61	3,923.06
Depreciation and Amortization Expenses	279.15	299.92	490.7	441.91	353.07

Profit & Loss account of HCL Technologies					
	20-Mar	**19-Jun**	**18-Jun**	**17-Jun**	**16-Jun**
Other Expenses	3,339.44	4,071.69	3,652.41	3,038.99	2,267.58
Total Expenses	8,634.50	10,654.40	9,758.83	8,445.46	6,847.34
Profit/Loss Before Exceptional, Extra Ordinary Items and Tax	5,767.61	7,698.54	7,397.66	4,451.20	2,360.74
Exceptional Items	0	0	0	93.54	0
Profit/Loss Before Tax	5,767.61	7,698.54	7,397.66	4,544.74	2,360.74
Tax Expenses-Continued Operations					
Current Tax	1,240.33	1,610.45	1,555.74	924.55	416.2
Less: MAT Credit Entitlement	181.86	310.43	115.91	14.43	0
Deferred Tax	-24.54	52.57	-26.79	-70.1	-5.88
Total Tax Expenses	1,033.93	1,352.59	1,413.04	840.02	410.32
Profit/Loss After Tax and Before Extraordinary Items	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42
Profit/Loss from Continuing Operations	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42
Profit/Loss For The Period	4,733.68	6,345.95	5,984.62	3,704.72	1,950.42

Current Ratio: Ca/Cl:

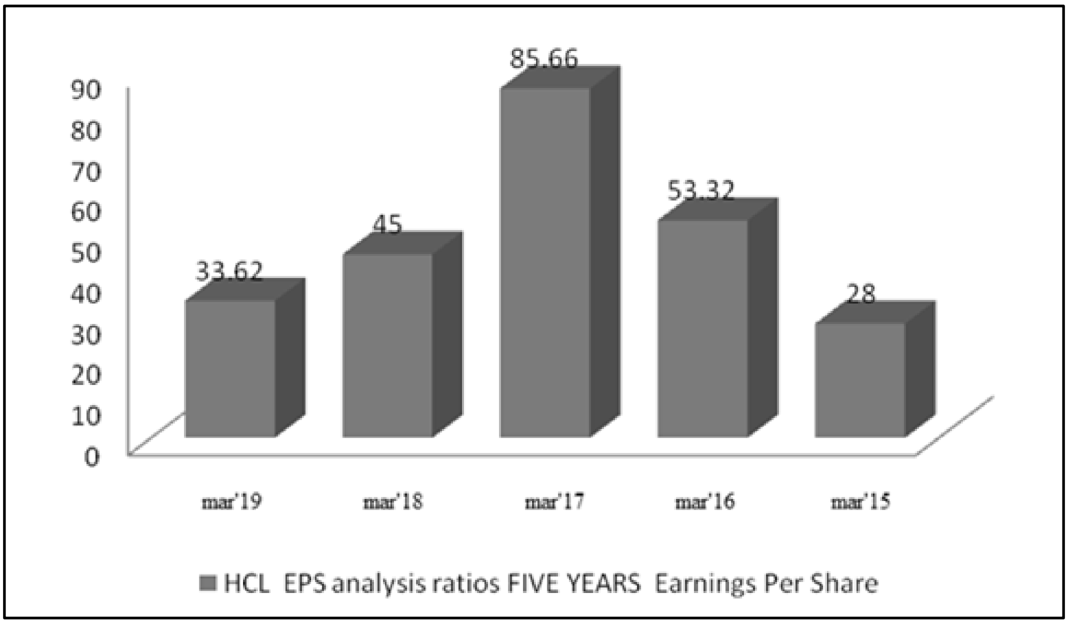
Years	**Current Assets**	**Current Liabilities**	**Ratio**
Mar '20	12,876.05	3,886.96	3.31
Mar '19	12,491.34	4,395.19	2.84
Mar '18	11,150.81	4,914.06	2.27
Mar '17	5,599.88	3,748.66	1.49
Mar '16	3,133.61	2,613.79	1.20

3.4 Interpretation:

The current ratio is used extensively in financial reporting.

However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2019 and 2018,

FHCL EPS analysis ratios FIVE YEARS	
YEARS	Earnings Per Share
Mar '20	33.62
Mar '19	45
Mar '18	85.66
Mar '17	53.32
Mar '16	28



Interpretation:

- EPS is very important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- 2017 was highest % of income generated by HCL (85.66)

Fundamental Analysis for Infosys:

------------------ In Rs. Cr. -----------BALANCE SHEET --------					
	Mar '20	**Mar '19**	**Mar '18**	**Mar '17**	**Mar '16**
Sources of Funds					
Total Share Capital	1,148.00	1,148.00	574	286	287
Equity Share Capital	1,148.00	1,148.00	574	286	287
Reserves	66,869.00	56,009.00	47,494.00	41,806.00	35,772.00
Net worth	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Total Liabilities	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Application of Funds					
Gross Block	16,210.00	14,709.00	12,827.00	10,374.00	8,029.00
Less: Accum. Depreciation	7,605.00	6,461.00	5,480.00	4,642.00	3,576.00
Net Block	8,605.00	8,248.00	7,347.00	5,732.00	4,453.00
Capital Work in Progress	1,247.00	934	769	954	1,135.00
Investments	24,977.00	11,113.00	6,857.00	6,717.00	4,344.00
Sundry Debtors	10,960.00	9,798.00	8,627.00	7,336.00	6,365.00
Cash and Bank Balance	19,153.00	29,176.00	27,722.00	24,100.00	20,401.00
Total Current Assets	30,113.00	38,974.00	36,349.00	31,436.00	26,766.00
Loans and Advances	14,943.00	13,498.00	10,491.00	7,873.00	6,330.00
Total CA, Loans & Advances	45,056.00	52,472.00	46,840.00	39,309.00	33,096.00
Current Liabilities	11,518.00	6,801.00	5,700.00	4,503.00	3,181.00

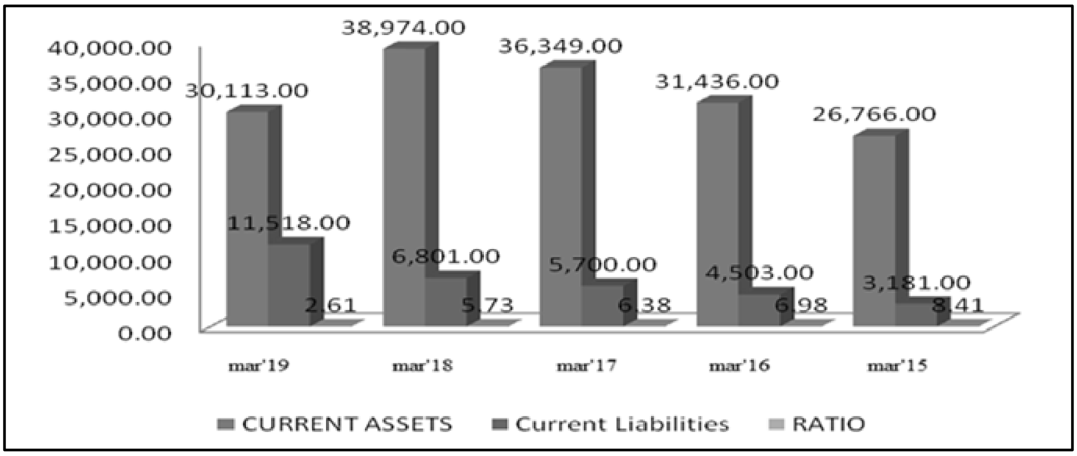
------------------ In Rs. Cr. ----------BALANCE SHEET --------					
	Mar '20	**Mar '19**	**Mar '18**	**Mar '17**	**Mar '16**
Provisions	350	8,809.00	8,045.00	6,117.00	3,788.00
Total CL & Provisions	11,868.00	15,610.00	13,745.00	10,620.00	6,969.00
Net Current Assets	33,188.00	36,862.00	33,095.00	28,689.00	26,127.00
Total Assets	68,017.00	57,157.00	48,068.00	42,092.00	36,059.00
Contingent Liabilities	3,033.00	1,512.00	1,461.00	1,020.00	1,693.00
Book Value (Rs)	296.12	248.84	418.54	736.64	627.95

PROFIT and LOSS ACCOUNT OF INFOSYS					
------------------ in Rs. Cr. -------------------					
	20- Mar	**19-Mar**	**18-Mar**	**17-Mar**	**16-Mar**
INCOME					
Revenue From Operations [Gross]	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Revenue From Operations [Net]	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Total Operating Revenues	59,289.00	53,983.00	47,300.00	44,341.00	36,765.00
Other Income	3,062.00	3,009.00	3,337.00	2,576.00	2,215.00
Total Revenue	62,351.00	56,992.00	50,637.00	46,917.00	38,980.00
EXPENSES					
Operating and Direct Expenses	6,044.00	6,029.00	4,284.00	3,990.00	2,969.00
Employee Benefit Expenses	30,944.00	28,206.00	25,115.00	24,350.00	19,932.00
Depreciation and Amortization Expenses	1,331.00	1,115.00	913	1,101.00	956
Other Expenses	5,094.00	3,985.00	3,939.00	3,474.00	2,849.00
Total Expenses	43,413.00	39,335.00	34,251.00	32,915.00	26,706.00
Profit/Loss Before Exceptional, Extraordinary Items and Tax	18,938.00	17,657.00	16,386.00	14,002.00	12,274.00

PROFIT and LOSS ACCOUNT OF INFOSYS					
------------------- in Rs. Cr. -------------------					
	20- Mar	**19-Mar**	**18-Mar**	**17-Mar**	**16-Mar**
Exceptional Items	0	3,036.00	412	0	83
Profit/Loss Before Tax	18,938.00	20,693.00	16,798.00	14,002.00	12,357.00
Tax Expenses-Continued Operations					
Current Tax	5,068.00	4,898.00	4,537.00	4,063.00	3,361.00
Deferred Tax	52	9	97	-255	-120
Total Tax Expenses	5,120.00	4,907.00	4,634.00	3,808.00	3,241.00
Profit/Loss After Tax and Before Extraordinary Items	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00
Profit/Loss from Continuing Operations	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00
Profit/Loss for The Period	13,818.00	15,786.00	12,164.00	10,194.00	9,116.00

Current Ratio: Ca/Cl:

Years	**Current Assets**	**Current Liabilities**	**Ratio**
Mar '20	30,113.00	11,518.00	2.61
Mar '19	38,974.00	6,801.00	5.73
Mar '18	36,349.00	5,700.00	6.38
Mar '17	31,436.00	4,503.00	6.98
Mar '16	26,766.00	3,181.00	8.41



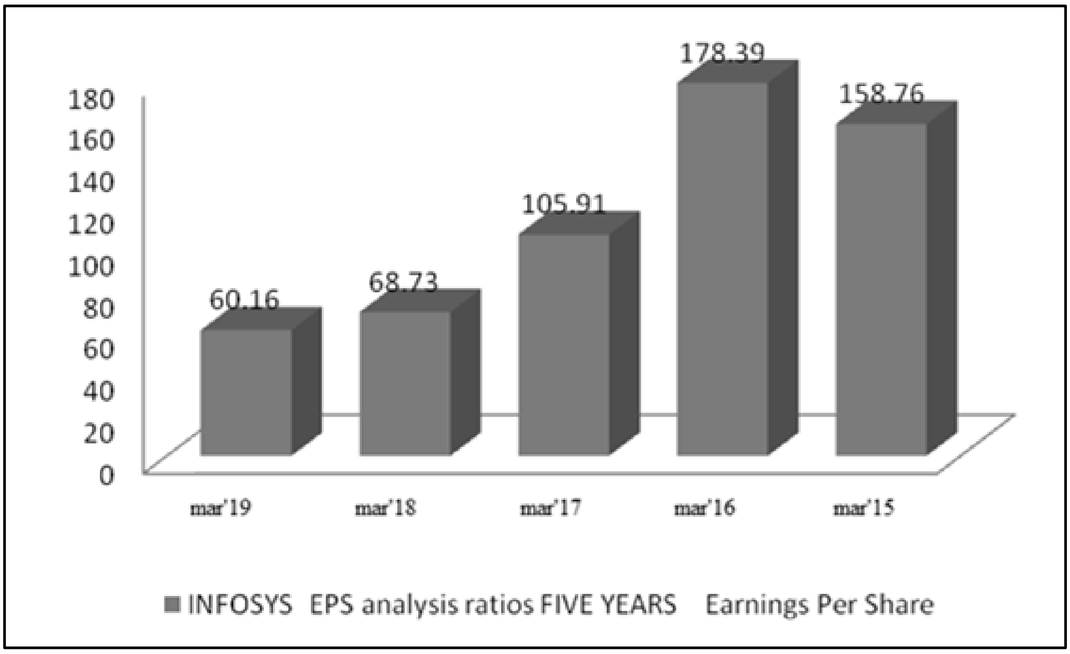
Interpretation:

The current ratio is used extensively in financial reporting.

However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad.

Here the current ratio is satisfactory in the years 2018 and 2017.

INFOSYS EPS analysis ratios FIVE YEARS	
YEARS	Earnings Per Share
Mar '20	60.16
Mar '19	68.73
Mar '18	105.91
Mar '17	178.39
Mar '16	158.76



Interpretation:

- EPS Is Very Important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- 2016 was highest % of income generated by INFOSYS (178.39)

3.5 Conclusion:

INDIAN IT INDUSTRY: The industry has recovered from the global slowdown and started to make good returns and the industry is expected to grow in the future years.

So investment in the IT companies is good for long term.

- From the fundamental analysis we can conclude that the company is strong in its fundamentals and has a good future value.
- From the technical analysis we can conclude that the prices are in uptrend even though the MACD shows a bearish signal line crossover because the MACD is above zero. So the prices are expected to rise in the near future.

- From the fundamental analysis we can conclude that the company is strong in its fundamentals and has a good future value.
- From the technical analysis we can conclude that the prices are in uptrend and since EMAs are moving closer and the stock is highly volatile. The ROC is negative which shows a bearish signal. But we can see that the MACD is above its signal line. So there is strong upward momentum, but the prices may fall very soon but will rise again.
    - From the fundamental analysis we can conclude that the company is strong in fundamentals and prices are expected to rise in the future.
    - From the technical analysis we can see that the EMAs are rising. We can also notice that the MACD, ROC and RSI also show bullish momentum. So, we can conclude that the prices will rise in the short term.

3.6 Findings:

High current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2017 and 2018,

- 2019 was highest % of income generated by HCL (85.66)
- EPS Is Very Important for Estimating Yearly Income Positions for any Company Performance.
- It reveals every year growth of the company.
- It reveals every year growth of the company.
- 2018 was highest % of income generated by INFOSYS (179.39)
- I found that **Infosys** The current ratio is used extensively in financial reporting. However, while easy to understand, it can be misleading in both a positive and negative sense - i.e., a high current ratio is not necessarily good, and a low current ratio is not necessarily bad. Here the current ratio is satisfactory in the years 2019 and 2020.

3.7 Suggestions:

- Fundamental analysis is one of the most often overlooked techniques of stock picking.
- Many investors eschew fundamental analysis in favor of the flashier technical analysis made so famous by chartists over the years.

Stock market charts are now animated wonders, so who doesn't love looking at them, especially since it's a lot easier than actually pouring through SEC statements adding up the numbers.

- But fundamental analysis never really completely goes out of style, because many of history's greatest investors, such as the greatest of all,
  Warren Buffett have practiced fundamental analysis as strictly as a devout person practices religion.
- The reason great investors believe in fundamental analysis is because it's a great model of how things work.
- Companies report on financial operations that are best explained by numbers. Analyzing the numbers rigorously, and placing personalities aside, gives a stock analyst the chance to really get a feel for how the company is doing.
  Why listen to hyped up PR statements when you can clearly see what a company really did, as reported by them in their statement of operations.
- Apart from the analysis done, stocks can be analyzed on the basis of various other indicators of technical analysis or on the basis of the fundamental analysis.
- The index considered here is not alone the best investment avenue available. Even other stock of other indexes may yield good returns.
- The technical indicators can be utilized even for the study of Derivatives market and even for the commodities market etc.
- The opportunity cost of capital and the returns from investing elsewhere can be calculated and compared with the investment made in stocks.
- Apart from the factors explained in the project which would affect the stock market, many other factors also may exist.

3.7.1 Hypothesis:

H0 – There is no significant relationship between sectoral indices and market index.

H1 - There is a significant relationship between sectoral indices and market index.

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4. Emerging Trends in Capital Markets in India

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Abstract:

India is by far one of the countries most impacted by the COVID-19 pandemic. Businesses were either shut down or were not performing well which led to many ramifications. Though it was difficult for companies to raise capital under such circumstances, the constant efforts from Central Government by infusing huge capital in our economy have surely proved a vital step.

Whatever needs to be done, ought to be done so that we attract even more and more capital which is directed towards even further boosting economic activity. Economic growth and financial buoyancy should not be seen in isolation. Data is an asset that can serve as a key differentiator for capital markets firms. Increasing volumes continue to increase the value of data, providing competitive advantage to those who can unlock its potential within capital markets. The important divisions of the capital market are stock market, bond market and primary, secondary markets.

Keywords: *Primary Markets, Secondary Markets, Securities***,** *Insolvency and Bankruptcy Code, Initial Public Offering.*

4.1 Introduction:

India being an emerging economy needs reforms in the financial markets. Reforms not only add value in the existing market system but also lead to decrease in the cost of capital and mitigate the risk exposure of the capital market instruments. There has been a revolutionary change over a period of time. The important divisions of the capital market are stock market, bond market and primary, secondary markets. Primary markets deal with the trade of new issues of stocks and other securities.

Secondary market deals with the exchange of existing or previously issued securities (Jency[1], 2017). Capital markets are financial markets that bring buyers and sellers together to trade stocks, bonds and other financial assets. A capital market is where individual and companies borrow funds using shares, bonds, debentures and debt instruments, etc. the most common example is a stock exchange, trading shares from different companies amongst investors. Capital markets describe any exchange marketplace where financial securities and assets are bought and sold. Whereas a stock market is a particular category of the capital market that only trades shares of companies.

It as a system of transactions for the purchase and sale of financial assets, the purpose of which is to satisfy capital requirements or increase capital. Capital markets recognise and drive capital to the best ideas and enterprises. Coupled with the free flow of capital, innovation is an integral component to a country for supporting job creation, economic development and prosperity. Markets facilitate the transfer of funds from those who seek a return on their assets to those who need capital and credit to expand. Capital market is the part of financial system which is concerned with raising capital funds by dealing in shares, bonds and other long-term investments. (Sifma.org[2]).

4.2 Five Things to Watch in Capital Markets:

India is by far one of the countries most impacted by the COVID-19 pandemic. This virus has not only impacted the lives of the people but has also ruined their businesses in different sectors. Businesses were either shut down or were not performing well which led to many ramifications.

Though it was difficult for companies to raise capital under such circumstances, the constant efforts from Central Government by infusing huge capital in our economy have surely proved a vital step. Not only infusion of capital has helped, but many incorporations into our laws such as amendments in Companies Act, 2013, SEBI relaxations, Insolvency and Bankruptcy Code (IBC) amendments in respect to distressed entities, has widely helped our stressed investors to deal with this uncertain crisis in a better manner.

The stock market is expected to witness significant growth once the crisis is over. Initial Public Offering (IPO) activity has not only grown in India or the USA but also many countries. Even after these challenges in raising funds, India exchanges experienced the highest IPOs operation as the country announced 90 IPO releases, which raised USD 3.9 billion in the first half of this year, while the USA witnessed 101 IPOs in the first half of this year. (Rachit Garg[3], 2021). The five measures regarding capital market reforms.

The five measures are: (a) Establishment of SEBI, (b) Setting up of Private Mutual Funds, (c) Opening up to Foreign Capital, (d) Access to International Capital Markets, and (e) Banks and Capital Markets. Nilesh Shah, MD, Envision Capital said that it is better if the spending is focussed a lot more on asset creation rather than just putting money in the hands of the consumers.

A good mix of the two also is pretty fine, but it should have a nice balance between spending on asset creation as well as spending on boosting the purchasing power of the consumer. (Nilesh Shah[4], 2022). Whatever needs to be done, ought to be done so that we attract even more and more capital which is directed towards even further boosting economic activity. Economic growth and financial buoyancy should not be seen in isolation. For a fast growing large economy like India, both have to move hand in hand and the budget is one of the great platforms to ensure that the policy moves forward to further encourage and boost private investment in the economy and in our markets.

4.3 Indian Capital Markets Followed International Trends:

The market value of assets under management stood at Rs. 6, 81,655 crore and increases throughout the year.

The cumulative net assets under management by all mutual funds increased by 27 per cent to Rs. 16,50,011 crore in 2016 from Rs 12,95,131crore in 2015. Source: CDSL FIIs investment to equity was highest Rs. 140032.

Indian capital markets had an exceptional year in 2020. The COVID-19 pandemic initially had an adverse impact on Indian capital markets, as indices across size and sectors fell during the period from February 2020 to May 2020.

