



Securities and Exchange Board of India (SEBI) and Development of Securities Market

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INTRODUCTION:

Securities and Exchange Board of India (SEBI) has emerged through an Act of Parliament in 1992, ensuing up with a number of initiatives aimed at regulating and developing the Indian securities market and improving its safety and efficiency. In this paper researcher has taken an account of SEBI and the development of securities market referring an Annual Report of SEBI which deals with operational aspects of Securities and Exchange Board of India during the year 2001-02 to 2011-12 and attempted to make a comparison, wherever possible, with the developments in the international capital markets. Operational areas such as primary market, secondary market, mutual funds, foreign institutional investment, regulatory developments, are discussed, analyzed and compared the over period and across the markets.

RESEARCH METHODOLOGIES:

The period of the study has been selected from 2001-02 to 2011-12. Eleven years study period is considered to know the tremendous changes, which have been done during these years in the SEBI and the development of securities market. The following methodology procedure was adopted.

SOURCES OF DATA AND DATA PROCESSING

The present study is mainly based on secondary sources of the data. The statistical data on relevant information have been collected from secondary source comprising of various reports of SEBI, Bulletin, Annual Reports of Securities and Exchange Board of India for the time period from 2001-02 to 2011-12, relevant websites, related books of Indian Financial System, periodicals and published research papers. Along with these sources, some reputed journals are also referred.

The collected data are classified and tabulated in the light of objectives of the present study. The collected data are processed by employing suitable statistical tools like percentage, compound growth rate. By the using of computer software Ms-excel is also employed.

PRIMARY SECURITIES MARKET:

The primary capital market (PCM) plays an important role in the overall functioning of securities market. Vibrancy of primary market, among other things, is a function of macroeconomic factors, industrial output and demand. Over the years SEBI has taken several initiatives to improve the operational efficiency and transparency of the primary market, which provides investors with issues of high quality and for firms a market where they can raise resources in a cost effective manner. However, despite these measures the primary market remained lackluster.

RESOURCE MOBILIZATION:

Table 1 explains the proportion and share of Public and Right issue in total issue corresponding during the period of 2001-02 to 2011-12.

Table 1
Resource Mobilization through Public and Rights Issues (Rs.Crore)

Year	Public Issues Amount (Rs. Crore)	Rights Issues Amount (Rs. Crore)	Total Issues Amount (Rs. Crore)
2001-02	6501.81 (86.1)	1041.26 (13.9)	7543.08 (100.00)
2002-03	3638.68 (89.4)	431.61 (10.6)	4070.29 (100.00)
2003-04	22,265 (95.67)	1,007 (4.33)	23,272 (100.00)
2004-05	24,640 (87.20)	3,616 (12.80)	28,256 (100.00)
2005-06	23,294 (85.07)	4,088 (14.93)	27,382 (100.00)
2006-07	29,797 (88.93)	3,711 (11.07)	33,508 (100.00)
2007-08	54,511 (62.63)	32,518 (37.37)	87,029 (100.00)
2008-09	3,582 (22.09)	12,637 (77.91)	16,220 (100.00)
2009-10	49,236 (85.5)	8,319 (14.5)	57,555 (100.00)
2010-11	58,105 (85.9)	9,503 (14.1)	67,609 (100.00)
2011-12	46,093 (95.1)	2,375 (4.9)	48,468 (100.00)

Source: SEBI Annual Reports – 2001-02 to 2011-12

Value of resource mobilization through public issues was higher than right issue during the period 2001-02 to 2011-12. It was the lowest i.e. 22.08 percent in 2008-09. However, it was the highest to 95.67 percent in 2003-04. Amount raised through rights issues to total issues was the lowest i.e. 4.9 percent in 2011-12. And it was the highest i.e. 77.91 percent in 2008-09. The total value of issued amount remained fluctuating between Rs.7573.08 crore to Rs. 87,029 crore during the above mentioned period. And it was the highest in 2007-08, whereas the lowest in 2002-03(Table 1).

