



1. “Basics of Indian Stock Market and Trading & Investment”

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Abstract:

The Indian stock market is considered to be one of the earliest in Asia, which is in operation since 1875. Most of the Indian stock market place on this two stock exchange: the Bombay Stock Exchange (BSE) it's called Dalal Street existence since 1875 and the National Stock Exchange (NSE) was founded in 1992 and started trading in 1994. However, it remained largely outside the global integration process until 1991. The Indian stock market also started with the establishment of Securities and Exchange Board of India (SEBI), although it became more effective after the stock market scam in 1991. With the establishment of SEBI and technological advancement Indian stock market has now reached the global standard.

The study of common term of stock market is somehow abstract for the mechanism that enable the trading & Investment of company stock. That is to say, the developed stock markets, viz., USA, UK and Hong Kong stock markets Granger cause the India stock market but not vice versa. However, the study does not find any causality between the Japanese stock market. It is derived from the study that although some positive steps have been taken up, which are responsible for the substantial improvement of the Indian stock market, these are perhaps not sufficient enough to become a matured one and hence not integrated with the developed stock markets so far.

Keywords:

Study of Capital Market, Regulatory, Trading & Investment and Data Analysis.

1.1 Introduction:

Stock Market is a place where people buy/sell shares of publicly listed companies. It offers a platform to facilitate seamless exchange of shares. In simple terms, if a wants to sell shares of ABC Industries, the stock market will help him to meet the seller who is willing to buy ABC industries. However, it is important to note that a person can trade in the stock market only through a registered intermediary known as a stock broker.

The buying & selling of shares take place through electronic medium. You can invest in the share market for short term or long term depending on your needs. Based on your risk appetite, age and dependency, you can be a trader or investor in the share market. The various investment options in the Indian market today are Equity, Mutual fund, SIP, IPO, Bonds, Debenture, Derivatives, Commodity, Currency, etc.

The Capital Market is a market where buyers and sellers engage in trade of financial securities like Bonds, Stock etc. The buying/selling is undertaken such as individuals and institutions. Capital market consists of Primary and Secondary Market. Primary Market deal with trade of new issues of stocks like Initial Public offer (IPO) and other securities, whereas Secondary Market deals with the exchange of existing or previously issued securities. In which the Secondary Market is where the securities issued in Primary Market are bought and sold on the stock exchange like BSE & NSE and others. BSE & NSE are the most widely traded exchange in India with a market capitalisation of Rs. 1, 25, 18,954 crore and Rs 12,282,127 crore respectively.

BSE limited known as Bombay stock exchange ltd. It is also called as Dalal Street Mumbai. And it is Establish in 1875. The BSE index Sensex 30 (also known as the S&P BSE Sensex) is the index which broadly represents BSE and the market sentiment. The base year is 1978-1979 with a base value of 100. There have been many modification to sensex index since inception. Find below the latest list of companies used to calculate sensex or sensex 30.

National Stock Exchange (NSE) is the leading stock exchange of India, located in Mumbai. It is Establish in 1992 as the first Dematerialized electronic exchange in the country. The NSE Index Nifty 50 is a benchmark Indian stock market index that represents the weighted average of 50 of the largest Indian companies listed on NSE. It is one of the two main stock indices used in India. Nifty 50 is owned and managed by NSE index.

1.2 Regulator of the Stock Market:

Indian Capital Market are regulated and monitored by the Ministry of Finance, The Securities and Exchange Board of India and The Reserve Bank of India. The Ministry of Finance regulates through the Department of Economic Affairs - Capital Markets Division. The division is responsible for formulating the policies related to the orderly growth and development of the securities markets (i.e. share, debt and derivatives) as well as protecting the interest of the investors. In particular, it is responsible for.....

- Institutional reforms in the securities markets,
- Building regulatory and market institutions,
- strengthening investor protection mechanism, and
- Providing efficient legislative framework for securities markets.

The Division administers legislations and rules made under the

- Depositories Act, 1996,
- Securities Contracts (Regulation) Act, 1956 and
- Securities and Exchange Board of India Act, 1992.

Depository and Depository Participant (DP'S)

It should be held in electronics on dematerialized form.