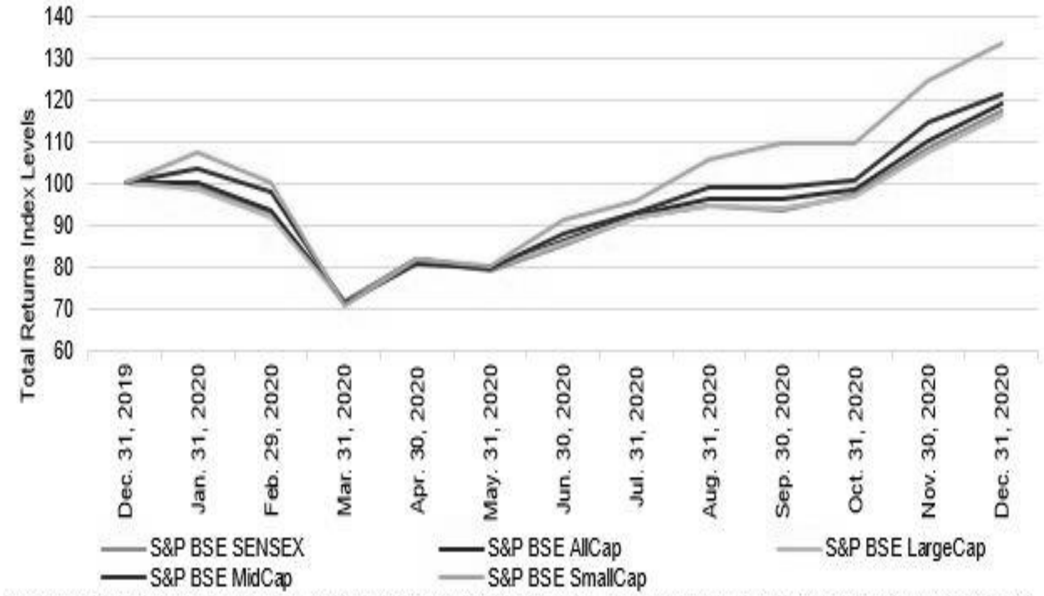
However, from June 2020 onward, all size and sectors indices had a bull run through the end of the year. The S & P BSE SENSEX TR increased from 60,211.40 on 31st December, 2019 to 70,543.23 on 31st December 2020, a one year absolute return of 16.31%.

Exhibit 1 and 2 showcase returns for India's leading size indices in 2020.

Exhibit 1: One –Year Absolute Returns of Size Indices			
INDEX NAME	INDEX VALUE ON DEC. 31, 2019	INDEX VALUE ON DEC.31, 2020	ABSOLUTE RETURNS (%)
S&P BSE Small Cap	16,256.89	21,707.20	33.53
S&P BSE Mid Cap	17,898.57	21,712.66	21.31
S&P BSE All Cap	5,363.45	6,372.55	18.81
S&P BSE SENSEX	60,211.40	70,543.23	17.16
S&P BSE Large Cap	5,672.61	6,597.79	16.31

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2019 to Dec. 31, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 2: Index Total Returns



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2019, to Dec. 31, 2020. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

From Exhibits 1 and 2, we can see that all five size indices performed well, and returns were promising for large, mid, and small-cap segments. The returns of the small-cap and mid-cap segments were better than those of the large-cap segment. The S&P BSE Small Cap and S&P BSE Mid Cap posted one year absolute returns of 33.53 percentages and 21.31 percentage respectively, while the S&P BSE Large Cap and S&P BSE SENSEX returned 16.31 percentage and 17.16 percentage respectively.

Mentioning the 'bull run' in the capital markets, the Economic Survey said that 2021-22 was exceptional for the markets. Between April and November 2021, Rs. 89,066 Crore was raised through 75 IPOs, which is much higher in the last decade.

*Start every business day with our analyses of the most pressing developments affecting markets today, alongside a curated selection of our latest and most important insights on the global economy*2020 has been overshadowed by the COVID-19 outbreak and the subsequent lockdown across the world. Capital markets have been negatively affected globally as well as locally in India. The lockdown in India began during the third week of March 2020 and has only recently been slightly relaxed.

The first half of 2020 was volatile for the capital markets in India. All size indices and most sector indices posted negative returns for the six-month period ending June 2020. The Indian capital markets fell sharply in the first quarter of 2020, especially in the month of March. However, there has been a recovery in the second quarter, although the six-month returns were still negative. (Ved Malla[5] 2020). During pandemic situation, the capital markets churned on. An alphabet soup of regulations, many delayed because of the COVID-19 pandemic, began pouring on the capital markets in 2021 and will continue through 2022 and 2023. The burdens that come with oversight of risk, resilience and environmental respect are being met with investments in talent, technology and technique.

As investors increasingly base decisions with regard to the environmental, social, and governance challenges of today, their actions could stimulate more accountability, greater regulatory scrutiny, and credible disclosure backed by better data. The evolution of the pandemic continues to be the main risk for sovereign ratings. A more fragile social context and political polarization will limit governments' capacity to implement revenue and spending rebalancing measures. This year is likely to be one of transition in terms of fiscal consolidation, which, if further delayed, could become a drag on ratings. Rising global interest rates will pose an additional challenge for emerging markets, more so for those heavy reliant on external funding.

4.4 Digitalized Capital Markets:

In the present scenario, digital has become the go-to answer for global markets firms looking to solve age-old problems and gain lasting efficiencies. The breadth of off-the-shelf solutions that have surfaced in the areas of cloud computing, robotics, intelligent automation and artificial intelligence promise cost optimization and growth in an industry that is still embracing the potential of digital. Use data and analytics to augment electronic customer-facing platforms to improve capabilities and automatically generate client leads or potential trades. (Capco[6], 2020). Organisations are re-assessing their global location strategies in the context of modern technology and the opportunities presented. These operating models will take into account the combined benefits of proximity and the technical evolution of distributed working environment. The operating models must be achieved by embracing the impact of artificial intelligence, natural language processing and machine learning to adapt the dichotomy of automated vs. manual as it relates to concentrations of resources. Given this backdrop and the recent technical changes and global challenges, it is important for global markets players to reassess their IT infrastructure to ensure that it is still fit for purpose and is modern enough to allow for the opportunities presented by cloud, artificial intelligence and data analytics. There are no quick fixes but having a clear roadmap to architecture modernisation and simplification is essential in order to remain competitive.

4.4.1 Data is a Key Factor for Capital Markets:

Data is an asset that can serve as a key differentiator for capital markets firms. Increasing volumes continue to increase the value of data, providing competitive advantage to those who can unlock its potential within capital markets. Whether a bank is providing bespoke client services, integrating external services, enabling decision-making, eliminating manual work, reducing operational risk or reducing time spent on low-value-frequency tasks, the future of value creation across the enterprise in rooted in data.

Banks are placing data at the core of their customer-facing electronic platforms to further increase their value proposition. Data is a key focus of regulatory efforts and being able to prove quality and provenance is critical. Leading banks will be investing heavily in data sourcing, analytical capability and use of external data sources. Operating models and location strategies for banks are always under review as the often mutually exclusive pressures and forces of customer intimacy, relationship management, and availability of talent, costs and regulatory concerns intersect and evolve. There is no 'one size fits all' model.

4.5 Conclusion:

Capital market is a vast domain and it is highly unlikely for anyone to cover all the aspects which could affect the Indian market in 2022. Growth lies where positivity is striven from negativity. Falling markets, businesses, occupations, companies and homes during these times prepare us for a better future in a safest possible way. There could be a third wave of novel coronavirus or could be something else tomorrow that might dismantle the essence of the market to the core but one thing we all could be confident of is that we will all be prepared for that. The economic revival has mostly been financed through money raised through the capital markets rather than bank credit. The commercial banking system has so far weathered the pandemic shock even if there are some looming impacts. The Economic Survey further said, “Accommodative money policy along with other regulatory dispensations, asset classification standstill, temporary moratorium and provision of adequate liquidity was put in place in order to provide a safety net to the system”.

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5. Financial Market Development and Integration in India

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5.1 Introduction:

The Indian financial markets have undergone remarkable transformations over the course of time in par with the changing in the internal and external environments. The RBI and Government of India has put conscious effort to develop and integrate various financial market segments in a step-by-step manner. Economy development is largely affected by financial markets - they competitively allocate financial resources that are mobilized from savers and investors among users in the economy. Economic policy reforms of India’s central bank and Reserve Bank of India (RBI) the development of India’s Financial markets has been shaped dynamically — market-determined exchange and interest rates, convertibility of current account, monetary policy dealing with price-based instruments, auction-based allocation in the government securities market (GSM), and phased capital account. In order to avoid financial instability, in an emerging and developing economy such as India the development of the financial market has to be monitored closely.

Research studies on the integration of Indian money markets with global markets as a result of financial liberalization have mostly reported negative results.

5.2 Financial Market Development since 1990 Reforms:

Money Market: The money market financial instruments are considered as the closest substitute for money as the market for short term funds has securities with maturities ranging from overnight to one year. in response to the prevailing economic and financial environment the RBI had to modify its operational and intermediate objectives multiple times in order to achieve the ultimate goals of monetary policy—growth and price stability.

The money market contains various segments-call money, market repo, and Collateralized Borrowing and Lending Obligation (CBLO)-with average daily turnover.

The call money market: An unbounded market-was earlier distinguished by an administered ceiling interest rate that was decided by the Indian Banks 'Association (IBA) to prevent abnormal increases in the call rates (during 1970s it was noticed that call money rates rose sharply and touched 25%-30%) anyhow, regular borrowings by banks and lending by non-banking institutions kept this market highly volatile, inhibit relevant risk management and instrument pricing.

CBLO: With the establishment of the Collateralized Borrowing and Lending Obligation (CBLO), the intervention in the call money market was reduced, which lead to a fairly stable market. This is obvious from the reduction in the call money market's market share (%) over the years. The setting up of the Discount and Finance House of India (DHFI), the introduction of certificates of deposit (CDs), commercial papers (CPs), and inter-bank participation certificates, and the freeing of the call money rate were the key developments of 1980's which were unable to meet their 9 objectives of market development due to the structural sternness in the system. Later, the Internal Working Group (1997) and the Narasimham Committee (1998) made some recommendations which are -i) Introduction of auction system for T-bills ii) Gradual move towards a loan-based system from a cash credit system iii) Abolishment of ad-hoc T-bills, leading to the end of the automatic monetization of fiscal deficit (1997). The CBLO was meant to help banks and non-banks manage their daily liquidity requirements which was Developed and introduced by the Clearing Corporation of India Limited (CCIL) in January 2003. Being a collateralized instrument (government securities acted as collateral), its rate was lower than the call money rate, which is why its share in the money market transactions rose considerably from 22.4% in 2004–2005 to 53.2% in 2012–2013. In April 2004, the liquidity adjustment facility (LAF) window was increased by the issuances of the Market Stabilization Scheme (MSS) to envelop domestic monetary conditions from the impact of large capital flows.

Market repo: which is backed by bonds (like Central and State government securities) and operates outside the RBI 's liquidity adjustment facility (LAF) allows banks, primary dealers, non-banking entities maintaining Subsidiary General Ledger (SGL) accounts, nonbank financial companies (NBFCs), mutual funds, housing finance companies, and insurance firms to manage their short-term liquidity mismatches. The money market in India has had a long and diversified history. While the call money market has come out as a pure inter-bank market, the CBLO market has been helpful to both banks as well as non-bank participants. The LAF had a smoothening effect on liquidity and has generated a passage for weighted average call between repo and reverse-repo. Slowly, the weighted average call emanated as the target rate. The RBI recognized and made the repo rate as the short-term signaling rate or policy rate. Thus, the combination of various money market segments and effective policy signal transmission has been possible due to the stability of the call money rates.

5.3 Government Securities Market:

The interest rates on government securities were administratively kept low (to ensure low-cost government borrowings) due to the automatic monetization of the Central government budget deficits. Consequently, the GSM remained underdeveloped. Earlier, financial intermediaries such as banks and insurance companies (the Life Insurance Corporation of India, *for instance*) acted as key players in the GSM, thereby making it a captive market. 1992 and 1997 were two key years in the Indian GSM. The auction-based system was introduced in 1992, for allocation of government securities to enable the creation of a market-determined yield curve (through price discovery). In 1997 introduction of Ways and Means Advances (WMA) and the abolition of automatic monetization through ad hoc treasury bills provided operational autonomy. Subsequently, in 2006, the RBI was prohibited from participating in the government securities primary market (FRBM Act 2003).

Accordingly there has been neither private placement of auctioned market borrowings nor devolvement, since 1 April, 2006. The decline in SLR requirements-38.5% of net demand and time liabilities (NDTL) in 1992 to 25% of NDTL in 1997-also helped in shaping the GSM. At present, the statutory liquidity ratio (SLR) stands at 23% of the NDTL for banks. Reforms for the successful completion of government securities (G-Sec) auction and the RBI's open market operations through the introduction of primary dealers have helped in the market borrowing programs of the Central and state governments. The secondary GSM was developed and shaped with the introduction of long-term securities, such as those with 30-year maturity period. The investor base in the GSM has widened from the mandated investment requirements to voluntary G-Sec 11 holdings. This has, in turn, helped in reducing the commercial banks ‘share in the GSM. Effective December 2007, the Government Securities Act, 2006 facilitated lien marking, pledging of securities to raise loans against government securities, stripping, etc.

Presence of dominant investors in the form of institutional investors (who need to invest in government securities due to statutory reasons) and the limited presence of FIIs in dated securities (despite the progressive shift from banks to non-banks as the investor base) are the two prime reasons for GSM illiquid at long end. However, it should be remembered that earlier highlighted measures did help in evolving and maturing GSM. This can be ascertained from the fact that, with passage of time, there has been smooth financing of the government debt (both Central and State government) despite high and increasing fiscal deficits, there has been greater recourse mandate by the Twelfth Finance Commission to conduct market borrowing for the state government.

5.4 Forex Market:

Although it originated around 1978 the Indian forex market was quite limited in its early days due to the fixed exchange rate regime. Post the 1991 economic reforms, the Indian forex market evolved and developed as the result of a series of developmental reforms. The introduction of the market-based exchange rate regime in 1993 and the adoption of current account convertibility in 1994 were the key reforms. Additionally, capital account has also experienced substantial liberalization over the years. Coherently, all these reforms were aimed at developing the institutional framework by dismantling controls and increasing instrument effectiveness and transparency for conducting foreign exchange business. Over the course of time, the forex market witnessed increased liquidity and greater market efficiency. Owing to the gradual opening of the capital account, forward premiums are typically aligned with the interest rate 12 differential, leading to manifold increases in market efficiency. However, the high intermediation costs currently charged by the banks reduce the transparency for players in the forex market. Under its recommendations, the RBI hinted at the usage of an instructive guide for the further opening of the capital account-a mixture of strategic controls (for instance, by defining a pecking order of flows, such as FDI-portfolio investment-debt, and a credible framework to aid foreign investors in developing their strategies) and tactical controls (for instance, steps that would be situation specific and hence would be introduced as and when situation arose and would be withdrawn when it abated).One of the key challenges currently impacting the efficiency of the Indian forex market is the speculation being done on the non-deliverable forward (NDF) markets.

Ideally, both the on-shore and off-shore NDF markets are influenced by the same set of economic and geo-political developments at home and abroad. However, in the recent past (due to the INR depreciation in 2013), it was observed that the two rates were responding differently—the NDF rate was more pessimistic, which consequently increased pressure on the on-shore USD/INR rate as well. As the Indian authorities look forward to the progress of capital account liberalization, this challenge needs to be addressed carefully, without impacting the liquidity of the forex market. The impact of this volatility needs to be analyzed in terms of two sets of market participants—the real sector (exporters, importers, and foreign currency borrowers) and banks or authorized dealers. For the first set of participants, non-hedging techniques (such as advance payment and invoicing in home currency) were available only theoretically. Hence, derivative products (such as exchange-traded futures and options) were introduced to enable small and medium enterprises (SMEs) to cover foreign currency exposure at competitive costs. Thus, forex inclusion of SMEs and the synchronisation of the regulations for the OTC and exchange-traded markets are the two key challenges that the Indian forex market—a critical segment of the country‘s finance—currently faces, owing to capital account restrictions.

5.5 Equity Market:

With the establishment of the Securities and Exchange Board of India (SEBI) in 1992, reforms to enhance regulatory effectiveness and competitiveness as well as modern technological infrastructure to reduce informational asymmetries and transaction costs were undertaken. Foreign equity investments in the form of FIIs were allowed from 1992 onwards and Indian 13 companies were allowed to raise foreign capital in the form of American depositary receipts (ADRs), global depository receipts (GDRs), foreign currency convertible bonds (FCCBs), external commercial borrowings (ECBs), and investments through NRIs and overseas corporate bodies (OCBs). The establishment of the National Stock Exchange (NSE) in 1994 further increased the competitiveness and led to the development of volumes in the equity market in India. During 2000–2001, index futures, index options, and options and futures on individual securities were introduced to shape the Indian capital market. Currently, the Indian capital market is one of the most active and growing capital markets in the world. Futures and options of about 223 individual stocks and 4 stock indices were traded on the NSE as of March 2011. Large cap stocks/futures and index futures of Indian equity are fairly liquid and efficient.

5.6 Deep and Diverse Indian Equity Market:

With more than 5,000 listed companies, the Indian equity market is globally ranked second, with the U.S. equity market being the top runner. The diverse nature of stocks allows investors to gain exposure to a wide range of sectors such as automotive, banking, and pharmaceuticals, to name a few. The S&P CNX Nifty (Nifty 50), one of the most widely quoted indices, comprises stocks covering the entire spectrum—financial, industrial, and energy companies—thereby offering investors exposure to the key drivers of domestic growth, i.e., domestic consumption and infrastructure capital expenditure (capex). One of the peculiarities of the Indian equity market that reduces its depth is that more than 55% of the equity market is held by promoters (principals of companies), thereby reducing the overall free float of the stock.

In order to address this peculiarity, the SEBI mandated all listed companies to raise public shareholdings to 25% by mid2013. Another peculiarity is the higher proportion of FII holdings than domestic holdings, which renders stock prices quite volatile and vulnerable to global developments.

5.7 Integration of Financial Markets in an Economy:

The development of financial markets occurs in its true sense only if they are well-integrated, for it is only then that the monetary policy impulses are effectively transmitted to the entire economy. In an integrated financial market system, the central bank‘s short-term policy rate changes would be transmitted to the market rates (short-term as well as long-term), money market, bond market, and credit market. Technically, financial market integration means the 14 unification of the markets for the convergence of risk-adjusted returns on assets with similar maturity across all the markets. Factors such as deregulation (freeing pricing of financial assets), globalization (transnational movement of capital, especially the savings of one nation to supplement the domestic savings of another nation), IT advances (electronic payment and communication systems that decrease arbitrage opportunities across financial centres), and changes in the operating framework of a monetary policy (shift to price-based instruments such as short-term policy interest rate, impacting the interest rate term structure) have significantly influenced the integration of the various market segments in India. Financial market integration is witnessing a new wave of confidence in recent years; besides individual nations, some economic regions (such as the Arab countries) are also actively discussing the possibility of having integrated financial markets.

5.7.1 Measures for Financial Market Integration:

Financial market integration has been possible in India due to five key measures.

Free pricing: Some of the milestones that led to the development and integration of financial markets in the country include the freedom given to banks to decide deposit and credit interest rates; the withdrawal of the call money ceiling rate (10%); the substitution of the administered interest rates with auction systems for G-Secs; the substitution of Adhoc T-bills with WMA; the shift from a single fixed exchange rate regime to a market determined floating exchange rate regime; the gradual liberalization of capital account; and the usage of derivatives for hedging.

Widening participation: The following changes helped in increasing the liquidity and efficiency of financial markets in India: enhanced presence of foreign banks; participation of FIIs in the Indian equity market; transformation of the call money market into a pure inter-bank market; granting of permission to (a) authorized dealers to borrow, lend, and invest in foreign currencies, (b) exporters to substitute rupee credit with foreign currency credit, and (c) Indian companies to raise funds through ADRs, GDRs, FCCBs, and ECBs—

a step towards integrating domestic and international capital markets; availability of options, forwards, and swaps in domestic and foreign currencies to manage long-term exposures; application of capital adequacy norms; and integration of credit and equity markets.

New instruments: The introduction of repo (for short-term liquidity adjustment) and LAF (for liquidity management and overnight market signalling mechanism), inter-bank participation certificates, CDs, CPs, market repos, CBLOs, and auction-based multiple maturity T-bills enabled the development of the Indian money market.

Floating rate bonds (FRBs), long-term loans with embedded put-call options, and forward rate agreements (FRAs) also facilitated the deepening of the financial markets by allowing participants to diversify their risks.

Institutional measures: Inter-market linkages were strengthened by allowing institutions such as the Discount and Finance House of India (DFHI) and the Securities Trading Corporation of India (STCI) to participate in multiple markets. The establishment of the CCIL as the central counter-party helped in increasing investor confidence, and thus, the liquidity of the markets.