SECONDARY SECURITIES MARKET:

There are several facets to the secondary market for securities. Trading, clearance and settlement are one part and others include exchange management, product innovation, risk management etc.; this section provides explanation on many developments during the year in Secondary Securities Market (SSM). Transparent, efficient, fair, modern and clean secondary market for securities is essential the healthy development of an integrated capital market. Worldwide stock exchange trading platforms, clearing houses and settlement systems have undergone significant changes during the year. Globalization of capital market

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appears to have had strong impact on the functioning of secondary market of securities. Alliances, mergers and cross border link have occupied centre stage of securities market.

TURNOVER IN THE INDIAN STOCK MARKET:

Table 2 gives an idea about exchange wise cash segment turnover as well as turnover at BSE and NSE for the period of 2001-2002 to 2011-12.

Table 2
Exchange-Wise Cash Segment Turnover (Rs. Crore)

Year	Stock Exchange			Total
	BSE	NSE	Other	
2001-02	307,392.3 (34.31)	513,166.9 (57.29)	75,258.24 (8.4)	895,817.4
2002-03	3,14,073.2 (32.42)	6,17,988.6 (63.78)	36,846.95(3.8)	968,908.75
2003-04	5,02,618.4 (31.02)	10,99,533.9 (67.85)	18,345.01(1.13)	1,620,497.31
2004-05	5,18,716 (31.12)	11,40,072 (68.40)	8,108 (0.48)	1,620,497.00
2005-06	8,16,074 (34.00)	15,69,558 (66.00)	4471.01(0.00)	2,390,103,01
2006-07	9,56,185 (32.94)	19,45,285 (67.01)	1586.2 (0.05)	2,903,056.20
2007-08	15,78,857 (30.77)	35,51,037 (69.21)	921(0.02)	5,130,815.00
2008-09	11,00,074 (28.55)	27,52,023 (71.43)	482 (0.02)	3,852,579.00
2009-10	13,78,809 (24.99)	41,38,023 (74.99)	1,637 (0.02)	55,18,469
2010-11	11,05,027 (23.59)	35,77,410 (76.36)	2,597(0.05)	46,85,034
2011-12	6,67,498 (19.19)	28,10,892 (80.81)	0.2 (0.00)	3,478,390.20
Total	92,29,266.90	236,74,451.40	1,64,868.73	-
CGR	14.01	22.76	-51.19	-

Source: SEBI Annual Reports – 2001-02 to 2011-12.

Analysis of the data given in table 2 reveals that in the year 2001-02, the total turnover of all exchanges amounted to Rs.895,817.4 crore out of which NSE accounted for 57.29 percent, BSE for 34.31 percent and other for 8.4 percent. There has been a spurt in the growth of trading volumes in stock exchanges since 2005-06. During 2006-07, turnover of all stock exchanges in the cash segment was Rs. 2,903,056.20 crore compared to Rs. 2,390,103.01crore in the year 2005-06 a rise of 21.46 per cent over the year. The share of BSE and NSE in the total turnover was more than 99.95 per cent. NSE had the largest share of 67.01 per cent in the total turnover in 2006-07. The regional stock exchanges had hardly any share in the total turnover in the market. In consonance with the declining trend in equity prices, there was a fall in the trading volumes in stock exchanges in 2011-12. The turnover of all stock exchanges in the cash segment was declined by 25.6 percent compared to 2011-12. BSE and NSE together contributed 100 percent of the turnover, of which NSE accounted for 80.81 percent in the total turnover in cash market whereas BSE accounted for 19.19 percent of the total.

The study reveals that the compound growth rate of BSE stood at 14.01 percent. The notable growth rate recorded by NSE was 22.76 percent which is higher and growth rate of other stock exchanges showed -51.19 percent during these eleven years.