- NSDL (National Security Depository Ltd)
- CDSL (Central Depository Services Ltd)

National Securities Depository Limited (NSDL) is a financial organization created to hold securities such as bonds, shares etc. in the form of physical or non-physical certificates i.e. in dematerialized format. These securities are held in depository accounts such as funds held in bank accounts. It facilitates prompt transfer of securities as ownership is transferred simply through book entries.

NSDL is the first & largest depository in India established on November 8, 1996 which is basically formed for the purpose of handling the securities held in dematerialized form in the Indian capital market. Central Depository Services (India) Ltd (CDSL) is the first listed Indian securities depository based in Mumbai. CDSL received the certificate of commencement of business from the Securities and Exchange Board of India (SEBI) in February 1999. The main function of CDSL is to facilitate holding of dematerialised securities enables securities transactions to be processed by book entry.

Depository Participant Guided Tour / Introduction (DP'S)

In the NSDL system, the depository extends its services to investors through intermediaries called Depository Participants (DP) who as per SEBI regulations could be organisations involved in the business of providing financial services like banks, brokers, custodians and financial institutions.

Realising the potential in this market, all the custodians in India and a number of banks, financial institutions and major brokers have already joined as DPs and they are providing services in a number of cities. Many more organisations are in various stages of establishing connectivity with NSDL. The admission of the DPs involves an evaluation by NSDL of their capability to meet with the strict service standards of NSDL and a further evaluation and approval by SEBI.

1.3 Literature Review of Stock Market:

- Juhi Ahuja (2012) presents a review of Indian Capital Market & its structure. In last decade or so, it has been observed that there has been a paradigm shift in Indian capital market. The application of many reforms & developments in Indian capital market has made the Indian capital market comparable with the international capital markets. Now, the market features a developed regulatory mechanism and a modern market infrastructure with growing market capitalization, market liquidity, and mobilization of resources. The emergence of Private Corporate Debt market is also a good innovation replacing the banking mode of corporate finance. However, the market has witnessed its worst time with the recent global financial crisis that originated from the US sub-prime mortgage market and spread over to the entire world as a contagion. The capital market of India delivered a sluggish performance.
- Madhusudan (1998) found that BSE sensitivity and national indices did not follow random walk by using correlation analysis on monthly stock returns data over the period January 1981 to December 1992.
- Suresh G Lalwani (1999) emphasised the need for risk management in the securities market with particular emphasis on the price risk. He commented that the securities market is a 'vicious animal' and there is more than a fair chance that far from improving, the situation could deteriorate.

- Jawahar Lal (1992) presents a profile of Indian investors and evaluates their investment decisions. He made an effort to study their familiarity with, and comprehension of financial information, and the extent to which this is put to use. The information that the companies provide generally fails to meet the needs of a variety of individual investors and there is a general impression that the company's Annual Report and other statements are not well received by them.

1.4 Objectives of the Study:

- To get a basic understanding of the project principal investment, players and functions of the stock market
- To understanding the terms and jargons used in the financial newspaper
- To know the regulator frame work for Indian stock market
- To understanding the concept of stock market and stock.
- To also get important lesson about the economics and financial responsibilities.
- To learn about study of Indian and the global stock market.
- To organize stock in a fair transparent and competitive way.
- To also learn stock chart pattern for trading & investment.

1.5 Research Methodology:

1.5.1 Primary Objective:

To Study the various investment avenues and the investors risk preference— towards it.

1.5.2 Secondary Objectives:

To find out the general demographic factors of the investors dealing in capital market

- To find out the preference level of Investors on Various Capital Market Instruments.
- To find out the type of risk which are considered by the Investors.

1.6 Bull v/s Bear Markets:

It's important to remember that a bull market is characterized by a general sense of optimism and positive growth which tends to catalyze greed. A bear market is associated with a general sense of decline which tends to instill fear in the hearts of stockholders. As Rule #1 investors, we act opposite of the investing public when it comes to bull v/s bear markets and capitalize on their emotions by finding quality stocks at low prices during bear markets and selling during bull markets when they've regained their value. Other Animals on The Farms in Stock Markets like Stags, Chickens and Pigs, Wolves, Dead Cat Bounce, Ostriches etc.