Technology, payment, and settlement infrastructure: Technological enhancements such as the Delivery-versus-Payment system (DvP), the Negotiated Dealing System (NDS), the advanced Negotiated Dealing System-Order Matching (NDS-OM), and the Real Time Gross Settlement system (RTGS) as well as the substitution of the floor-based open outcry trading system with the electronic trading system improved settlement processes and encouraged market integration.

5.8 Institutional/regulatory and Quantitative Measures:

Financial market integration occurs either horizontally (inter-linkage of various domestic market segments) or vertically (inter-linkage of domestic and regional/international markets). The level of financial integration is primarily measured using the following parameters.

Institutional/regulatory Measures: These measures can further be classified into de jure and de facto measures. De jure measures include the legal restrictions on capital and trade inflows. De facto measures include the measures based on prices or quantities. Price-based measures include cross-market spreads, tests of common trends in interest rate term structure and volatility, and correlations among several interest rates.

Quantitative Measures: For measuring the integration level of domestic markets, liquidity and turnover data are used, whereas global integration levels are measured through time analysis of capital inflows. Typically, gross capital inflows tend to be a better measure than net inflows, as the latter measure is likely to subdue the level of integration due to the amount of outflows. However, this indicator suffers from fluctuations in short-term market conditions. _Gross stocks of foreign assets and liabilities/GDP is a more robust measure as it is less volatile and comparatively less prone to measurement errors.

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6. An Introduction to Non-Fungible Tokens

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Abstract:

'Those who do not change with time are changed by time'. These wise words perfectly highlight the significance of adapting to the changing times. On should always try to keep up with the dynamism of the world. This makes even more sense in the concurrent business world where a little delay in identifying the growing trends can put billions at stake. One common factor among most of the changes that are taking in and around our lives is the continuous technological advancement which has spread to all the fields ranging from finance, telecom, healthcare to marketing and human resources. One such innovation that is currently proving to be apple of the eye of investors in the finance world are 'Non-Fungible Tokens' (NFTs). The objective of this chapter is to make the readers aware about the existence of NFTs, and explain to them the technology behind them. It is also going to look at the future of NFTs by instilling a sense of advantages and disadvantages, so that the reader can have a 360 degree of this investible alternative and analyze the suitability of NFTs for different kinds of users depending on the priorities and risk-return preferences.

6.1 Introduction:

Anything that claims to turn many into quick millionaires is definite to make the headlines of newspapers and financial blogs. Non-Fungible Tokens (NFTs) have lately been talk of town. If you have not been living under a rock, then chances are high that you must have heard about NFTs. Something that has caught the fancy of celebrities ranging from Amitabh Bachchan, Salman Khan to Yuvraj Singh and Dinesh Kartik deserves at least some wrangling. But the Achilles Heel is understanding the concept of NFTs before one can try to discuss and debate about them. It's imperative to learn the prospects of this technology and simultaneously look at the risk they pose. And something, which is as novel as this technology needs to be analyzed in greater depths. But before digging deeper, it is important to understand its meaning and then only we can move ahead to understand its implications in various fields. The benefits that it can provide to budding artists in terms of commercial gains based on their art as well as claims for ownership is one area that needs to be explored. This piece will try to detangle the mystery of Non-Fungible Tokens and present it in a way which is understandable by a layman.

6.2 Fungibility:

Before moving to NFTs, let's talk about the concept of fungibility. It is defined as the quality of an asset to be replaced or interchanged by another asset of the same category. Let's suppose I take a loan of Rs 10,000 from you today and promise to pay you back after one week (after I receive my salary), assuming that you have given me 5 notes of Rs. 2,000. I take this money and spend it. After one week, I receive my salary in my back, withdraw 5 notes of Rs. 2000 from ATM and pay it back to you. Now, do you expect me to give the exact same notes back to you while paying back the loan? Definitely not. You will be fine with receiving any 5 notes of Rs. 2000 (or even 20 notes of Rs. 500).

So, this is what is called being fungible. One note can be easily replaced with another note of same denomination (or even notes with different denominations provided the value of money same). Money even cryptocurrency like Bitcoin are fungible assets.

Now, let's change the example. Let's say you have an exclusive vintage watch with which you share an emotional connection. One of your friend borrows it. Now, she wears it to party and then it gets lost. Would you be fine receiving money in return for it? Similarly, there are many assets which are unique by nature.

They derive their value from their exclusivity and the demand that exists for it. Such assets are called non-fungible assets as they cannot be replaced with others of the same kind. Non-fungible tokens, as the name suggests are not interchangeable. They are unique assets and one of their kind.

6.3 Blockchain:

If you buy a new car, what is the proof that you are owner of that car? Or how would you prove that you own the house that you live in. The evidence of ownership is generally a document that mentions the name and details of owner of a property. This document (or documents) provide exclusive rights to the owner related to use and sale of their owned properties. That's why you must have seen your parents safely storing such important documents in lockers!

But what if we need to prove ownership of assets which do not exist physically? In this case, Intellectual Property Rights (IPRs) come into the scenario. We have patents and copyrights to protect the owners of innovative ideas. In case of assets of extremely exclusive nature, the data regarding ownership is stored on digital ledger called Blockchain. It is the disruptive technology that has been revolutionizing the methods in which we store data.

Blockchain is referred to as Digital Ledger Technology (DLT). In simple words, it can be explained as a ledger (or simply a notebook) which exists in a digital format where data can be safely stored. In physical state, the documents or the records are vulnerable to manipulation or tampering. We all have heard stories (at least watched in movies!) of people forging documents to acquire the control of assets in a fraud manner.

But the data that is stored on blockchain is next to impossible to manipulate, it can be considered as one of the safest recordkeeping methods. The word 'decentralized' in DLT refers to the fact that these blockchain ledgers are not owned by anyone individual or organization. So, it is like a public document that can be accessed to all.

Blockchain can be understood as a collection of blocks which contain data about various transaction (can relate to sale/purchase of assets, transfer of money and many more). The reason behind the safety feature is that the data is encrypted and contains details about all the previous transactions that have taken place on blockchain. It is the underlying technology of cryptocurrency which is being considered as one of the most disruptive technologies of 21st century. Blockchain is a significant component in the generation of NFT technology.

6.4 Non-Fungible Tokens (NFTs):

Non-Fungible Tokens are nothing but a method to buy unique and exclusive assets where the data regarding this purchase transaction is stored on Blockchain which makes it super secure. Ethereum is one Blockchain technology that is underlying technology for many NFTs. But what makes NFTs special is the kind of assets which are being purchased and sold. Not only conventional assets but anything that is considered as art can be traded using the NFT technology.

Be it a song, an image, a meme, a movie scene, an animation, a tweet, an event – anything that has a buyer and seller can be exchanged. NFTs let us tokenize all these things and brand them as a token in which interested buyers can invest.

The data regarding their investment will sit safely on the blockchain, which can be easily verified by anyone.

In short, NFTs provide investors with a method to buy an ownership stake in anything they like or they want to invest. Few features of NFTs can be summarized below:

- Unique
- Indivisible
- Safety of data
- Transparent
- Trackable
- Negligible Chances of Fraud

6.4.1 What kind of investor buy NFTs?

- Patrons of a certain art forms – For Example - If you a paining enthusiast, you would want to buy NFTs based on paintings as you will like to be associated with your passion. Or imagine a song which can invoke a havoc of emotions in you. Would you like to own some proportion of that particular song?
- People who believe in appreciation of these assets – Many people might want to invest in NFTs, not because they believe in associated art but because they feel they that the demand of this asset will rise and the value of their investment will increase. In future, they can easily sell these NFTs and generate revenues – just as shares are bought with the objective of selling at higher prices in future.

6.4.2 How can NFTs be used?

- Authenticating the ownership of an asset – If you buy something, the record of your purchase is totally safe due to the DLT technology, which is fundamental in NFTs. So, you don't have to worry about the documents which state your ownership. The chances of anyone tampering these records are negligible.
- Platform for budding artists – A bone of contention for budding actors, singers, dancers, actors or other artists is that it takes them a lot of time to reach to the biggies of the industry and build their careers and then, they are able to make their both ends meet. And if they are lucky enough they might make some decent money. NFTs eliminate the need of building networks in the industry and hiring costly agents. So, they cut the costs of intermediation. But with the use of NFTs, it is easier to commercialize their art forms and monetize it gradually. NFTs provide a platform to these emerging entertainers to connect with their target audience and offer a stake of ownership to their patrons.

  Apart from that, these artists can also generate a revenue stream of royalties whenever the underlying asset of an NFT is sold, some royalty would be provided to the original creator. Hence, NFTs reward originality and provides a way to monetize their art.
- Higher Scale of Securitization – It helps to convert everything that has a buyer and seller into a tradable asset.

  That means not only financial instruments and real assets (commodities like oil and cotton), but even art forms like paintings, songs, memes, tweets can be commoditized and traded. It provides investing opportunities for their original creators as well as people who buy them with the objective of selling them at higher prices.
- Investment Opportunities – From the point of view of investors, NFTs provide investors with an additional alternative to invest which can help them to diversify their portfolio. Also, they can provide investors with good returns.

6.5 Risks Associated:

- Loss of Value & High- Risk Market - The asset that the investor is buying using NFT technology might not be able to retain value in long-term. Hence, it is a possibility that one can end up buying an asset at a very high price for which there is no market to sell or there is very low demand which will crush the value of the asset.

Let's say you find a video on internet that looks really cool to you but others do not think the same.

You might want to buy a stake in it but it might be possible that no else thinks so. In this case, you might want to put your money into buying a stake into it but in future if you want to sell it for money, there is no guarantee that you will find buyers for it.

- The usage of blockchain consumes a lot of power which might not sync with the concurrent eco-friendly wave. Although, many researches are being carried on to discover newer technologies to make these decentralized technologies less power consuming in nature.
- Art Theft – NFTs might open possibility of some people stealing the works of undiscovered artists and making a commercial gain on the backs of people who have invested time and energy in authentic creation of the art forms.
- Some people call NFTs – 'securities made out of anything'. So, it might lead to creation of securities taking any invaluable asset as fundamental.

  This value is not determined in terms of intrinsic method but on the basis of market perception. So, if there are buyers for even an invaluable asset, it becomes worthy. The same principle renders a valuable asset worthless if there are no buyers for it.
- Grey Area – The NFT field is a novel field that's why there is a dearth of rules and regulations related to trading in NFTs. It will take a common person a lot of time to understand NFTs.

The name in itself seems complicated enough – So, it might not be easy to spark the interest of Indian investor into this unsafe and new instrument, considering low risk appetite of Indian Investor.

6.6 Conclusion:

In this chapter, we have only discussed a few basics of Non-Fungible Tokens. The prospects they hold is an ocean of opportunities – which is waiting to be explored. The implications that NFTs hold in the various field especially giving boost to budding artists need to be examined in greater detail and supported with constructive research. Apart from that, NFTs can also be a helpful tool in fighting piracy by making art forms accessible to all but changing those who want to have an ownership stake in it, providing due credits to the original creators in the process. In the wake of pandemic, where trends like Robin hood Investing (retail investors entering into stock markets to invest directly) is growing and availability of platforms to trade (Applications in your phone that can be used to buy and sell shares) are making trading of securities as easy as touching certain tabs on your phone, NFTs are sure to spark the interest of investors. But the point to be analyzed is figure out stability of these instruments, which would emerge when utility of NFTs will start growing for common public. The question to look forward is 'NFTs – Here to Stay or Just a Fad?'

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7. Emerging Trends in Indian Capital Market

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7.1 Introduction:

Capital market is a place where buyers and sellers engage in trade of financial securities. Buying/selling can be undertaken by both individuals and institutions. Capital markets will facilitate channelize surplus funds from savers to institutions. It also helps in investing them into productive use. Capital market consists of primary markets and secondary markets. Primary markets deal with trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously-issued securities. Another important division in the capital market is made on the basis of the nature of security traded, i.e. stock market and bond market.

The primary market deals with the issuance of new securities. Companies' governments or public sector institutions can obtain funding through the sale of a new stock or bond issue. This is typically done through a syndicate of securities dealers. The process of selling new issues to investors is called underwriting. In the case of a new stock issue this sale is an initial public offering (IPO). Dealers earn a commission that is built into the price of the security offering; through it can be found in the prospectus. In simple word The Primary Market is where financial instruments are sold from the issuer to investors.

The secondary market is the financial market for trading of securities that have already been issued in an initial private or public offering. Alternatively secondary market can refer to the market for any kind of used goods. The market that exists in a new security just after the new issue is often referred to as the aftermarket. Once a newly issued stock is listed on a stock exchange, investors and speculators can easily trade on the exchange, as market markers provide bids and offers in the new stock. The financial instruments used in capital markets include stocks and bonds, but the instruments used in the money markets include deposits, collateral loans, acceptances and bills of exchange. Institutions operating in money markets are central banks, commercial banks and acceptance houses, among others.

There are a number of capital market instruments used for market trade, including, stocks, bonds, debentures, treasury-bills, foreign exchange, fixed deposits, and others.

7.2 Functions of Capital Market:

Facilitates the link between Savers and Investors: The capital market functions as a link between savers and investors. It plays an important role in mobilizing the savings and diverting them in productive investment.

Encouragement to saving: with the development of capital, market, the banking and non-banking institutions provide facilities, which encourage people to save more.

Encouragement to Investment: The capital market facilitates lending to the businessmen and the government and thus encourages investment. It provides facilities through banks and nonbank financial institutions. Various financial assets, e.g., shares, securities, bonds, etc., induce savers to lend to the government or invest in industry.

Promotes Economic Growth: The capital market not only reflects the general condition of the economy, but also smoothens and accelerates the process of economic growth. Various institutions of the capital market, like nonbank financial intermediaries, allocate the resources rationally in accordance with the development needs of the country.

Stability in Security Prices: The capital market tends to stabilize the values of stocks and securities and reduce the fluctuations in the prices to the minimum. The process of stabilization is facilitated by providing capital to the borrowers at a lower interest rate and reducing the speculative and unproductive activities.

7.3 Recent Changes in Indian Capital Market:

After the nationalization of commercial banks, there has been a steady growth in both agriculture and industrial finance. Certain new financial institutions have been created in the country such as NABARD, EXIM Bank, SIDBI, etc., which were responsible for providing funds to the capital market. In the existing development banks, certain operational changes were made, which enabled them to finance more industrial activity in the country.

Mutual funds started in both public and private sector banks have also improved the working of capital market in India. Following changes in Indian capital market that had helped India to compete with developed countries around the world.

Economic Liberalization due to Indian Capital Market: The economic liberalization has led to more deregulation, liberalization and privatization of some of the public sector undertakings in India.

This has resulted in the shares of some of the public sector undertakings being made available to the public. The Industrial policy adopted by the government earlier did not allow investment in core sector by either individuals or private sector. But, with the privatization of some of the public sector undertakings, the shares are now available to the public for contribution.

Promoting more private sector banks: Opening of more private sector banks has resulted in the public contributing to the shares of these banks in Indian capital Market. Recently, the government has announced 74% equity participation by foreigners in private sector banks in India.

Promotion of Mutual Funds: The promotion of mutual funds by nationalized as well as non-nationalized banks has also improved the Indian capital market. They were helpful to the public by way of tax saving schemes.

At present, the condition of some of the mutual funds is very alarming, with the value of their investment going below the face value of the securities. Hence, there is every possibility of the public losing their confidence in the mutual funds.

Regulation of NRI Investments: The Amendment of Foreign Exchange Regulation Act (FERA) into Foreign Exchange Management Act (FEMA) has given more encouragement to nonresident investors.

The percentage of NRI investment in Indian companies has been increased from 5% to 24%. In the year 1991, India faced an acute shortage of foreign exchange and the then finance minister adopted certain methods to improve the foreign exchange reserves.

Direct Foreign Investment: The Foreign Investment Promotion Board, consisting of the Secretaries of industries, finance and foreign affairs, have allowed more direct foreign investment in core sector, especially in power sector.

FERA Companies: Under the Foreign Exchange Regulation Act, a FERA company is one which has 40% equity participation by foreigners. This limit has been removed and now even foreign companies are allowed to have 51% equity participation.

As a result, we are able to attract more foreign capital into Indian capital market. The FERA Act has since been amended and is now known as Foreign Exchange Management Act (FEMA).

Online Trading in Indian Capital Market: Some of the leading stock markets in India have introduced computer system for their trading activities. The brokers can get hooked-up and do their trading on online basis. The computer terminals will enable the public and the brokers to know the price prevailing in the market at any time.

Transparency through online trading: The online trading through computer has brought in transparency to the transactions in the market. People are able to know prices prevailing in the market at any time and as such the brokers cannot deprive their clients of their profits.

National Stock Exchange: A new stock market called National Stock Exchange has been created which a large number of companies have listed. It is a big competitor to the Bombay Stock Exchange and it is able to even influence the Bombay Stock Exchange. The National Stock Exchange deals in shares of companies throughout India and the prices prevailing in the market is a benchmark for stock prices.

Sensitivity Index in Indian Capital Market: The calculation of index number has also undergone a change. Sensitivity index has been introduced which represents important 30 companies whose volume and value of shares determines the market condition.

The sensitivity index is an indication of the conditions prevailing in the market and the conditions that are likely to be encountered by the market.

Circuit-Breaker in Indian Capital Market: A wild fluctuation in the stock market is a thing of the past.

For this purpose, the Bombay stock market has introduced a cut-off switch which is called circuit breaker. Whenever the market index goes up by more than 10%, the circuit breaker will go off, bringing the entire operations in the market to a standstill.

This will be for a period of 30 minutes after which the market will resume. This will bring down the share price.

Demating of shares in Indian Capital Market: The introduction of Demating has resulted in improving transactions further. Demating is a system under which physical delivery of shares is no more adopted. It is called “scrip less trade”.

The shares of individual investors are held by stock holding company and a pass book is given to individual investors. Any sale or purchase of shares will result in entries made in the pass book. The companies concerned are also informed for making due alterations in the share register.

Market Makers in Indian Capital Market: The share price of companies will be decided by the market forces of supply and demand. There are market makers who will ensure the supply and reasonable price for the stocks of companies.

Securities and Exchange Board of India: The creation of Securities and Exchange Board of India (SEBI) is an important development in Indian capital market of India. SEBI has not only replaced the Controller of Capital issues, but has brought in uniformity in the transactions in all stock exchanges.

Over The Counter Exchange of India (OTCEI): For the purpose of newly promoted companies, another stock exchange with lesser degree of conditions has been promoted and it is called Over the Counter Exchange of India (OTCEI).

It may not be possible for all the newly companies to list their shares with the existing stock exchanges. The share capital of these companies will be low and hence there should be an arrangement for listing such companies' shares.

Merchant banker: Merchant bankers have been permitted to take part in the stock market. Their operations and functions are also regulated by SEBI. They not only help companies in capital budgeting but also guide the foreign investors in the purchase of securities. The merchant bankers, through the financial markets, help some of the Indian companies to obtain fresh capital.

Non-Banking Financial Companies: The role of non-financial companies has also been controlled. RBI has introduced new conditions, restricting their activities. New norms with regard to capital of non-banking financial companies have been introduced. For chit funds, a separate Act has been passed and it restricts the maximum bidding to 40%.

Forward trading in Indian Capital market: Forward trading has been introduced since 9th June 2000 in Bombay Stock Exchange on a trial basis and if found successful, it will be extended. It will be helpful to the investors in ascertaining the true colors of existing companies.

Badla transactions in Indian Capital Market: Badla is a transfer of a contract from one period to another, where, either the buyer or the seller is unable to execute the contract for which purpose; the defaulting parties will pay Badla charges (which are decided by the Stock exchange). At present, SEBI has banned Badla transactions.

Restrictions on Mutual Fund's Investment: There have been restrictions on the role of mutual funds in the market. They cannot invest more than 10% of their investable funds in any single company and not more than 10% of single company's issue of shares can be purchased by mutual funds.

Educating Public: Press and media have contributed a lot in popularizing the Indian capital market and they are highlighting the prices of securities every day. The mutual funds and merchant banks have been asked to set apart a portion of their funds towards educating the public on the developments in the Indian capital market.

Government Securities Market: After the stock scam, the Central Government has de-linked Government securities from trading along with company securities. In other words, there will be separate market for Government securities and they will not be dealt along with company securities in the stock market.

Future trading in Indian Capital Market: Future trading is a contract to buy or sell a particular financial instrument on a future date at a specific price. The contract enables the parties to transfer according to the changes in the price from one person to another. By this, the risk is minimized. Thus, the future market provides scope for the traders to minimize their loss or the risks in trading of financial instruments.

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8. Indian Stock Market - An Overview

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8.1 Introduction:

Stock market can be defined as a platform on which people deal with selling or buying of shares/stocks of publicly listed companies. It is a place where people buy/sell shares of publicly listed companies. It offers seamless exchange of shares. In other words, if person A wants to sell shares of a particular company, the stock market will facilitate him to meet the seller who is willing to buy that company. However, it is important to note that a person can trade in the stock market. The buying and selling of shares takes place through electronic medium in a stock market and only through a registered intermediary known as a stock broker. The stock market acts as a market place for buyers and sellers of securities to meet, interact, and transact and also know prices of shares. Since the number of stock market participants is huge, one can often be assured of a fair price and a high degree of liquidity as various market participants compete with one another for the best price. Stock markets provide a secure and regulated environment where market participants can transact in shares and other eligible financial instruments with confidence, with zero to low operational risk.

Stock market operations can be categorized into two areas namely primary markets and secondary markets. In a primary market, the stock market permits companies to issue and sell their shares to the common public for the first time through the process of an initial public offering (IPO). This activity helps companies raise necessary capital from investors. The stock exchange acts as a facilitator for this capital-raising process and receives a fee for its services from the company and its financial partners. In secondary market, buyers and sellers deal with the shares already issued by companies. The defining characteristic of the secondary market is that investor’s trade among themselves. In the secondary market, investor’s trade previously issued securities without the issuing companies' involvement.

8.1.1 Major Functions of a Stock Market:

The following are some important functions of a stock market.

- **Transparency in Securities Transactions:** Depending on the standard rules of supply and demand, the stock exchange needs to ensure that all interested market participants have instant access to data for all buy and sell orders, thereby helping in the fair and transparent pricing of securities.
- **Efficient Price Discovery:** Stock markets need to support an efficient mechanism for price discovery, which refers to the act of deciding the proper price of a security and is usually performed by assessing market supply and demand and other factors associated with the transactions.
- **Management of Liquidity:** While getting the number of buyers and sellers for a particular financial security are out of control for the stock market, it needs to ensure that whoever is qualified and willing to trade gets instant access to place orders that should get executed at a fair price.
- **Security and Validity of Transactions:** While more participants are important for the efficient working of a market, the same market needs to ensure that all participants are verified and remain compliant with the necessary rules and regulations, leaving no room for default by any of the parties. Additionally, it should ensure that all associated entities operating in the market adhere to the rules and work within the legal framework given by the regulator.
- **Protection of Investors' Interests:** Along with wealthy and institutional investors, a very large number of small investors are also served by the stock market for their small amount of investments. These investors may have limited financial knowledge and not be fully aware of the pitfalls of investing in stocks and other listed instruments. The stock exchange must implement necessary measures to offer the necessary protection to such investors to shield them from financial loss and ensure customer trust.

8.2 Stock Exchanges in India:

There are two main stock exchanges in India where majority of the trades take place - Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Apart from these two exchanges, there are some other regional stock exchanges like Bangalore Stock Exchange, Madras Stock Exchange etc but these exchanges do not play a meaningful role anymore.

National Stock Exchange (NSE): NSE is the leading stock exchange in India where one can buy/sell shares of publicly listed companies. It was established in the year 1992 and is located in Mumbai. NSE has a flagship index named as NIFTY50.

The index comprises of the top 50 companies based on its trading volume and market capitalization. This index is widely used by investors in India as well as globally as the barometer of the Indian capital markets.

Bombay Stock Exchange (BSE): BSE is Asia’s first as well as the oldest stock exchange in India. It was established in 1875 and is located in Mumbai. BSE Sensex is the flagship index of BSE. It measures the performance of the 30 largest, most liquid and financially stable companies across key sectors.

8.2.1 Participants in Stock Market Operations:

There are a lot of individuals and corporate houses who trade in a stock market. Anyone who buys/sells shares in a stock market is termed as a market participant. Some of the categories of market participants are as follows:

Domestic Retail Participants - These are individuals who transact in the markets.

NRI’s and Overseas Citizen of India (OCI) - These are people of Indian origin who reside outside India.

Domestic Institutions - These are large corporate entities based in India (for example: LIC of India).

Domestic Asset Management Companies (AMC) - The market participants in this category would be mutual fund companies like HDFC AMC, SBI Mutual Fund, DSP Black Rock and many more similar entities.

Foreign Institutional Investors - FIIs are Non-Indian corporate entities such as foreign asset management companies, hedge funds and other investors

8.2.2 Regulation of the Indian Stock Market:

Securities Exchange Board of India (SEBI) is the regulatory body of the Indian Stock Markets. The main objective of SEBI is to safeguard the interest of retail investors, promote the development of stock exchanges, and regulate the activities of financial intermediaries and investors in the market. SEBI ensures the following:

- The stock exchanges (BSE and NSE), brokers and sub-brokers conduct their business fairly.
- Corporate houses should not use markets as a mean to unfairly benefit themselves
- Small retail investors' interest is protected.
- Large investors with huge cash should not manipulate markets.

8.2.3 Financial Intermediaries Operating in Stock Market:

From the time an investor places his order to buy shares till the time it is transferred to his DEMAT account, a number of corporate entities are involved to ensure smooth transaction. These entities are known as financial intermediaries and they work according to the rules and regulations prescribed by SEBI. Some of the financial intermediaries are discussed below:

- **Stock Broker:** A stock broker also known as a dealer is a professional individual who buys/sells shares on behalf of its clients. A stock broker is registered as a trading member with the stock exchange and holds a stock broking license. They operate under the guidelines prescribed by SEBI. An individual needs to open trading/DEMAT account to transact in the financial market.
- **Depository and Depository Participants:** A Depository is a financial intermediary that offers the service of DEMAT account. A DEMAT account will have all the shares that an investor owns in electronic format. In India, there are only two depositaries which offers DEMAT account services - National Securities Depository Limited

(NSDL) and Central Depository Services (India) Limited (CDSL). An investor cannot directly go to the depositary to open the DEMAT account. He needs to appoint a Depository Participant (DP). According to SEBI guidelines, banks, financial institutions and members of stock exchanges registered with SEBI can become DPs.

- **Banks:** Banks help to transfer funds from a bank account to a trading account. The client needs to categorically mention which bank account has to be linked to the trading account to the stock broker at the time of opening the trading account.

8.3 DEMAT Account and Trading Account:

In order to trade in equities, it is mandatory to have a DEMAT account as well as the Trading account.

8.3.1 DEMAT Account:

DEMAT account or dematerialized account allows holding shares in electronic form instead of taking physical possession of certificates. It is mandatory to have a DEMAT account to trade in shares. DEMAT account holds all the investments an individual makes in shares, exchange traded funds, bonds, government securities, and mutual funds in one place.

Below mentioned are the steps to open DEMAT account in India:

- To open a DEMAT account; an individual has to approach a depository participant (DP), an agent of depository, and fill up an account opening form. The list of DPs is available on the website of depository's i.e. CDSL and NSDL.
- An individual must attach photocopies of KYC documents like identity proof, proof of address along with the account opening form.
- The DP will provide the depository participant ID or client ID. All the purchase / sale of shares will be through DEMAT Account.

8.4 Trading Account:

A trading account is used to place buy/sell orders in the stock market. One can open their trading account with a stock broker who is registered with SEBI. An order can be placed either through an online or offline mode. In the online mode, one can buy/sell stocks through the trading terminal provided by the broker whereas; in the offline mode, an individual can ask its broker to place an order on his/her behalf.

8.5 Summary:

There are two major stock exchanges in India namely Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). For Trading in shares an individual has to mandatorily open a trading account. In India, there are different market participants like retail investors, domestic institutions and foreign institutional investors. Indian stock market is governed by SEBI. The different financial intermediaries like stock broker, banks and depository participants are also part of the stock market. DEMAT account or dematerialized account allows holding shares in electronic form instead of taking physical possession of certificates.

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9. Indian Stock Market

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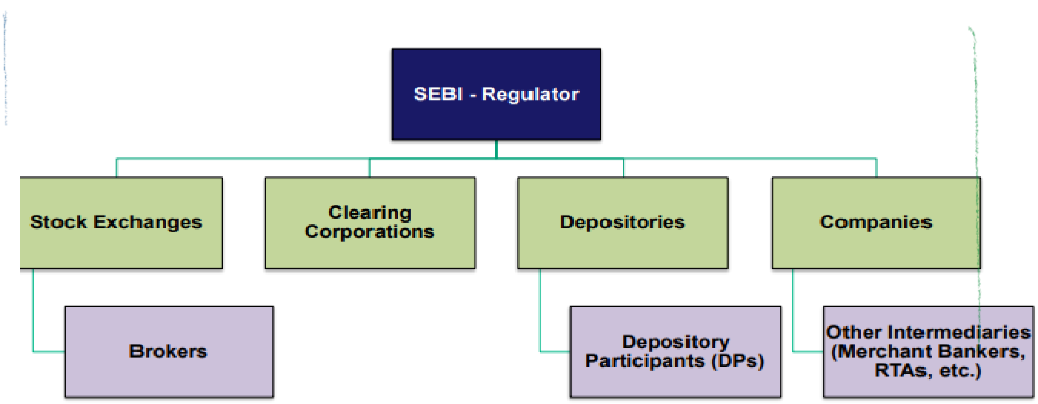
9.1 Introduction:

The financial system is composed of financial institutions and financial markets acting as intermediaries between those who need the capital (companies, and those who have capital. It is a sub-system of financial institutions, markets, services, and financial instruments that provides funds and allocates funds to operate the system effectively and efficiently (**Indian financial system, page 13, Pathak Bharathi 2018**).

The stock market is a component in the Indian financial system where it provides capital to the companies from the Financial Institutional investors and individual investors. It indicates the economic position of the economy so it calls the Economic barometer of the economy[1].

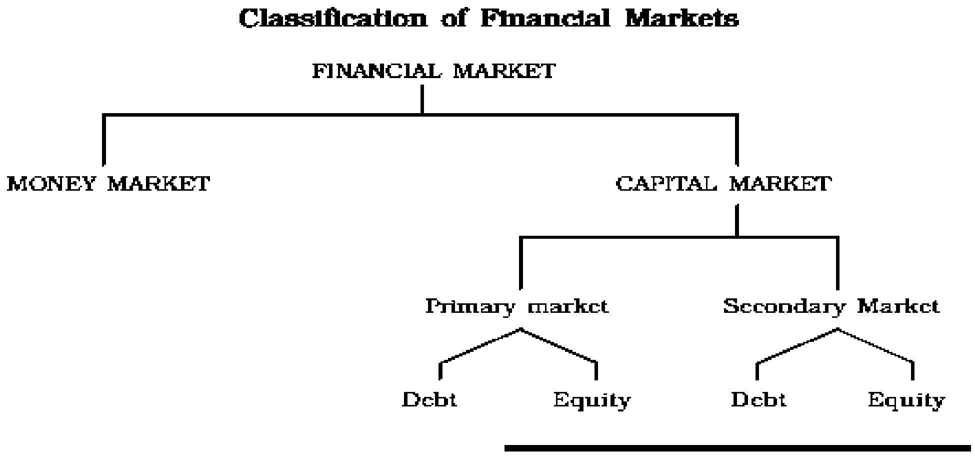
Chart 9.1: Indian securities Market-structure



Source:
https://www.bseindia.com/downloads1/PPT1_IntroductiontoSecuritiesMarkets.pdf

The above structure explains that the SEBI (*Securities Exchange Board of Indi*a) is the regulator board for all the stock exchanges in India (authorized brokers)[2], clearing corporations (this corporation associates the stock exchanges for clearing, confirmation, settlement, and delivery on time the transactions), depositories (these depository agents hold the securities and behave as an agent for the investors), and companies (regulates both listed and unlisted companies) and other intermediaries such as Merchant bankers (take care of issue management activities) and Registered transfer agents (who maintains the details of the investor records).

Chart 9.2: Classification of Financial Markets



Source:
https://www.zigya.com/chapter/cbse/BS122/10/Classification+Of+Financial+Markets

9.2 Money Market:

It refers to the trading of purchase and sales of large volumes of very short-term debt instruments[3] both at the wholesale level and retail level. At the wholesale level, trading involves financial institutions and dealers, and at the retail level involves individual investors where they can invest directly in the money market through money market mutual funds.

Instruments of Money Market:

It consists of

1. call (overnight) and short notice (up to 14 days) money
2. term money
3. commercial money
4. certificate of deposits
5. Money markets mutual funds
6. commercial bills
7. treasury bills

Financial institutions and the primary dealers play significant roles in the money markets and mostly they can lend or borrow funds through call & short-notice money and treasury bills.[4]

9.3 Capital Market:

Capital markets are a place where the funds are exchanged between the suppliers and those who need them. It involves primary and secondary markets.[5] The primary market deals with the new issues (*IPO*). The secondary market deals with the existing company's issues shares already listed in the stock market trading through authorized brokers.

Table: 9.1: Primary Market V/s. Secondary Market

Features	Primary Market	Secondary Market
Definition	- Securities issued first time to the public.	- Trading of already issued and listed securities.
Also called as	- New Issue Market.	- Post Issue Market.
Price Determination	- By Issuer Company in consultation with Merchant Bankers.	- Supply and Demand Forces of Market.
Key Intermediaries	- Merchant Bankers and RTAs	- Stock Brokers and DPs.
Purpose	- Raise capital for expansion, diversification, etc.	- Trading of securities. - Providing liquidity to investors. - Raising further capital for expansion.

Source:

https://www.bseindia.com/downloads1/PPT1_IntroductiontoSecuritiesMarkets.pdf

9.4 Objectives:

- To understand the functions and working of the stock exchange in India
- to describe the regulatory board of stock exchanges in India
- To determine the significance of the stock exchange in India and distinguish between money market and capital market
- Outline the different stock exchanges in India
- To track the evaluation of stock markets in India

The securities market or stock market has undergone the following characteristics. They are:

- Organized market
- Approved securities can trade on the centralized trading floor[6]
- Authorized brokers only trade on behalf of the investors
- All the trading activities are performed abide by the rules and regulations of the SEBI[7]

9.5 Major stock exchanges in India:

Trading in the stock market takes place in major two exchanges i.e., NSE (National stock exchange) and BSE (Bombay stock exchange). BSE is the oldest exchange in the world.[8]

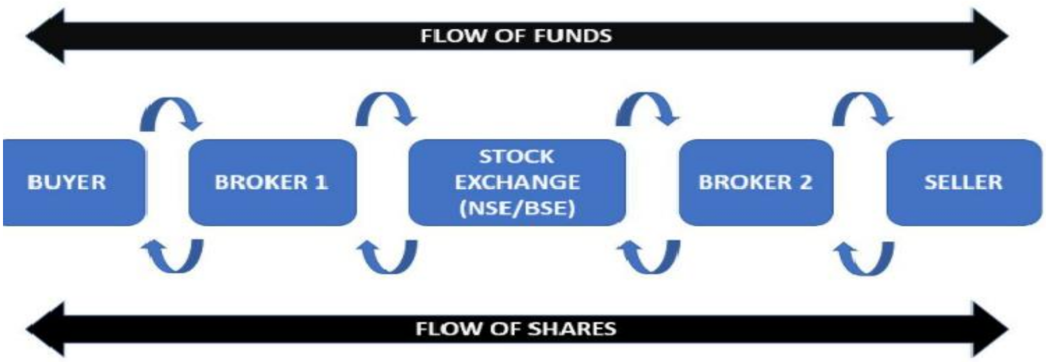
It was established in the year 1875 (formerly known as "The Native Share & stockbrokers association). [9] In 2017, BSE is the first listed stock exchange in India. It is a popular equity index - S&P BSE Index (benchmark index). [10] 4,790 companies listed in the BSE equity capital.[11]

On the other hand, NSE was established in the year 1992 and started operations in the year 1994.[12] The same trading practices, trading hours, and settlement process will occur in both major exchanges. BSE listed more than 5600 companies from all sectors[13] whereas NSE listed more than 1900 companies from all sectors.[14]In 1992, NSE established the first dematerialized electronic exchange in India.[15]

9.6 Trading Mechanism in India:

The trading takes place electronically through formal stock exchanges or over-the-counter markets where the listed companies can trade. The mechanism of trading takes place through electronic order book where the order matching is done at a terminal computer.[16]

Without market makers the trading process is driven through an order-driven system i.e., investors placed orders automatically.



Source: https://www.capitalvia.com/blog/trading-mechanism-in-stock-exchange

9.7 Clearing and settlement procedure in the Indian stock market:

The trading settlement process is called rolling settlement.[17]

In a stock market always be a buyer and seller, when the buyer buys the securities and sellers sell the goods, and the trade is settled when the buyer receives the securities and the seller receives the money electronically.

The mechanism takes place in three phases such as

a. Trading
b. Clearing
c. Settlement

a. Trading: In the securities market, simultaneous trading takes place in large volumes and an electronically ordering matching system, which matches the buyer and seller order from across the nations of different trades. Once the order is matched, the order will execute, or else it will behold.[18]

b. Clearing: Once the order is matched and the next step will take care of by Clearinghouses. Clearinghouses will facilitate the exchange of securities and payments between the buyer and the seller.[19]

c. Settlement: The settlement process is based on the T+ 2 days i.e., rolling settlement in India. The trading will clear the deals after the second working day of the transaction.[20] There are different types of settlements in the stock market such as spot settlement and forward settlement.[21]

9.8 Conclusion:

SEBI is the regulatory board in India where the investors can protect through transparency through major stock exchanges. It indicates the development phase of any economy through market indices.

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10. Indian Financial Market Overview and Its Growth

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Abstract:

The study of Indian financial market tells that the Indian financial Institutions like banks, mutual funds, capital market, insurance companies and other type of financial institutions plays a significant role in the Indian economy. It shows mobilizing and allocating funds to the public and the country's economy is based on various investment schemes and how the intermediaries play a role between players it means seekers and suppliers of funds in the market. After the digitalization happens in the country financial sector is one of the booming sector because all type of financial institution made their work easy and investors also get an advantage from this services.

10.1 Indian Financial Markets:

10.1.1 Introductions:

Indian Financial institutions is set of Institutions such as banks, Insurance Companies, and stock exchanges. The main role of the system is transferring the funds from seekers to suppliers. In modern days, country's economy is based on good financial system.

In the financial system consist some of the components like specialized financial institutions, organized and unorganized financial markets, financial instruments and financial services. The main objective of the financial system is to assist the finance within the economy.

A. Financial Institutions: Financial institutions acts as an intermediaries helps to smooth functioning of the financial system by making investors and borrowers meet. Institutions gather savings of the surplus amount from the depositors and allocate them in to productive activities for better rate of return. These institutions supplying services to entities like individual, business, government, who are seeking advice on various issue ranging from reshuffling to diversification plans.

10.1.2 Financial Market:

Financial markets refer to the institutional preparations for dealings on financial assets and credit instruments of various types such as currency, cheques, bank deposits, bills, bonds etc.

Financial Market Categorized in To Two Types:

A. Organized Market:

a. Capital Market:

1. Industrial Securities Market:

- Primary Market
- Secondary Market

2. Government Securities Market:

3. Long Term Loan Market:

- Term Loan Market
- Market for Mortgages
- Market for Financial Guarantees

4. Money Market:

- Call Money Market
- Commercial Bill Market
- Treasury Bill Market
- Short-term Loan Market

B. Unorganized Market:

- Moneylenders
- Indigenous Bankers
- Pawn brokers etc.

Capital Market: Capital Market is a organized market. It provides a long term securities. It consists of primary market and secondary market and it consists of three groups like, Industrial / Corporate Securities Market, Government Securities Market and Long-Term Loans Market.

Money Market: Money Market is a organized market. It provides short term instruments and it is used by participants as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year. Money market plays a major role in the economy. Because It plays very significant functions.

As we know money market basically a market for short term monetary arrangements. Thus it has to offer facility to adjust liquidity to the banks, business corporations, non-banking financial institutions (NBFs) and other financial institutions along with their investors.

10.1.3 Emerging Financial Market:

After the nationalization of commercial banks, there has been a stable growth in both agriculture and Industrial finance. Some of the other innovative financial institutions have been introduced in the country such as NABARD, EXIM Bank, SIDBI, etc., these institutions are responsible for providing funds to the capital market also.

Now, the world of finance growing speedily and money matters are their in everywhere with traditional banks and lending institutions. Specially this transformation coupled with pandemic-induced digital penetration, India is evolving as a global fintech superpower. The key drivers of this changing digital behaviour include the launch of the India API stack, an increase in the volume of funds for technological innovation and more.

In modern days, the Account Aggregators is one of the frameworks for India’s latest digital revolution. In this system banks acts as a data provider and followed by lenders as data seekers.

So Account Aggregators act as an intermediary in its framework but it does not store any data its only transfer the data between different parties involved in the framework.

In Financial technology or Fin-tech is Buzzword. The financial world is entering in to revolutionary period and it is necessary for our daily lives because, now a days we are paying all our bills through online. Here are the three key areas emerging in the Finance sector.

Going Digital:

Digital is not an old concept as we know earlier some of the major banks were providing digital activities but now different types of apps like paytm, Mobikwik, Phonepay, Google pay, payzapp, YONO from SBI etc are proving digital payment activities to their customers. Now, customers are using banking application in their fingertips with cheap and less cost. This activity made banks work easy and convenient.

Data is Everything:

Data is everything is not E-commerce activity. This is one of the techniques of selecting the advantage of data analytics technology in the financial sector too. Research analyses now all financial institutions are using data analytics techniques to improve their customer experience and gain a competitive edge over their peers. Institutions are focusing on to improve their efficiency level and performance.