1.7 Investment in Stock Market:

In finance, the benefit from an investment is called a return. The return may consist of a gain or a loss realized from the sale of a property or an investment, unrealized capital appreciation (or depreciation), or investment income such as dividends, interest, rental income etc., or a

combination of capital gain and income. The return may also include currency gains or losses due to changes in the foreign currency exchange rates. Investors generally expect higher returns from riskier investments. When a low-risk investment is made, the return is also generally low. Similarly, high risk comes with high returns. So what you have to do to invest in the share market? Firstly, open a demat and trading account online with a broker and link your bank account with that. Opening demat account is a very simple and easy process. Once you have your demat and trading account, you can start investing in the Indian share market.

As per your goals, choose the particular financial asset for investment. Indian share market is the one stop destination for all your needs. If you want capital appreciation and willing to take risk, equity is the one for you. Before you invest in a share, do a complete study of the company, its financials, future prospects of growth, etc. (When you buy a share of a company you become a shareholder in that company. Shares are also known as Equities. Equities have the potential to increase in value over time. It also provides your portfolio with the growth necessary to reach your long term investment goals. Research studies have proved that the equities have outperformed most other forms of investments in the long term.)

1.7.1 Types of Stocks to Invest in Share Market: Large cap stock, mid cap stock, small cap stock, Growth, Value, Dividend Yield, Cyclical (commodity), etc.

1.7.2 Key Financial Instruments Traded in Stock Market: Shares/ Equity, Mutual Fund, Bonds, Derivatives, etc.

1.7.3 Differentiate between Saving and Investment:

A. Saving: Savings are ideally smaller, for short-term goals in the near future like a vacation, emergency etc.

- Liquidity is high, giving ready access to cash when needed.
- There is typically no risk involved.
- You can earn interest on your savings.

B. Investment: Investments involve putting money to work to create wealth for achieving long-term goals like child’s education, house etc...

- Liquidity is usually not easy when you invest money.
- Risk involved is usually high.
- Investments have a potential to yield higher returns, where investments appreciate over time.

1.8 Fundamental Analysis / Data Analysis:

Fundamental Analysis is a comprehensive study of a business. When an investor wants to invest in a business for the long term (3-5 years), it is important to understand the business from various perspectives. Fundamental analysis examines economic, financial, qualitative and quantitative factors associated with a stock. It also studies the economic data, performance of its peers, company’s financial statements etc.

(P&L account, Balance sheet, cash flow statement, ratio analysis) And Study of Corporate action in the stock market like (dividend, stock split, bonus issue, buyback, right issue etc.)

1.9 Trading in Stock Market:

Stock traders buy and sell stocks to capitalize on daily price fluctuations. These short-term traders are betting that they can make a few bucks in the next minute, hour, day or month, rather than buying stock in a blue-chip company to hold for years or even decades.

Investors who trade stocks do extensive research, often devoting hours a day to following the market. They rely on technical analysis, using tools to chart a stock's movements in an attempt to find trading opportunities and trends. Many online brokers offer stock trading information, including analyst reports, stock research and charting tools.

Stock trading is a form of investing that prioritizes short-term profits over long-term gains. It can be risky to dive in without the proper knowledge.

- a. **Active Trading** is what an investor who places 10 or more trades per month does. Typically, they use a strategy that relies heavily on timing the market, trying to take advantage of short-term events (at the company level or based on market fluctuations) to turn a profit in the coming weeks or months.
- b. **Day Trading** is the strategy employed by investors who play hot potato with stocks — buying, selling and closing their positions of the same stock in a single trading day, caring little about the inner workings of the underlying businesses. (Position refers to the amount of a particular stock or fund you own.) The aim of the day trader is to make a few bucks in the next few minutes, hours or days based on daily price fluctuations.

It's easy to become enchanted by the idea of turning quick profits in the stock market, but day trading makes nearly no one rich — in fact, many people are more likely to lose money.

Popular Day Trading Strategies

Swing, or range, trading, Spread trading, Fading, Momentum, or trend following, etc.