Cyber Security is Important:

Cybersecurity is very important when finance industry using digital activities and it is most important topic too to discuss. There is a keen level of expectancy about cybersecurity and developing trends shows innovations are in line with improving the security too.

Performance of Indian Financial Sector:

Financial service industry defined by sudden acceleration in digitalization and digital payments due to covid-19 impact.

The current pandemic has forced all sub-sectors within the banking and financial services industry to innovate.

The true potentials with digital transformation. Nowadays, every Indian having smartphone and they can digitally apply for a loan, complete e-KYC, open a bank account, order food, groceries and many more.

Currently Indian financial sector covers several important sections like, commercial banks, new-age fintech startups, non-banking financial companies (NBFCs), co-operatives, pension funds, mutual funds, small and medium financial entities and recently established payment banks.

These various financial services provide solutions to a wide range of customers based on their requirements and convenience. This type of the customers may be individuals, public organizations or private enterprises.

10.2 An overview of the financial service sections are:

A. Commercial Banks:

Financial industry in India is called as service sector it contains commercial banks and various other types of financial institutions and in commercial bank accounting for more than 64% of the total assets held by the financial system.

In modern era banking system in India has changed from a physical to digital banking world. Now banks and other institutions are extending their services towards the rural side of the country and the Indian government has taken the measure to help SMEs and MSMEs to solve the pandemic crisis. So, banks has to focus on previously underserved demographics and regions.

B. Fintech Startups:

Report painted that India’s fintech market is the fastest growing market in the world. A study conducted by Boston Consulting Group (BCG) in coordinating with the Federation of Indian Chambers of Commerce and Industry (FICCI) confirmed that India’s fintech industry is estimated to reach $150-160 billion by 2025. As per the study, 33 fintech investment deals worth $647.5 million were closed in the Indian market in the quarter ending June 2020.

C. Insurance Companies:

As per 2020 the report, India’s global share in the insurance market is roughly 1.7% and it is expected to reach nearly 2.3% by 2030. The beginning of the global pandemic disrupted the existing dynamics of the insurance industry in India. Digitalization played a fundamental role in strengthening the growth of the insurance system in India.

D. Non-Banking Financial Companies:

As per the study nearly 9,507 Non-Banking Financial Corporations are introduced by Reserve Bank of India (RBI) since January 31, 2021. NBFCs are playing a primary role in promoting financial strength and their key objective is to offer financial assistance to one and all in the country. These institutions have grabbed the consideration of the Indian population, specially weaker sections of the people in the country it finds conventional banking institutions comparatively out-of-the-way and uneconomical.

NBFCs are also finds crucial for small and medium enterprises (SMEs), which are the backbone of the Indian economy and credit growth is comparatively more significant than traditional banks and lending institutions.

E. Cooperative Society:

Cooperative credit system in India has wide network in the world. The first Cooperatives Society Act was established in 1904, the society has extended across the country with an expected 230 million members now.

These societies are contributing much-needed strategic inputs and support to the growth of the agricultural sector. In India agriculture sector creates employment opportunity to the unemployed persons. Nearly 72% of the total population who live in rural areas depend on agriculture for their source of revenue.

F. Pension Funds:

Pension funds are to ensure that a person saves a part of their income in a organized manner so that it would help for a person on a regular post-retirement period.

In India there are several pension plan schemes like National Pension Scheme, deferred annuity, immediate annuity, guaranteed period annuity, life annuity, and annuity certain.

This type of funds allows individuals to make long-term savings without going through a terrific amount of effort.

G. Mutual Funds:

The Securities and Exchange Board of India's (SEBI) in a report, declared that the mutual fund industry in India is rising as one of the furthermost growing and most-competitive segments in the today's world of financial sector in India.

Other Few Initiatives Taken by the Government of India/RBI

- Pradhan Mantri Jan Dhan Yojana.
- Cashless payment through mobile applications
- Introduction of electronic fund transfer mechanisms like RTGS and NEFT
- Digital India campaign.

10.3 Performance of Indian Capital Market

Indian Capital Market had an exceptional year of 2021 due to Pandemic. The COVID-19 pandemic initially had an unfavorable impact on Indian capital markets, as indices across size and sectors cut down during the period from February 2020 to May 2020.

On the other hand, from June 2020 onwards all size and sector indices had a bull run through the end of the year. The S&P BSE SENSEX TR improved from 60,211.40 on Dec. 31, 2019, to 70,543.23 on Dec. 31, 2020—a one-year total return of 16.31%.

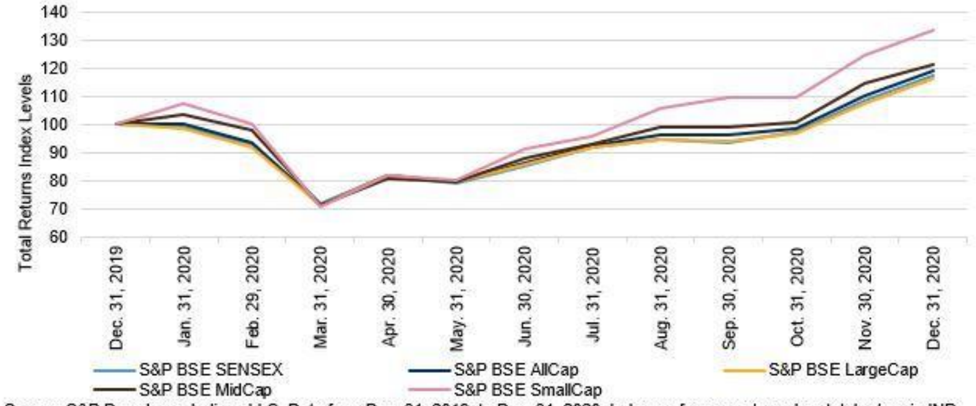
Exhibit 1 and 2 shows returns for India's leading size indices in 2020.

Exhibit 1: One-Year Absolute Returns of Size Indices

INDEX NAME	INDEX VALUE ON DEC. 31, 2019	INDEX VALUE ON DEC. 31, 2020	ABSOLUTE RETURNS (%)
S&P BSE Small Cap	16,256.89	21,707.20	33.53
S&P BSE Mid Cap	17,898.57	21,712.66	21.31
S&P BSE All Cap	5,363.45	6,372.55	18.81
S&P BSE SENSEX	60,211.40	70,543.23	17.16
S&P BSE Large Cap	5,672.61	6,597.79	16.31

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2019, to Dec. 31, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 2: Index Total Returns



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2019, to Dec. 31, 2020. Index performance based on total return in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

From Exhibits 1 and 2, we can observe that all five size indices performed well, and returns were promising for large-, mid-, and small-cap segments.

The returns of the small-cap and mid-cap segments were improved than those of the large-cap segment. The S&P BSE SmallCap and S&P BSE MidCap posted one-year absolute returns of 33.53% and 21.31%, correspondingly, while the S&P BSE LargeCap and S&P BSE SENSEX returned 16.31% and 17.16%, correspondingly.

10.4 Conclusion:

The study concluded about the financial institutions and its growth. The financial institutions play an important role in development of the country.

In the financial market, the funds are traded between the players and the institutions and it acts as an intermediary to transfer the funds between the investors and depositors. Now a days the institutions also digitalized and majority of the investors get an advantage of this, these types of services made transaction easy to individual investors.

The government should also take an initiative to develop the financial services. Industries to grow in to the global level by introducing different types of activities and in future it may contribute to the Indian economy.

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11. Global Financial Markets and India's Opportunities

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11.1 Introduction:

The Reserve Bank of India (RBI) and the Indian government have made a concerted effort to gradually develop and integrate various financial market segments in India. There are four key segments of the financial markets that are examined in this paper: money (government securities), foreign exchange (forex), and equity. This question is being raised after the 2013 episode of the USD/INR depreciation, in which monetary policy transmission was found to be ineffective. According to the regression analysis, macroeconomic variables are influenced by financial measures of government securities and the forex market. It was found that money, government securities and the foreign exchange market are highly liquid, according to the liquidity analysis Money and government securities markets are found to be less volatile, but still vulnerable to sudden shocks. Forex and equities markets, on the other hand, have become extremely volatile due to the strong influence of exogenous factors. The country's forex market has become more efficient as a result of gradual financial reforms. There has been an increase in the correlation between different market segments over time, according to cross-correlation studies. In today's fragile macroeconomic scenario, which is characterised by weak domestic performance and uncertainty in foreign investor sentiment, such analyses of intermarket and macroeconomic behavioural relationships have become important. Over the last few decades, India's economy has grown significantly. With India's help, the world has made significant progress in the fight against extreme poverty. A generation ago, India was one of the world's poorest countries, but today it is one of the world's fastest-growing economies. Our goal is to promote broad-based growth and to reduce extreme poverty and to increase shared prosperity, so this is very encouraging to us at the World Bank.

The Indian government has implemented a number of reforms aimed at liberalising, regulating, and improving this industry. India's government and Reserve Bank of India (RBI) have taken a number of steps to make it easier for micro and small-scale businesses to obtain financing (MSMEs). These measures include establishing a Micro Units Development and Refinance Agency, establishing a Credit Guarantee Fund Scheme for MSMEs, and issuing guidelines to banks on collateral requirements (MUDRA). As a result of the efforts of both the government and private sector, India is unquestionably one of the most dynamic capital markets in the world today.

financial markets allow people to buy and sell (trade) a wide range of valuable fungible assets at low transaction costs, reflecting both the efficient-market hypothesis and the low transaction costs of financial securities (such as stocks and bonds). Trading costs and fees, as well as the influence of market forces on price determination, are all characteristics of healthy financial markets. Markets in economics are typically defined as the total number of potential buyers and sellers of a given product or service, as well as the transactions that occur between them. Exchanges and organisations that facilitate the trading of financial securities, such as the stock exchange or exchange in Finance, are often referred to simply as "markets."

The process of raising money (in the Capital Markets)

- The transfer of a threat (in the Derivatives Markets)
- The exchange of money (in the Money Markets)
- In addition, they're employed to connect those in need of capital with those who already have it.

11.2 Historical Evolution of Financial Markets:

A country's financial system and infrastructure have developed over time according to the country's unique historical development. All of the players in the system interact continuously, and public policy interventions shape this evolution over time. It is also a reflection of regulators and governments at that time's thinking about how innovation and stability should be balanced and what role the state should play.

Financial markets and regulations in India have also evolved in a similar way. For example, in India, the Reserve Bank of India (RBI) serves as the banking sector regulator, while the Ministry of Finance serves as the regulator for all other financial sectors, such as insurance, securities, and the like. There are now many financial service providers and their regulatory agencies operating. Since their inception, regulators' role has evolved from that of a tool for strategic growth to one of an arbiter in today's more advanced and complex financial sector.

Example of the Financial Markets:

For example, XYZ Ltd. is looking to raise $100,000 by issuing stock on the financial market, as an example. For the first time, the company is offering shares to the general public, so it will have to do so in the primary share market, which is the case if new stock issues are first offered. The secondary market will be used for any subsequent transactions involving the stock securities.

Importance of Financial Markets:

Investors and creditors of all sizes can participate in the financial markets with confidence, knowing that they will be treated fairly. Individuals, businesses, and government agencies can all benefit from their services. Because of the numerous employment opportunities provided by the financial markets, they assist in reducing the overall unemployment rate.

This can often provide a better return in the long run than opening a savings account at your local financial institution. Buying stocks, on the other hand, can be risky. This link will open in a new tab or window on your computer. If you've had good returns on an investment in the past, that doesn't necessarily mean they'll continue to be good in the future.

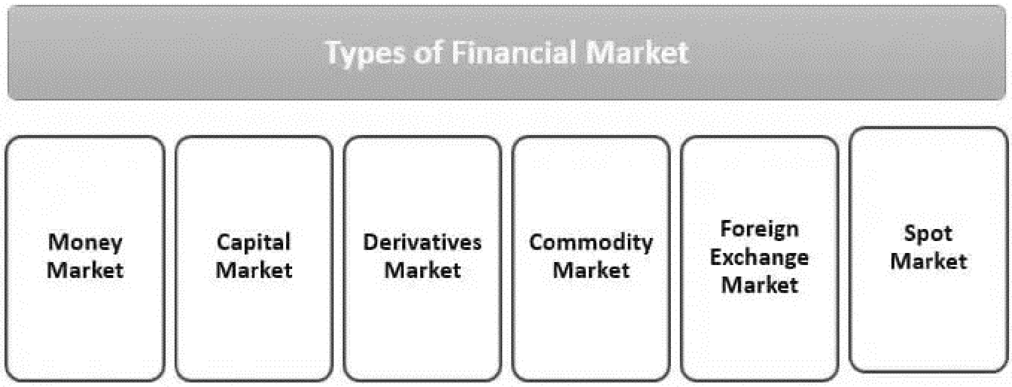
Insurance can also be purchased through the financial markets. It is necessary for insurance companies to rely on financial markets if an accident occurs, such as losing or damaging your cell phone.

There are financial markets that allow banks to borrow money, which enables them to make loans – whether that's a student loan or a house mortgage – to those who want to borrow.

To meet the short-term and long-term financial needs of individuals and businesses alike, an efficient financial market facilitates the mobilisation and allocation of surplus funds, thereby promoting wealth creation.

11.3 Types of Financial Markets:

Every country has at least one financial market, though their sizes vary widely. In contrast, the New York Stock Exchange (NYSE), which trades trillions of dollars a day, is one of many smaller exchanges. Some examples of financial markets are provided below.



11.3.1 Money Market:

Financial instruments that have a maturity or redemption date of one year or less at the time of issuance are included in this sector of the market. Wholesalers predominate here. Financial institutions that deal in short-term funds, such as commercial paper, treasury bills, and bills of exchange, are referred to as the "Money Market."

- Assisting the needy
- management of financial resources.
- To put it another way:
- Financial speculation or support for a particular position.
- Communication;
- Price information is available.

Governments have used methods of direct regulation and control of individual and company savings and investment behaviour in order to influence the supply side. However, the ability to implement policy goals through such measures has diminished as a result of rapid technological advancements, internationalisation, and financial market liberalisation.

The demand side is the primary focus of current policy, which takes the form of market-oriented measures. Intermediary between monetary policy implementation and national economies, domestic money markets serve a variety of public policy goals, including financing and managing the accumulated deficits of the public sector.

11.3.2 Stock Market:

In the stock market, you can buy and sell shares of publicly traded companies. Stocks have a value, and when they do well in the market, investors profit from them. Investing in stocks is simple. Selecting the right stocks to invest one's money in is the real challenge.

To keep tabs on the stock market, investors can look to indices like the Dow Jones Industrial Average (DJIA) or the S&P 500. As soon as an investor purchases a stock at a discount and then sells it at a higher price, they profit.

11.3.3 Bond Market:

In order to secure funds for a project or investment, companies and governments can turn to the bond market for assistance. In the bond market, investors purchase bonds from a company, which then pays back the original principal and interest to the investors over a predetermined period of time.

11.3.4 Capital Market:

The long-term financial instruments issued by corporations and governments are traded in the Capital Market. Perpetual securities and financial instruments with an original maturity of more than a year are considered long-term investments in the context of this definition (those with no maturity). Securities that represent ownership interest, or equity, issued by corporations as well as state and local governments are known as Capital Market securities.

In the world of finance, there are two main markets: the cash market and the derivative market.

- **Market For Cash:** Financial instruments can be bought and sold in the Spot Market, which is also known as the cash market.
- **Derivative Market:** Contracts in the derivatives market specify that the contract holder has an obligation or a choice to buy or sell another thing at or by a future date. Some financial instruments. The contract's "something" is referred to as the "underlying" (asset). Stock, bond, interest rate, currency or commodity are all examples of the underlying asset. Contracts that are linked to the value of an asset are known as derivative instruments and traded in the derivatives market because their value is derived from the asset's value.

11.3.5 Foreign Exchange Market:

An exchange where people buy and sell currencies is known as a forex market. It consists of financial institutions, commercial enterprises, central banks, asset management firms, hedge funds, and individual investors in the Forex market. It's the biggest market in the world, according to most estimates.

The currency markets are regarded as the most efficient financial markets because of their size and liquidity. To facilitate international trade and investment, foreign exchange markets allow for currency conversion.

Even though the US company's income is in US dollars, it is permitted to import goods from the EU member states in Euros. Trade and speculation based on interest rate differences between two currencies can also be supported by the currency's direct speculation and evaluation.

As a result of the following characteristics, the foreign exchange market is quite distinctive.

- As the world's largest asset class, bitcoin enjoys exceptionally high levels of liquidity thanks to its enormous trading volume.
- Dispersion across the globe

- 3Its non-stop operation is a plus:24 hours a day except weekends i.e. trading
- Sunday at 22:00GMT until Friday at 22:00GMT (Sydney time) (New York)
- Exchange rates are influenced by a wide range of factors
- Relative Profit Margin: Low Compared to Other Fixed Income Markets
- Despite currency intervention, the use of leverage to increase profit and loss margins and account sizes has been referred to as a market closer to perfect competition.

11.3.6 Commodities Market:

A market that is closer to perfect competition, despite the use of leverage to increase profit and loss margins and account sizes, has been described as such despite currency intervention.

Financial Market Advantages:

As you can see, financial markets have many advantages.

- Firms can use it as a long-term and short-term source of capital.
- There are cheaper ways to raise capital than to borrow money from commercial banks and pay higher interest rates. There aren't a lot of loans available from commercial banks, either.
- When a company's authorised share capital runs out, it has the option of raising additional funds from the market.
- Banks and other financial institutions act as go-betweens in the financial markets, offering financial and strategic advice to businesses and investors alike. They provide access to resources, advice, and knowledge that might not otherwise be available
- Trading and dealing with multiple shares, securities, bonds, and derivatives are all possible with this system because of its multi-securities platform.
- Investment and business confidence are bolstered as a result of strict financial market regulations.
- Provide a platform for the lending and borrowing of international money in various currencies.

Functions of the Markets:

The importance of financial markets in a country's economic success and strength cannot be overstated. Financial markets perform these four essential functions:

A. Utilizes Savings in A More Beneficial Way:

Money in a savings account, as shown in the preceding illustration, should not be left untouched. Banks, for example, provide access to credit for people and businesses in need of mortgages, student loans, and other types of loans.

B. Sets the Price of Financial Instruments:

It is the goal of investors to make money from their investments. Prices of securities, on the other hand, are determined by the financial markets, rather than the law of supply and demand.

C. Financial Assets Can Be Traded More Easily:

The decision to trade securities can be made at any time by either the buyer or the seller. They have access to financial markets and can use them to either sell or invest their securities.

D. It Reduces Transaction Costs:

There is no need to spend money in the financial markets to obtain information about securities.

Significance of Financial Markets:

The financial markets play a crucial role in the global and national economies. The financial markets serve as a medium for the exchange of financial assets between buyers and sellers. The market force, which is demand and supply, determines the prices of the same. The investors' savings are made available for productive investment. When it comes to facilitating trades, it is one of the most sought-after platforms for traders.

On the financial markets, investors can sell their financial securities. As a result, the tradable assets can also benefit from the liquidity provided by financial markets.

The Role of Financial Markets in Economic Growth:

Markets in the financial sector are critical to promoting economic growth. In economics, it's commonly argued that a well-functioning financial sector encourages investment and trade and business ties, making it easier to make better use of resources and spread new technologies.

When savings are put to use, financial markets encourage investment in both the physical and human resources of a country. The financial sector also collects and analyses data on investment opportunities, which allows for savings to be put to better use. By monitoring management and exerting corporate controls, the financial system may be able to improve the efficiency of the corporate sector.

11.4 Growing Capital Markets:

Working capital and fixed capital are the two types of capital required by every business to fund its operations and production. A company's working capital is used to purchase raw materials, while its fixed capital is used to invest in long-term assets such as plant and machinery.

Exporters and importers can receive and raise money to settle transactions on the financial markets. There are numerous foreign currencies that can be borrowed and lent to customers by banks, as well. In addition to helping the government meet its foreign exchange needs, this is a benefit to the capital market.

Trade Development:

Discounts on financial instruments like treasury bills and commercial papers are possible because of the financial markets' role in supporting both domestic and international trade. Commercial banks also provide pre-shipment and post-shipment financing for importers, and a Letter of Credit is issued in their favour.

Because the buyer and seller don't have to meet in person, the financial market makes it easier for documents to be exchanged between them. The growth of the economy is aided by such rapid transactions in trading.

Relationship Between Savings & Investment:

With the help of the financial markets, savings and investments can flow freely throughout the country. Depositors are encouraged to invest in FDs and RDs by banks, which offer them attractive interest rates.

Banks use these funds to extend credit to a variety of companies involved in manufacturing and distribution. Banks also facilitate the allocation of resources across a wide range of economic sectors.

Government Securities:

To help the government raise money, the financial markets allow them to borrow at a lower interest rate. Short-term and long-term funds can be raised from the government securities market to meet capital needs by issuing bonds and bills issued by the federal and local governments, respectively

Tax-exempt bonds, such as treasury bills, offer a low-interest alternative for the federal government to borrow money from the money market. As a result, money, capital, and international markets play a critical role in fostering domestic trade, industry, and commerce.

Balanced Growth of Economy:

Economic growth will be more balanced when all sectors are growing at the same time. By facilitating savings into investment channels, the financial markets allow for a wide range of investments in various sectors of the economy. It is crucial for the financial markets to distribute these funds to the various sectors of the economy in such a way that the growth of the manufacturing, agricultural, and service sectors, as well as the entire country's economy, is not disrupted.

Foreign Exchange Markets:

The foreign exchange market enables exporters and importers to receive and raise funds for the settlement of the deals. The ability to borrow money from banks and disburse it to a variety of customers in various foreign currencies, such as the British pound, the US dollar, or the Euro, is another benefit of this method.

This market also allows banks to invest short-term idle funds to earn profits and helps the government meet its foreign exchange needs through the market.

Growth of Financial Infrastructure:

The health of the financial system has a significant impact on economic growth. Economic growth is dependent on the strength of the economy's financial assets, its financial market, and its financial intermediaries. Financial services aid in the development of infrastructure and industry. It is through these intermediaries that investors and savers can successfully transfer resources between each other, as the financial market acts as a conduit.

11.5 Growing Employment Opportunities:

There are more and more job openings in the economy as the financial system expands As the financial markets help businesses raise capital, production rises, necessitating an increase in workforce. Both the organised and the unorganised sectors benefit from this.

Job openings in a variety of fields, including sales, marketing, and advertising, are increasing in tandem with the growth of the industrial and business sectors themselves. Increased employment is a benefit of start-ups.

Ensures Political Stability:

In countries with a well-developed financial system and market, the political climate will always be stable. A country's financial system and overall economic development will be harmed if it has an unstable political climate, as is the case in countries like India and Pakistan.

Control Through Fiscal Discipline:

Because of the financial markets, governments can cultivate a business-friendly environment free of inflation and depression. Financial markets should be able to provide adequate protection for industries so that they can meet their credit needs even during difficult times.

The government has the ability to raise the necessary funds to meet its financial obligations without impeding economic expansion. By enacting appropriate legislation, it controls the market and prevents speculative activity while also reducing the use of illicit financial instruments like black money. Whatever the product or service, they are a constant source of revenue for their countries. It's unclear where all of this money — issued by governments, businesses, financial institutions, and individuals — will end up in the future, and that has an impact on the decisions people make today. It is the current actions that influence future expectations, which in turn influences current and future trends. How certain groups feel about the current economy is frequently measured using indicators of sentiment. There can be a bias or expectation based on these indicators and other forms of fundamental and technical analysis.

Demand and Supply:

Prices are driven by supply and demand for goods, services, currencies, and other investments. When the supply or demand for a product or service shifts, prices and interest rates follow suit. As the supply of something diminishes, the price rises. When supply exceeds demand, prices will decrease. Prices can rise and fall as demand increases or decreases if supply is relatively stable.

The Scope of Career in Finance Sector in The Indian Financial Market:

The Indian financial market is currently expanding at a rate far exceeding that of any other industry in the country. Since the 19th century, the stock exchanges in Mumbai, Ahmedabad, and Kolkata have grown in size and organisation. Madras, Kanpur, Delhi, Bangalore, and Pune joined the list of eight securities exchanges in India in the 1960s in addition to those three. Currently, India is home to 23 regional stock exchanges.

The industry's rapid expansion necessitates a large workforce across the country. It prefers graduates with a strong background in business, economics, finance, mathematics, and management. Firms that provide financial advice often hire recent graduates as entry-level employees. Stock brokerage firms and mutual fund houses both hire recent graduates with relevant experience. Sales and marketing, fund accounting, investment and research, operations, and administration are the primary functions of a Mutual Fund company. One can start out as a financial advisor or financial planner, then move on to become a research analyst and finally a fund manager after a few years of experience.

India's financial sector offers a wide range of career options, including:

In the finance industry, money managers play an important role. In general, they invest in fixed-income securities such as corporate bonds and money market funds. They specialise in small stocks and large-cap mutual funds, which are their main focus. Portfolio Manager, Mutual Fund Analyst, and Hedge Fund Trader are some of the most common positions.

(ii) The corporate sector, stock broking firms, finance firms, and shipping firms are other possible career paths in the insurance industry. As a result of the insurance industry's privatisation, more people can now find work.

(iii) The demand for financial planners is growing as more and more people become wealthy and join the millionaire's club. Wealthy individuals can benefit from the services of these financial planners by planning ahead for unforeseen expenses that may arise. A financial planner, like a family doctor, ensures the long-term financial well-being of a family by keeping an eye on both the present and the future. The Chartered Financial Planner (CFP) course, currently offered in India by the Association of Financial Planners (AFP) in technical collaboration with the Financial Planning Association of Australia Ltd., is required for those who wish to pursue the career of financial planner.

11.6 Conclusion:

Financial markets remain unstable despite the existence of independent regulatory bodies and a wide range of banks and financial institutions, which necessitates more speculation and strong policies from these institutions. Because of the openness of financial markets, we are better able to make informed decisions about where and how to invest our money. Risk and investment can be accommodated by both small and large investors, long-term and short-term investors, large corporations and small corporations. The government's ability to move money around the country is facilitated by a strong market, which also creates opportunities for various industries to grow. Since the financial market involves trading in financial assets like stocks, bonds, derivatives, commodities, currencies, etc. it can be concluded that this market is called the financial market. Financial instruments and securities are exchanged through the use of an arrangement or institution like this. Location isn't everything; it can be absent or present. Alternatively, the assets can be traded over the phone or the internet between the parties. As a result of factors like low transaction costs, investor protection, high liquidity, pricing information transparency, ease of legal procedures for resolving disputes and so on, the role of the financial market has dramatically changed in just a few years.

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12. Effect of Covid-19 on The Marketing Strategies of Companies in India

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Abstract:

The frequent shift can be witnessed in advertising strategy, market strategy, television expenditures, promotional activities and media expenditures resulted due to the effects of the Covid-19 epidemic. Businesses have been forced to rethink their marketing strategies as a result of it. When it comes to attracting and communicating with customers, marketers have been forced to reconsider their strategies and tactics. Marketers in all industries must go beyond crisis preparation in order to learn from mistakes and discover opportunities that could have helped their customers and businesses in the future.

The Covid-19 pandemic was one of the catastrophic events occurred in human history regarding economic cost, death tolls, worldwide spread and influence on public health. The effects of this deadliest pandemic can also be seen on the implementation of IMC. And the money that goes along with it in enterprises. During current economic downturn, digital marketing has garnered more attention and funding than other forms of IMC. Most individuals now prefer online shopping methods. All marketing efforts put at center, the needs of the customers. The ways to connect with clients and the digital marketing tactics has also modified during the pandemic. The primary goal of this research is to present a primary inquiry into how the Covid-19 pandemic can affect marketing advances. It also wants to provide additional knowledge on how marketing philosophy is evolving due to the epidemic.

Keywords: *Marketing, Marketing Strategies, Pandemic, Covid -19.*

12.1 Introduction:

Due to pandemic, digitalization is being employed more extensively in higher education marketing, and as a result, the field of Content Marketing is seeing an upsurge. There is a growing desire among the younger generation to become more digitally savvy, and content marketing is the ideal venue for them. [1]

A wide range of content, including blogs, podcasts, email newsletters, videos and e-books, can be developed and released as part of content marketing. Marketing with content relies on anticipating and addressing an existing customer need for knowledge rather than creating new demand for the product or service being advertised. The reason is that it requires a lot of information to be delivered frequently, preferably as part of a content marketing plan. [2]

For most entrepreneurs, compromise and problem-solving are second nature, but COVID-19 has offered new and unexpected obstacles. There have been numerous impacts on businesses across the country and in nearly every industry due to a variety of factors, from financial losses and supply chain disruptions to a general increase in the difficulty of conducting business entirely online, as has been the case for some companies over the past 7-8 months. It's time to step up your internet presence for most firms. [3]

Considering the effects of pandemic, as many individuals are bound to stay at home only, results in the vulnerability of the businesses that totally relies on word of mouth and foot traffic. There's direct impact of the Covid-19 crisis on consumer behavior that furthermore directly impacts marketing.

There are many similarities between the COVID-19 problem and economic downturns when it comes to the way marketing is utilized. [4]

The Covid-19 crisis shot up the usage of social media in recent years. Social media, by developing social networks of opinion leaders, customers and industry experts, have reshaped and changed the dynamics of electronic economy. They recognized the value of social media markers when they came to know that in order to influence customers, integrated marketing promotional messages can be effective and discovered that this leads to consumption behaviors.

Businesses' service efforts are hindered by the COVID-19 epidemic and its related government mitigation strategies, which makes it inconvenient to contact directly. Customer dissatisfaction would undoubtedly rise as a result of subpar customer service, which will hurt a company's efforts to build customer loyalty. [5]

Coronaviruses, despite their many problems and crises, offer some advantages and chances for some sectors of the country. It is possible, however, that repurposing can be used to boost small and medium-sized enterprises (MSMEs) in manufacturing by producing health equipment and supplies or to significantly advance the digitalization of public and private sector services in order to greatly initiate new innovations. [6]

12.2 Using The Four Ps Framework Has Long Been Used To Evaluate And Alter Marketing Campaigns:

12.2.1 Product:

Products and services often undergo a gradual evolution under normal conditions. Online sales and, in the case of service providers, online delivery have necessitated product adaptations for many businesses. Customers will continue to shop online, so redesigning your products and services to make them relevant online should be a focus.

Consumer habits evolve along with the times. Customer behaviour and what they're willing or willing to accomplish or value is changing. It's possible that your previous best-selling item no longer has that distinction. You need to change your business strategy based on current buyer trends, not your business history. This is a culture shift, and you need to make sure your staff feel like they're working in a tech-forward workplace. [7]

12.2.2 Price:

Many businesses have seen a rise in operational and supply costs as a result of the COVID problem. The price of your product may change as a result of the changes you make to it. Changing costs of goods sold or operating expenses, for example, or a change in value since you're now providing more than you did before could all be reasons for this.

12.2.3 Place:

Amazon, Walmart, and a slew of other old and new traditional and digital platforms are all at your disposal. Develop an e-commerce-ready website or one that allows you to digitally schedule services to further establish your online presence. In the wake of COVID, everyone has become more comfortable with buying and working online. Physical space can't be ignored, either. If you have customers in your office or store, be aware of the rules and comforts in place. [8]

12.2.4 Promotion:

While it may appear more difficult than ever to get in front of potential customers, it's actually easier than ever. As a result, we're unsure of what to say and how best to promote our business. Digital advertising and social media make it easier for us to connect with our customers. We are always making decisions about what to say, how to say it, and where to put our money. Trying to simplify your thoughts and putting the needs of your customers first are the best approaches. [9]

12.3 Marketing Strategy:

All of these techniques are part of the integrated marketing umbrella: from design to digital marketing to public relations to on-site advertising and even events and promotions. Digital marketing will play a major role in the modern age, as social distancing is expected to continue for some time. As a result, digital marketing is doomed to fail without both EQ and IQ. Digital and online platforms will require brands to convey their stories in a way that engages customers on an emotional level through carefully crafted copy and visually appealing design. In the future, customers may see social media marketing as a way to connect with your brand. [10] As part of your marketing strategy, you'll use a variety of tactics, including digital marketing, public relations, and design. In light of the recent coronavirus outbreak, digital marketing has never been more important. In order to express their narrative on digital and online platforms, brands use well-written design and content. [11] Increasingly, social media marketing is being used as a tool to engage with customers, as traditional marketing methods have proven ineffective. During Covid-19 phase, one of the marketing's most challenging job is to discover clients and interact with them, and to generate long term cash flows by converting them into valuable assets. Over the course of COVID-19, this pivotal position has been completely turned on its head. Many businesses have been driven into crisis management as a result of the shift to homebound clients, social isolation, and an uncertain environment. An effective marketing plan is based on the 4Ps: Product, Price, Place, and Promotion. [12] The four pillars of marketing are product, pricing, location, and promotion. Products and services have been impacted by Covid-19 while prices have been impacted by discounting and credit policies. Additionally, impact of the pandemic can be seen on various aspects like advertising, sales promotion, market channel, distribution and publicity. [13]

12.4 Behavioural Changes in Consumers:

The way consumers shop has shifted dramatically. As a result of the convenience and security afforded by internet shopping, clients are gradually turning to it for nearly all of their buying requirements. The Indian E-commerce industry is growing and expanding powerfully. It is expected that by 2034, it will become the second largest market. People took to social media to pass the time while the school was under lockdown. In 2020, Instagram had more than one billion monthly active users. Instagram's rapid expansion has been awe-inspiring. Previously exclusively utilised for personal photo and video sharing, it's now a significant potential market for organizations. When it comes to Instagram marketing, businesses are taking advantage of the fact that 928.5 million people may be reached with one post. [14]

12.5 Review of Literature:

Most relevant studies have been reviewed in a report by Dekimpe and Deleersnyder (2018) [15] on the effectiveness of marketing initiatives during economic decline and upturn. Though it's expected to lead into a recession, this particular crisis exhibits traits that aren't typical of a recession.

There has been an upsurge in the amount of time and money spent on digital marketing strategies in recent years. For a variety of causes, the Covid-19 economic crisis is dominated by this marketing technique. Most events like flea markets, conferences, fairs, and trade exhibits scheduled for the second quarter of 2020 have been cancelled or are being held virtually. The epidemic is also expected to effect the next events in the last quarter of the year. Marketers are seeking for new ways to spend their marketing budgets around the world as a result of this during the pandemic, they need to keep promoting the is brand and generating the necessary leads and revenues to be in business. As a result, the digital marketing strategy is a crucial investment for marketers (Hamilton, 2020) [16].

Marketing expenses have dropped for the first time in more than 20 years as a result of the pandemic of the Coronavirus. All facets of marketing have been influenced by this crisis. Marketing expenses in the United Kingdom, for example, saw the steepest declines. In the year of the Vizard (2020), [17]

Majority of government-imposed lockdown across the world to fight the virus which further promoted companies to increase their technical investments so that they can continue the company and ensure the sales by using digital gadgets and tools. (Siggelkow & Terwiesch, 2019). [18]

For example, Covid-19 pandemic was dealt with by SMEs using digital technology to reconnect with clients, as revealed by Bettiol et al. (2021) [19]. (26 Italian SMEs analyzed). Researchers discovered that employing web-based technologies and investing in digital content increased both the frequency and quality of SMEs' contacts with customers. Particularly for SMEs, CRM and online shopping systems provided the tools they needed to compete and succeed in today's marketplace.

These findings have a substantial impact on management. Entrepreneurs and small businesses must adapt to the current economic crisis by embracing new operational techniques and processes that focus on clients, Web-based technologies are not mere a tool, instead they themselves are the beginning point of the marketing strategies. To connect and communicate with customers, to manage them and to satisfy their demands, SMEs should enhance the use of web-based technologies.

Analyzed the most popular social media platforms, including Twitter, YouTube, and Instagram based on Mahmoud's findings. The research examined how this condition has been passed along in various communities, and it discovered that, in addition to the inaccurate information that is widely disseminated via social networking sites, there has been an increase in the sharing of accurate information regarding COVID-19 (Cinelli et al., 2020). [20]

According to Laato et al. (2020) [21], researchers have paid little attention to how pandemics affect consumer behaviour. This is because of the lack of research on this topic. Rather, research has concentrated on the influence of pandemics on health-related behaviour. The COVID-19 pandemic is a unique chance to acquire insights into consumer behaviour during a time of uncertainty. Since the pandemic began, consumers' social media habits are changing significantly.

12.6 Objectives:

In the wake of the Covid 19 attack on a global scale, there have been significant hurdles for many industries, including business. It's wreaked havoc on economies around the world, from the most developed to the poorest. It is the goal of this study to determine how companies might adjust their marketing policies and strategies amid the COVID-19 issue.

12.7 Research Methodology:

For this work, qualitative research is more appropriate because the goal is to investigate and identify how Covid-19 can influence marketing philosophy. A social phenomenon can be described, explored, or explained using this method. Qualitative research allows for a more in-depth investigation and a variety of viewpoints.

12.8 Result and Discussion:

Every part of our lives is being impacted by the COVID-19 problem right now. Compassion for persons infected by the coronavirus is universal. Since the beginning of this year, society and the economy have been effectively paralysed. Figure 12.1 shows how COVID-19 is affecting real GDP around the world. [22]

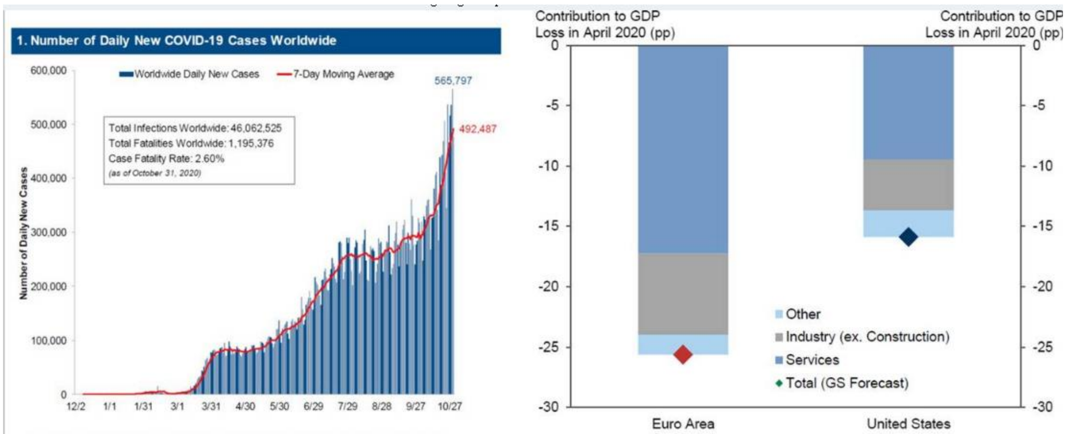

Figure 12.1: COVID-19 and GDP.

Global COVID-19 has been continuously increasing over time as shown in the graph. We can also conclude that the global economic slowdown will have long-term consequences from the right-hand side of Figure 12.1. Because of the COVID-19 crises anticipated impact on our way of life, work and shopping as well as on consumer behavior. As a result, nearly all enterprises will be impacted. Companies must do all they can to minimize the impact on their customers' basic necessities and employment levels in order to keep up with the times. Marketing is one way to accomplish this goal. [23]

Material marketing is the sort of marketing that centered on generating, publishing, and distributing the content for the intended audience online. It attracts attention of prospects and transforms prospects into customers by developing and sharing great free material which is useful for the customers. Today, content marketing helps firms build long-term brand loyalty, delivers relevant information to customers, and encourages them to buy from the company again in the future through the use of content marketing. The process of content marketing is depicted in the diagram below. [24]

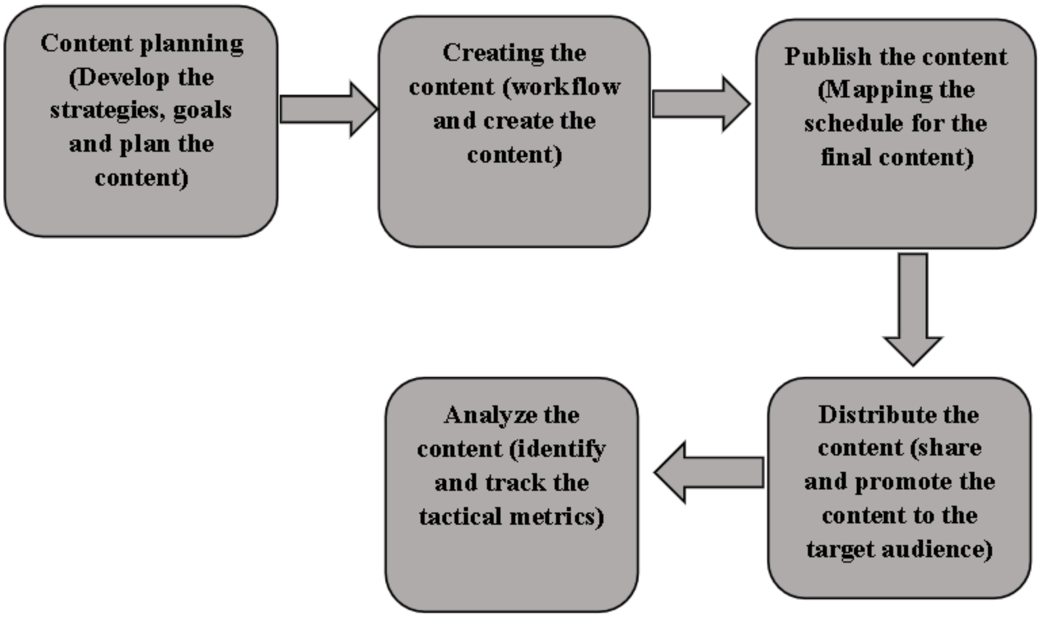

Figure 12.2: Flow Chart of Process of content marketing

Because of the current situation, digital development is not simply an expansion of the company, but a necessity for its existence.