Day Trading risk management the above ground rules can help you avoid some of the biggest catastrophes in day trading, but it's important to manage smaller risks, as well. Risk management is all about limiting your potential downside, or the amount of money you could lose on any one trade or position. When considering your risk, think about the following issues: **Position sizing. Percentage of your portfolio. Losses. Selling.**

Learn Day Trading the Right Way:

If you're not quite ready to be a prime-time player, you can always try a stock market simulator first. Paper trading involves simulated stock trades, which let you see how the market works before risking real money. Paper trading accounts are available at many brokerages. You can also get a feel for the broker's platform and functionality with this approach, in addition to seeing how theoretically profitable you'd be.

While it can be useful to test day trading under simulated conditions, there’s still no substitute for real-life trading where you have money at stake. Here are some additional tips to consider before you step into that realm: **Establish your strategy before you start, be patient, Read, read & read.**

Stock & Trading Chart Patterns:

Chart patterns are an important tool which should be utilized as part of your technical analysis. From beginners to professionals, chart patterns play an integral part when looking for market trends and predicting movements. They can be used to analysis all markets including forex, shares, commodities and more. Our Next Generation platform has several chart types on offer including the popular **line, bar (OHLC) and candlestick charts**. The best chart for you depends on how you like your information displayed and your trading level.

(10) Chart Patterns Every Trader Needs to Know:

- a. Head and shoulders
- b. Double top
- c. Double bottom
- d. Rounding bottom
- e. Cup and handle
- f. Wedges
- g. Pennant or flags
- h. Ascending triangle
- i. Descending triangle
- j. Symmetrical triangle

What Is Support and Resistance Levels?

‘Support’ and ‘resistance’ are terms for two respective levels on a price chart that appear to limit the market’s range of movement. The support level is where the price regularly stops falling and bounces back up, while the resistance level is where the price normally stops rising and dips back down. The levels exist as a product of supply and demand – if there are more buyers than sellers, the price could rise, and if there are more sellers than buyers, the price tends to fall.

Risk Management:

STOP-LOSS Strategies that work take risk into account. If you don’t manage risk, you’ll lose more than you can afford and be out of the game before you know it. This is why you should always utilise a stop-loss. The price may look like it’s moving in the direction you hoped, but it could reverse at any time. A stop-loss will control that risk.

POSITION SIZE it will also enable you to select the perfect position size. Position size is the number of shares taken on a single trade. Take the difference between your entry and stop-loss prices. That is the maximum position you could take to stick to your 1% risk limit. Also, check there is sufficient volume in the stock/asset to absorb the position size you use.

1.10 Summary of Findings:

- a. Most of the respondents (44%) are of the age group 31-40.
- b. Majority of the respondents (65%) are male.
- c. Most of the respondents (38%) are graduates followed by Post graduates.
- d. Most of the respondents (29%) are entrepreneurs and Working Executives.
- e. Most of them (29%) are highly favorable towards the cash market /Futures market.
- f. Most of them (26%) are favorable towards the Options market.
- g. Most of them (30%) stayed neutral towards the Commodities market.
- h. Majority of the respondents (37%) wanted to invest in short term funds followed by both short term and long term funds.

1.11 Busting the MYTHS of Stock Market:

- a. (Myths no. 1) Investment in stock market are very risky.

Long term will not be Risky for stock market. But Trading will always be Risky in the stock market.

- b. (Myths no. 2) you need to have a very strong Knowledge about Finance.

Not a tall it's a not a strong Knowledge of the stock market and finance.

- c. (Myths no. 3) Small investors like common person cannot make money from the stock market. You need lots of money to must in stock market.

(Myths no. 4) Renowned Companies can never give strong return. ETC.....

1.12 Conclusion:

Over the course of these six weeks, I hope you have gotten some insight into the life of a professional stock broker. At the conclusion of this project you will have experienced a piece of the business world, investing money and presenting data Microsoft excel and different graphical representations.

As you complete the project, reflect on whether of not you might enjoy this types of work. Stock brokers, financial analysis, and situation daily. After you have completed the 6 week project, think about what you might have done differently do get different results when investing your money. Investing is risky and, as some of you saw, you can lose money just as quickly as you can make it. You can make a lot of money investing in stocks or trading in the stock market, but it is not something for the new investors. Care must be taken when it comes to stock investments. The investor must have a solid understanding of stocks and how they trade in the market or risk losing money in a volatile type of investment.

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