It's revealed in Table 12.1 that consumers prefer to order products via the channels mentioned below. [25]

Favorite Channel to Order	Frequency	Valid Percent
Online Platform	107	41.63
Phone	81	31.52
Email	37	14.4
Facebook Account	93	36.19
Order form	178	69.26

Table 12.1: The frequency of the preferred channels for placing orders

The best channels for making orders are indicated in fig. as well as the information on channels pertaining [26]

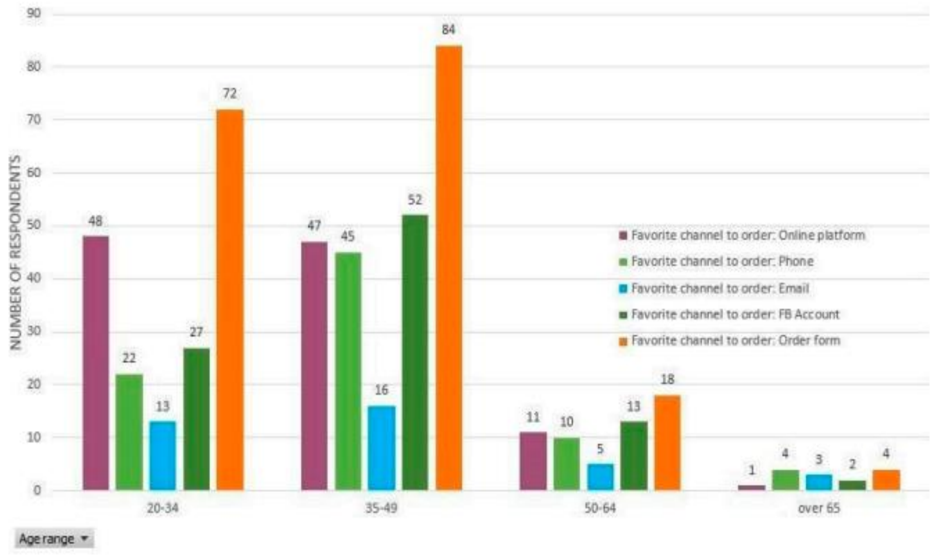

Figure 12.3: The favorite channels for placing orders depending on age group

12.9 Conclusion:

In the current Covid-19 pandemic, practically all businesses face either a supply or demand shock, or both, as a result. It was necessary to change the course of a company's marketing strategy in order to save money on advertising.

This pandemic prompted many brands to rethink and reimagine their marketing tactics and strategies in an effort to combat the epidemic. In addition, several organizations have shifted their marketing budgets to focus on mission-based, cause-related, and purpose-driven marketing in order to fulfil their customers' digital media consumption, which has increased rapidly. As a result, the marketing strategy should be focused on the value that can be added to the product and the best way to maximize and optimize that value. If this strategy succeeds, it might be the difference between life and death for the company.

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13. Impact of Covid 19 on Stock Market in India

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Abstract:

Conditional heteroscedasticity models are used to examine how stock price volatility in India is affected by COVID19. The Indian stock market's reaction to the COVID-19 lockdown is examined in this study. After the COVID-19 lockdown, an investigation has been launched to see if the Indian stock market's response will be the same pre-and post-lockdown. This study examines the influence of COVID-19 on the Indian stock market. The (NIFTY50), India's most important stock market index, and the companies that comprise it were therefore the focus of our investigation. The purpose of this research is to examine the impact of Covid-19 on several financial stability indices, including stock market valuations. After the Lockdown began in 2020, Covid's Lockdown had a major influence in India. While there was an increase in volatility throughout the crisis period for all of the strategy indices, this suggests that the pandemic's effects will persist for some time after it has ended. Consequently, investors will be able to make better investing judgments because of this research.

Keywords: *Stock Market, Indian stock market, Covid 19, Pandemic.*

13.1 Introduction:

The Corona virus is believed to have originated in Wuhan, China (also known as COVID-19). People who are infected can pass the virus on to others by coughing or spitting out their saliva or nasal secretions. More than one-third of the world's population has been quarantined due to a corona virus epidemic. More than 200,000 people have died and more than 2 million have been infected worldwide as a result of this virus. Markets around the world are on edge due to fears of a worldwide financial system crash In recent years, India's economy has progressed at a snail's pace. Unemployment rose, interest rates fell, and the stock market became more volatile as a result of the lockdown. Investors are gloomy despite

India's low corona virus infection incidence compared to other countries. There will be a substantial impact on India, but it is unlikely that a recession will result from Covid-19, according to economists.

The Indian stock market is quick and responsive to changes in the global economy. On January 30th, India received information of the problem; on March 24th, 2020, the government finally agreed to implement measures to stop it. This is an alarming loss of time of about 53 days. It's possible that it reduced the virus's transmission among the general public. In the wake of the government shutdown, how did the stock market fare? In this event study, the stock market shutdown triggered by COVID-19 is defined using the semi-strong variant of the market efficiency theory (Fama, 1970). "Event studies" is the term for these types of investigations (Fama, 1991). When COVID-19 was announced, this study looked at how soon security prices reacted.

Both the Bombay Stock Exchange (BSE) Sensex and the National Stock Exchange (NSE) Nifty are significant stock indices in India. The Sensex index of the Bombay Stock Exchange fell by 13.2 percent on March 23rd, 2020. In 1991, the Harshad Mehta Scam broke and they fell to their lowest single ever (Mandal, 2020). It has also fallen nearly 29% since the beginning of the year. A 'Black-Swan Event', as defined by some economists, is an event that is unexpected and has a significant negative impact on the economy. The government's lockdown strategy has resulted in factories reducing their workforce and manufacturing capacity, which has impacted the supply chain. People cut back on their consumption as a result of the general sense of unease, which creates a supply-side shock.

There was a previous pandemic that affected only the supply chain, according to recent studies. Nonetheless, the pandemic of COVID-19 has impacted both the demand and supply chains. Publicly available information and past stock prices are both considered in the semi-strong Efficient Market Hypothesis. There is a lag time before the price reflects all the available facts in a market with semi-strong market efficiency. There is a wide range of lag times based on the market, individual security, and way of sharing information. Based on stock market data from India, this study attempts to support the semi-strong variant of the EMH. It's (Foster, 2012). The study's authors wanted to see how a market shutdown affected the average abnormal return of different equities.

13.2 Review of Literature:

It has been determined that the COVID-19 virus has had a negative impact on the international trade and financial policies of US enterprises, particularly those with exposure to China, in a study conducted by Ramelli and Wagner (2020). The author came to the conclusion that the health issues intensified the economic crisis through numerous financial channels.

For example, the unintended consequences of economic issues on the spread of infections and how limited resources can be allocated to limit infection spread were all addressed by Adda (2016), who used to quasi-experimental variation to evaluate the importance of the police, who had been ordered by the federal government to reduce interpersonal contact and to shut down public transportation.

Research by Ozili and Arun (2020) on the influence of COVID-19 on the world economy was undertaken during this time period, from January to March of that year. Government policies like fiscal and monetary policy, public health initiatives, and commercial limitations were utilised in this research. Restrictions on internal travel and increased fiscal policy spending influenced the level of economic activity, but the increasing number of verified coronavirus cases had no significant effect.

To find out how the financial crisis affected specific countries' performance, Eleftherios Thalassinos et al. (2015) carried out research. The financial crisis had an impact on capital markets in ten nations, and a variety of metrics, such as turnover, stock market capitalization, and share price indexes, were used to demonstrate this. Eastern European economies were particularly hard hit by the economic crisis, according to their results. Reductions in stock markets, curtailed credit, and a decline in exports impacted even the countries that had a smaller influence.

Ksantinia and Boujelbène (2014) examined the impact of the financial crisis on GDP growth and investment in 25 countries. The use of control variables allowed researchers to monitor trends over a period of time from 1998 to 2009. It was established that the financial crisis had a major effect on GDP growth and investment levels.

An investigation into the weekday effect in times of financial crises by Hourvouliades (2009) was published in 2009. The six regional equity markets examined in this study included Turkey, Bulgaria, Romania, Ukraine, and Cyprus, as well as Greece. There were five emerging markets and one mature market included. According to the conclusions of this study, the weekday effect vanishes completely after two subperiods in more developed economies.

From April 2005 through May 2020, the impact of the day of the week on the Indian stock market will be analysed. COVID-19 and the Indian stock market's recent demise will be explored to see if they have any bearing on the impacts of the day of the week.

13.3 Research Methodology:

Researchers hope to find out if the lockdown period leading up to the event dates has any major beneficial AR and the speed at which knowledge regarding lockdown announcements is incorporated into market safety prices.

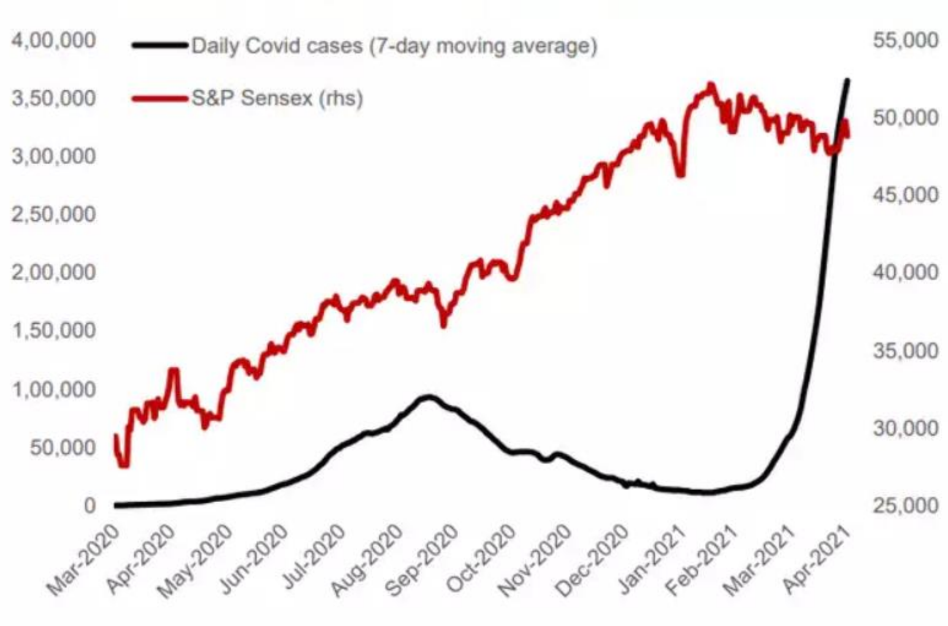
During the lockdown triggered by COVID-19, the Indian stock market experienced major changes, and this study explores how those changes have altered over time. According to the research, the Indian stock market will be affected by the breakout of COVID-19 by the end of March 2020. NIFTY50 was utilized as a yardstick for market activity. The examination focused on the NIFTY50 components of the index.

13.4 Result and Discussion:

In response to the stock market's apathetic response to the destructive Covid-19 waves, the Indian govt. has encouraged local governments to implement more targeted containment methods that are more localised and focused in order to minimise the economic impact.

For the week ending May 23, the Nomura India Business Resumption Index (NIBRI) fell to 60, down from 63 the previous week. It has recovered to levels observed in June of last year after a full rebound in February of the index that analyses high-frequency economic indicators such as mobility, electricity demand and unemployment.

A. Daily Covid Cases Vs Indian Stock Market Performance:



Source: Our World in Data, Bloomberg, As of April 2021

B. Increasing economic growth in India and Covid:

Since much of India's industrial activity has not been shut down, the country's economy is not expected to take as severe an impact as it did in 2008. IMF revised India's production growth prediction for next year from 11.5% to 12.5% when the spike in Covid cases became apparent in early April. Our economic defences have been breached, though, thanks to Covid. In July, the government expects GST receipts to slip below Rs 1 trillion, according to official estimates.

C. Effects on the stock market:

No one can figure out why the market is so resilient to Covid 2.0, participants included. Nifty has risen by nearly 6% in the recent month. Financial services firm Franklin Templeton said that when the government speeds up its vaccination deployment and lifts lockdowns, "this second wave will have a short-term impact on the country's economic recovery," in a report published Tuesday.

Figure 1 depicts NSE stock prices for the time period under consideration. Before Feb 2020 (the pre-COVID-19 period), the prices of both indices show a nearly straight line. After the first case in India is reported and the first lockdown is announced at the end of March 2020, the steep begins to decrease. From April 2020 onwards, there is a positive tendency in the data. Since the government relaxed its lockdown strategy in April, this has happened.

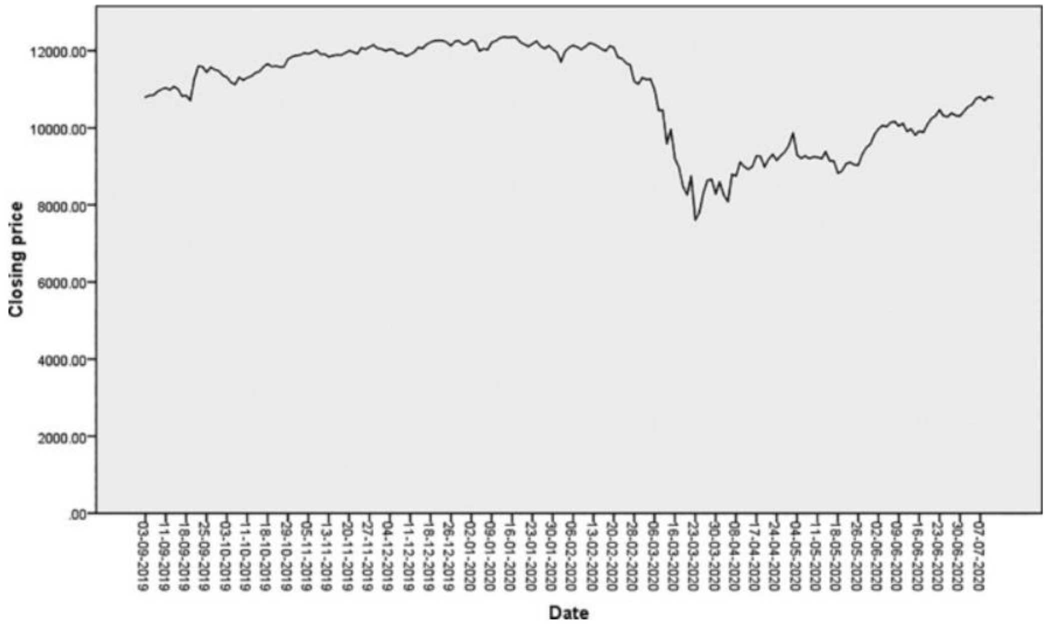


Figure 13.1: The NSE Stock Price Over Time Depicts.

(Source: https://www.ncbi.nlm.nih.gov/)

Corona virus' effect on the stock market was assessed by examining the share prices of the top ten NSE-listed businesses. The data was based on the closing stock prices of each week. At the beginning and end of each week, the opening and closing prices, as well as the high and low values, of a given share are reported. In order to get a sense of how investors view a company's future, we used closing prices.

The index up and down during the pandemic, as shown in Figure 2. According to the data, the pandemic in India began with a 15–17 percent decline. April saw an upward trend as the market recovered from March's lows.

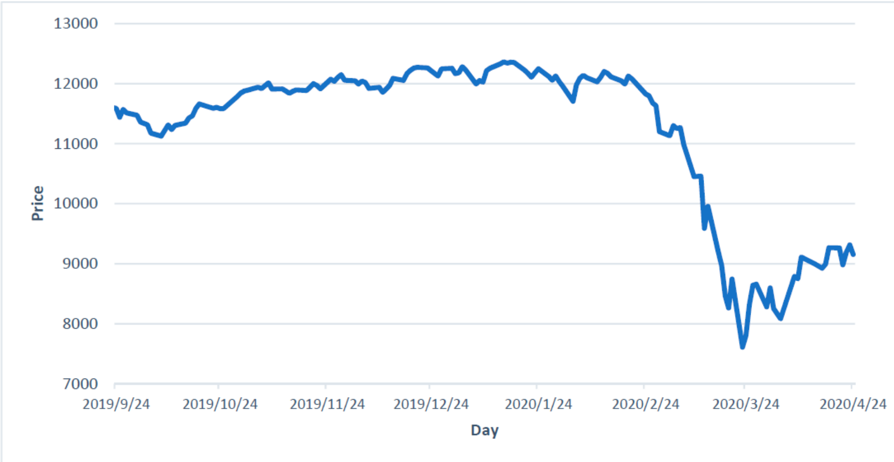


Figure 13.2: NIFTY50 price chart

(source: NSE) https://www.mdpi.com/1911-8074/14/11/558

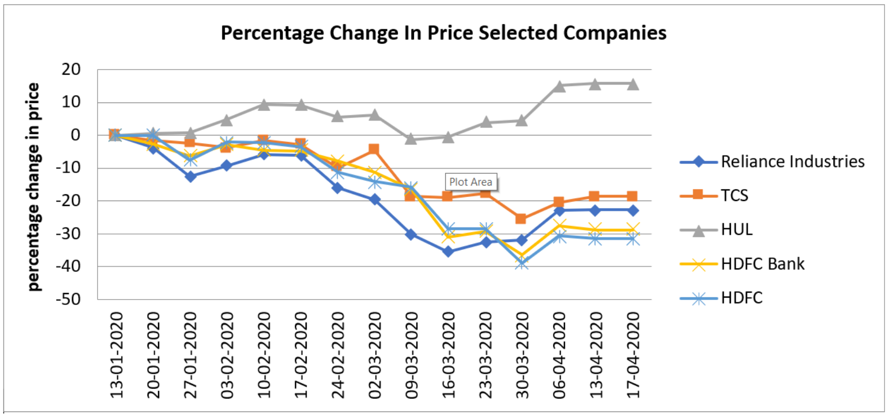


Figure 13.3: Price Selected Companies with Percentage Change [from 1 to 5] in the series (Source: ref no [7])

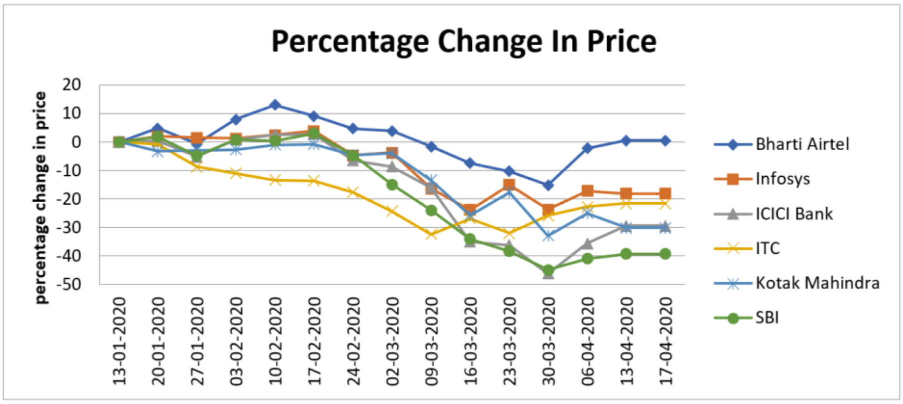


Figure 13.4: The percentage change in price of companies in the range of 6 to 10 in the series (Source: ref no [7])

Table 13.1: Valuations in India pre covid and post covid: while review of various Indices which are used as a benchmark in India:

Indian Sector	Benchmarks Identified	Market cap/ Indices value (pre covid)- 1st jan -2020	Market cap/ Indices value (post covid)- 31st mar-2020	% change	Indices value – 26th Jun-20	% Change (with pre-covid)
Auto	BSE Auto	18,393	10,746	-42%	15,288	-17%
Aviation	Performance Indices	19,966	12,685	-38%	13,450	-32%
Building & Const.	BSE India Infrastructure	178	116	-35%	181	1.7%
Consumer (FMCG)	BSE FMCG	11,462	10,255	-11%	11,144	-3%
Consumer (Discretion)	BSE Consu-mer Discret	3,705	2,566	-31%	3,180	-14%
Financial Services	BSE Finance	7,001	4,300	-39%	4,900	-30%
Information Technology	BSE IT	15,569	12,843	-18%	15,067	-3%
MSME	BSE 250 Small Caps	2,023	1,336	-34%	1,724	-15%
Metal and Mining	BSE Metal	10,404	5,713	-45%	7,386	-29%
Oil and Gas	BSE Oil and gas	14,707	10,021	-32%	12,829	-13%
Power	BSE Power	1,961	1,378	-30%	1,611	-18%
Pharma	NSE Pharma	8,047	7,177	-11%	10,300	28%
Telecom	BSE Telecom	1,113	972	-13%	1,308	17%
Transport & Logistics	Performance Index	15,022	9,363	-38%	12,065	-20%

(Source-NSE India, BSE India, Capital IQ and money control)

During a review of 14 sectors over 3 time periods pre-Covid, post-Covid (immediate), and post-Covid (still in Covid stage and operational with removed lockdowns) three things are important observed being-pharmacy sector is on the upswing with reason being all focus on medicine for Covid, telecom sector is also on the upswing with more business moving to the internet and operations on zoom or Google meet and third sector are three things that are observed. There has been a significant decrease in market value across all sectors in India, with the notable exception of the pharmacy industry. Most affected sectors are encountering a wide range of issues including supply chain disruptions; a fall in consumption levels; lower demand and income levels; high fixed costs; and uncertainty about long-term economic trends. Aviation and logistics, which are affected by demand shocks like autos and real estate, are among the most heavily impacted industries because they are aligned with global markets on both the demand and supply side. They also depend on other industries that are also heavily impacted, like financial services and metals, for demand.

13.5 Conclusion:

The COVID-19 pandemic has had a negative impact on India's global economic participation. In light of India's population being the second-largest in the world, the pandemic poses a significant risk. The COVID-19 has an impact on nearly every stock exchange in the globe. An unprecedented calamity was sparked by a virus that brought the world to its knees. Lockdown and social exclusion are the only options available until a vaccination is discovered to stop the virus from spreading.

Because of COVID-19, the financial market's foundation has crumbled. The government must implement the right policies in order to raise stock prices. If it weren't for the extraordinary policy support, the crisis could have turned out much worse. As a result, measures to increase liquidity are necessary. Reserve Bank of India (RBI), India's central bank, has reduced its key policy rate by an additional 115 basis points after three months. As of March 27, 2020, it had announced a liquidity injection of approximately Rs 8 lakh crore in the financial markets.

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14. A Study of Financial Inclusion Programme of NABARD

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Abstract:

As a means to achieve quicker inclusive growth, India has recently taken a number of moves toward financial inclusion. The purpose of this research is to analyse the progress made by Indian states in achieving financial inclusion. Contrary to its forerunner notions, such as access to credit or access to savings bank accounts, which define financial inclusion in a narrow sense, financial inclusion (FI) is a multidimensional phenomenon. The development of an appropriate index is thus necessary for the measurement of financial inclusion. The true breadth, depth, and reach of digital financial service adoption should be reflected in the FI index. Consequently, we suggest NAFINDEX, which is predicated on field-level data from NABARD's All India Rural Financial Inclusion Survey and accounts for variations in household size across states (NAFIS). Using the three axes of "traditional banking products," "contemporary banking services," and "payment systems," NAFINDEX has been built for several states in India. Across the whole of India, the measure averages out at 0.337. The dimensions and NAFINDEX values vary from state to state. Modern banking products and payment systems exhibited greater values in several states with lower penetration of conventional banking goods, as shown by the respective dimension score. This demonstrates the path toward future banking expansion in underserved states.

Keywords: *Financial Inclusion, NAFINDEX, NABARD, SHG, NAFIS, Self Help Groups Bank linkage programme, Financial Inclusion Indexed.*

14.1 Introduction:

NABARD has played a crucial role in helping to establish rural social innovations and social entrepreneurs. NABARD maintains a network of 32 regional offices around the country.

SHG-Bank Linkage programme, Tree-based tribal communities' livelihoods initiative, Watershed approach in soil and water conservation, Increasing crop productivity initiatives through lead crop initiative, and Farmer clubs for disseminating information flow to agrarian communities are just some of the interventions it has partnered with around 4000 partner organisations to implement. Despite this, it is a major contributor to the government coffers, routinely ranking in the top 50 largest taxpayers. On their never-ending quest to find answers, NABARD practically reinvests all of their income in development efforts. Over the course of its 30 years of service to rural areas, the organisation had amassed a substantial quantity of social capital in the form of trust.[1].

a. When it comes to the growth of rural economic sectors like the cottage industry, small scale industry, village industry, and others, NABARD is the most important institution in the country.

b. In addition to helping its own economy, NABARD is actively promoting the growth of related economies.

c. Here are some of the ways in which NABARD carries out its mandate:

- Promotes a wide range of rural development initiatives by acting as a clearinghouse for the finance provided by institutions offering investment and production credit.
- Includes monitoring, scheme creation for rehabilitation, credit institution restructuring, staff training, and other actions aimed at enhancing the credit delivery system's absorptive ability.
- Its primary function is to act as a liaison between the central government of India, individual state governments, the Reserve Bank of India (RBI), and other national level institutions associated with policy formulation in order to ensure that all rural funding operations are coordinated.
- project it refinanced is monitored and evaluated.
- NABARD is a refinancing organisation for banks that provide funding to rural areas.

- In order to aid the rural economy, NABARD contributes to the formation of supporting institutions.
- NABARD also does audits on the institutions it serves.
- It regulates the institutions which provide financial help to the rural economy.
- With its state-of-the-art classrooms and labs, it serves as a valuable resource for organisations dedicated to improving rural communities.
- In doing so, it controls the financial aid institutions that serve rural areas.

The 'SHG Bank Linkage Programme,' sponsored by NABARD, is a well-known initiative that solicits loans from Indian banks on behalf of self-help groups (SHGs). Because SHGs are predominantly made up of low-income women, they have become a vital resource for microfinancing in India. This programme was supposed to connect 22 lakh SHGs, or 3.3 crore people, to credit by March 2006. In addition, NABARD maintains a variety of Natural Resource Management Programmes that use specific money to address issues including Watershed Development, Tribal Development, and Farm Innovation.

Initiated in 1992 by the National Bank for Agriculture and Rural Development (NABARD), the Self Help Group Bank Linkage project (SHG-BLP) is a historic model that has mostly achieved the declared goals of financial inclusion. This grassroots initiative seeks to provide rural low-income people with long-term solutions to their economic challenges. SHG-BLP began as a bank outreach programme, but it has since evolved into a comprehensive initiative to increase rural India's financial, social, economic, and even technological capital. NABARD was an early proponent of the savings and loan association (SHG) bank linkage concept, which uses SHGs as intermediaries to increase access to bank loans for low-income members. The movement has become the largest and fastest-growing microfinance programme and the most successful network of women-owned community-based microfinance institutions in the world. As it has evolved in India, the SHG-bank linkage concept has become a prominent example of microcredit around the world.[2]

The importance of financial inclusion in promoting economic growth and reducing poverty is becoming widely acknowledged. In addition to these advantages, financial inclusion (FI) also gives the poor a more secure method of receiving direct benefit transfers and a more secure means of establishing legal identity. Increased FI is seen as essential for long-term, equitable economic growth in society as a whole. However, the FI is really a means to an end—specifically, the attainment of greater stages of growth. The primary sector (agricultural and allied sectors) and The Micro, Small and Medium Enterprises (MSME) sector both have tremendous room for growth as parts of the economy. It is believed that a fundamental barrier to the growth impetus in these sectors is the inadequate access to inexpensive financial services, including as savings, loan, remittance, and insurance services, by the vast majority of the people in rural regions and the unorganised sector. It is commonly held that providing low-income people with access to finance and insurance opens up more chances for making a living and gives them more agency over their own life. Economic and political security are both bolstered by such empowerment.[3]

Why Financial Inclusion?

By encouraging savings habits among sizable portions of the rural population, financial inclusion contributes to economic growth in its own right. More importantly, low-income communities can better safeguard their wealth and assets by joining the official banking sector through financial inclusion. By expanding people's access to affordable, legitimate forms of credit, financial inclusion helps reduce the likelihood that vulnerable groups will be exploited by usurers.[4]

14.2 Review of Literature:

Academics and financial industry professionals alike have long been fascinated by the sector's impact on the economy. Goldsmith (1969)[5] was an early economist to investigate the connection between progress in the financial sector and overall economic expansion. Financial development, he showed, boosts savings in the form of financial assets, which in turn promotes capital production and economic expansion. To develop economically means to broaden out and strengthen one's financial infrastructure. Increasing the amount of financial services and institutions available per person or the ratio of financial assets to income are examples of financial deepening (Mihalca, 2007[6]), whereas widening refers to the development of financial services and the creation of financial institutions. It's essential for self-determination, getting a job, the economy booming, the poor being lifted out of poverty, and people coming together as a community. According to Singh and Naik (2014) [7], a shift in the mentality of financial institutions is crucial to the success of financial inclusion. Among the problems they've noticed are:

(a) Some parts will have to be implemented gradually over several years, and continuous monitoring will be necessary if Aadhar doesn't provide universal coverage.

(b) Having BCs stationed at gramme panchayats and integrating them with common service centres and government schemes is an important part of the Financial Inclusion Mission, which would benefit from a bottom-up approach with the assistance of panchayati raj institutions and local governments.

(c) The importance of teaching both bank customers and employees how to manage their money well.

(d) Banks had to be persuaded, on a commercial level, that offering adequate tools to unbanked households, especially in rural regions, is a viable business proposition with room for growth.

The FI index is built on a multi-dimensional structure that reflects both supply and demand. The authors Beck, Kunt, and Peria (2007) [8] distinguish between (1) having access to and the potential to use financial services and (2) actually making use of these services. The demand-side factors that Honohan (2005) [9] considered to be the impact of financial inclusion on household well-being and company productivity were product/service design (usefulness for the poor), cost, and information barriers to access. In addition, the following measures of financial access were used:

(a) Money transfers, both domestic and foreign, play a crucial role in the migrants' families who rely on their money.

(b) Activating financial reserves (deposit services).

(c) Keeping an eye on how the money is being spent (mechanisms for building credit worthiness)

(d) Risk Recasting, Number Four (Insurance etc.)

In 2008[10], a committee chaired by Dr. C. Rangarajan defined financial inclusion as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost." This definition captures the broader meaning of financial inclusion as a welfare-oriented measure to increase the availability and accessibility of financial services and products for all people. Financial inclusion was defined as "universal access to a wide range of financial services at a reasonable cost" by the Committee on Financial Sector Reforms, led by Dr. Raghuram G. Rajan. Offering a wide range of banking and non-banking financial services, such as payment processing, savings accounts, insurance, and pension plans that keep up with inflation is part of this.

However, the term "financial exclusion" describes the circumstances in which people are unable to access or make use of formal financial services. The problems might be as simple as not knowing how to manage money or as complex as not having access to a bank account. Physical exclusion, due to difficulties in accessing services; access exclusion, due to risk assessment processes; condition exclusion, when the conditions attached to products are unsuitable or unacceptable to consumers; price exclusion, when the price of products is unaffordable; marketing exclusion, when some consumers are unaware of products because of marketing strategies that target others; and price exclusion, when the price of products is unaffordable.

By contrasting the pre-SHG and post-SHG scenarios, Dutta, P. (2011) [11] investigated the impact of the SHG-bank linkage programme started by NABARD on poverty reduction and social empowerment. Examines the variation in state-level SHG-Bank linkage programme development across regions and within regions. This data demonstrates that due to the efforts of the Indian government, banks, NGOs, and SHGs, a larger percentage of rural citizens have access to the advantages of the contemporary financial system.

It was attempted in India after the nationalisation of banks (1969 and 1980) to implement preferential lending by banks to priority sectors and impoverished communities. A large number of credit institutions and easy access to credit were also made possible by the creation of specialised institutions like regional rural banks (RRBs) and the National Bank for Agriculture and Rural Development (NABARD) to serve the unique financial needs of rural and marginalised populations. There has been a dramatic expansion in the number of financial institutions and the distribution of credit to previously underserved areas as a result of the state's persistent policy intervention implemented alongside a repressive strategy (Tankha, 2015)[12].

14.3 Objectives:

a. Studies the relative importance of the indicators of financial inclusion.
b. develop a composite index of financial inclusion for each state in India.
c. Examined the degree of association between human development and financial inclusion
d. To study the status and Progress of Self Help group bank linkage programme in India.
e. To study the role & importance of microfinance in the context of NABARD.

14.4 Research Methodology:

Secondary data and information acquired from relevant sources are the sole basis for this study. This research makes use of books, articles, papers, websites, and records from numerous ministries, departments, and organisations.

14.5 Result & Discussion:

Access to financial services is critical for households for a variety of reasons including: creating a safety net, conserving money to combat inflation, preparing for the unexpected, and protecting themselves from calamity. Financial services are essential for household consumption and emergency situations.

There is a correlation between a country's level of financial literacy and the availability of financial services and products, as both are necessary for households to gain access to a wide variety of saving and investment products for the purpose of wealth development. Such household needs must be prioritised by financial inclusion policy measures.[13]

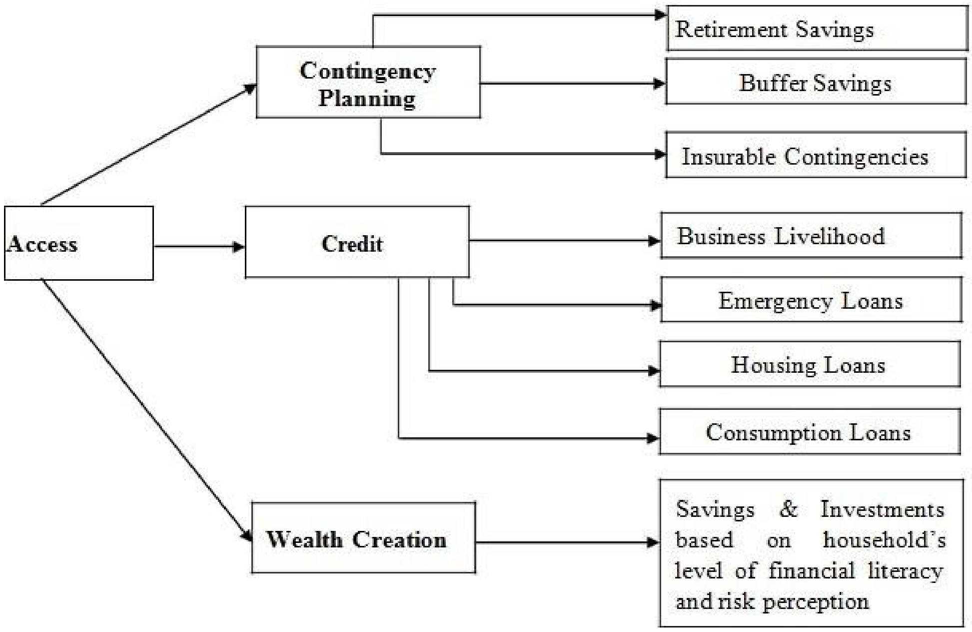

Figure 14.1: Household Access to Financial Services

There was a notable increase in the accessibility of banking services, most noticeably due to expansion of banking into rural regions (Chart 14.1). .[14]

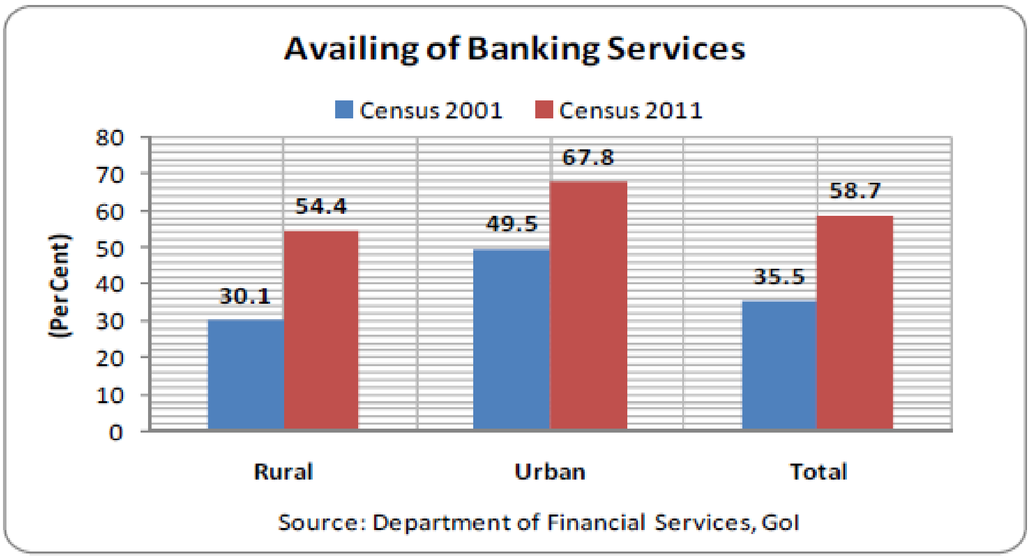

Chart 14.1: Availing of Banking Services

Table 14.1: List of the Indicators of Financial Inclusion

Indicators
Number of bank branches per lakh population aged 7+ year
Number of banks per thousand square kilometre
Number of Self-Help Groups per hundred poor population
Number of deposit accounts per hundred population aged 7+year
Number of credit accounts per hundred population aged 7+ year
Percentage of savings to net state domestic product
Percentage of credit outstanding to net state domestic product
Per capita Domestic Savings (☐ '000)
Per capita Loan Outstanding (☐ '000)
Credit deposit ratio (percentage)

This study used Principal Component Analysis (PCA) on the selected indicators of financial inclusion to ascertain their aggregate importance and to construct the Financial Inclusion Index for each Indian state.

Besides deducing the total weight of the arrows, this method also extracts a small number of unrelated factors, known as principal components (PCs), from a massive set of variables.

Kaiser Criteria eliminates Principal Components by focusing on components with Eigen values greater than 1, therefore discarding all but the most significant of these.

However, in the case of PCA without rotation, the eigenvectors may not centre the true states because they are not adjusted to the clusters of data. Aiming to become closer to the data set as a whole, the turned PCA techniques rotate the PCA eigenvectors.

Table 14.2: FII across States (Overall, Rural and Urban) and their Ranks using Six Indicators of Banking Outreach: [15,16]

of Banking Outreach						
States/Regions	Overall State		Rural		Urban	
	Index	Rank	Index	Rank	Index	Rank
Northern Region	1.13		1.28		1.18	
Haryana	0.91	15	0.88	14	0.99	12
Himachal Pradesh	1.07	10	1.43	4	1.27	7
Jammu & Kashmir	0.87	17	1.02	9	0.86	17
Punjab	1.14	6	1.35	5	1.11	8
Rajasthan	0.69	25	0.66	25	0.79	23
Chandigarh	2.99	1	1.88	3	2.10	1
Delhi	2.35	2	3.32	1	1.67	3
North-Eastern Region	0.68		0.98		0.80	
Arunachal Pradesh	0.68	27	0.88	15	0.58	31
Assam	0.71	23	0.77	20	0.83	21
Manipur	0.48	32	0.43	32	0.53	32
Meghalaya	0.77	20	0.76	21	0.89	16
Mizoram	0.80	18	1.00	10	0.67	30
Nagaland	0.60	30	0.48	31	0.74	28
Tripura	0.76	21	0.85	16	0.85	19
Eastern Region	0.68		0.84		0.87	
Bihar	0.52	31	0.53	30	0.78	24
Jharkhand	0.69	24	0.74	22	0.73	29
Orissa	0.72	22	0.78	19	0.86	18
Sikkim	0.98	12	1.04	8	1.35	5
West Bengal	0.80	19	0.66	24	0.90	15
Andaman & Nicobar Is	1.05	11	1.29	6	0.85	20
Central Region	0.67		0.85		0.80	
Chhattisgarh	0.64	29	0.59	28	0.75	26
Madhya Pradesh	0.68	26	0.63	27	0.75	27
Uttar Pradesh	0.65	28	0.64	26	0.76	25
Uttaranchal	0.95	13	0.99	11	0.99	11
Western Region	1.23		1.01		1.21	
Goa	1.92	3	2.44	2	1.44	4
Gujarat	0.94	14	0.84	17	0.94	14
Maharashtra	1.36	4	0.70	23	1.31	6
Southern Region	1.03		1.04		1.14	
Andhra Pradesh	0.90	16	0.82	18	0.99	10
Karnataka	1.07	9	0.93	12	1.10	9
Kerala	1.15	5	0.55	29	1.82	2
Tamil Nadu	1.08	8	0.90	13	0.99	13
Pondicherry	1.10	7	1.24	7	0.83	22

Source: Calculated from Basic Statistical Returns of Schedule Commercial Banks in India, 2002-03

Note: The Financial Inclusion Index (FII) is a number between 0 (complete lack of inclusion) and 1 (complete inclusion) (full inclusion). Incidences like savings, credit, and insurance might also be anywhere between 0 and 1.

† The Index (FII) is determined by taking a simple average of the reported rates of occurrence for Saving, Credit, and Insurance. The Index for Unofficial Finances was developed by averaging the figures for Saving and Credit.

Because formal and informal settings are not mutually exclusive, they cannot be added together to establish a third category.

14.6 Conclusion:

The various Indian states' NAFINDEXes were built using data obtained at the field level with NAFIS. The index is constructed along three dimensions: historical financial services, cutting-edge banking services, and payment systems. Across the whole of India, the measure averages out at 0.337. The NAFINDEX and dimension indices have different values in different states. Unexpectedly, the modern banking goods and payment mechanisms exhibited greater values in several states that had lower penetration of conventional banking products, as measured by the respective dimension score. Increases in household income and the number of families taught by microfinance institutions are observed in regions with the highest levels of financial inclusion. The findings point the way for future banking expansion into previously unreachable jurisdictions and suggest areas of concentration.

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