MARKET CAPITALIZATION:

The market capitalization indicates the size of capital market. Moreover, it acts as an indicator of the amount of notional wealth generated, though all of it cannot be realized. Market capitalization is a leading indicator of the health of the stock market. The market capitalization of an exchange is a summation of market capitalization of all the individual stocks listed on the exchange. Market capitalization is a major indicator that indicates size of the stock market. A higher market capitalization reflects growing stock market activities and an upward trend in stock markets. The market capitalization of BSE has been higher than that of NSE in India reflecting large number of shares being listed in BSE. On the basis of available data table 3 and table 4 are prepared to highlight market capitalization at BSE and NSE respectively during the period 2001-02 to 2011-12.

Table 3 : Market Capitalisation at BSE (crore)

Year	All Listed Companies	Percentage Variations	BSE Sensex	Percentage Variations	BSE-Teck	Percentage Variations	Bankex	Percentage Variations	BSE PSU	Percentage Variations
2003-04	12,01,206	109.90	6,25,173	148.93	1,45,053	63.47	1,13,094	151.09	4,11,532	158.75
2004-05	16,98,428	41.39	7,25,553	16.06	2,82,425	94.70	1,54,048	36.21	5,16,365	25.47
2005-06	30,22,190	77.9	14,24,112	96.3	4,68,278	65.8	2,19,894	42.7	7,48,614	45.0
2006-07	35,45,041	17.3	17,11,241	20.2	7,17,127	53.1	2,57,026	16.9	7,22,517	-3.5
2007-08	51,38,014	44.9	22,23,701	30.0	6,81,431	-5.0	3,77,020	46.7	11,53,034	59.6
2008-09	30,86,075	-39.9	15,07,742	-32.2	4,10,923	-39.7	2,33,895	-38.0	9,49,211	-17.7
2009-10	61,65,619	99.8	26,17,900	73.6	7,40,817	80.3	5,54,127	136.9	17,33,662	82.6
2010-11	68,39,084	10.9	15,55,322	17.0	3,71,709	17.4	4,37,544	24.5	19,48,55	12.4
2011-12	62,14,941	-9.1	14,69,141	-6.2	3,45,958	-6.9	3,90,614	-10.7	16,03,085	-17.7
Total	369,10,598	-	132,34,712	-	41,63,721	-	27,37,262	-	78,38,020	-
CGR	282.80	-	11.99	-	8.07	-	17.82	-	7.73	-

Note: Market capitalization is the value of last trading day of the respective year

Source: SEBI Annual Reports – 2003-04 to 2011-12.

Table 4 : Market Capitalisation at NSE (crore)

Year	All Listed Companies	Percentage Variations	S & P CNX Nifty	Percentage Variations	CNX Mid cap	Percentage Variations	CNX IT	Percentage Variations	CNX Bank	Percentage Variations
2003-04	11,20,976	108.70	6,38,599	NA	81,280	-1.32	1,03,168	39.52	1,01,928	NA
2004-05	15,85,585	41.44	9,51,672	49.02	1,48,019	82.11	2,27,191	120.20	1,36,921	34.33
2005-06	28,13,201	77.4	15,90,155	67.1	3,38,927	129.0	3,48,096	53.2	2,00,503	46.4
2006-07	33,67,350	19.7	19,09,448	20.1	3,41,869	0.9	4,20,814	20.9	2,29,084	14.3
2007-08	48,58,122	44.3	28,48,773	49.2	4,62,665	35.3	3,22,637	-23.3	3,50,535	53.0
2008-09	28,96,194	-40.4	18,92,629	-33.6	2,73,627	-40.9	2,01,810	-37.5	2,24,132	-36.1
2009-10	60,09,173	107.5	15,25,162	-19.4	3,17,619	16.1	2,28,558	13.3	3,17,351	41.6
2010-11	67,02,616	11.5	17,55,468	15.1	3,12,736	-1.5	2,78,848	2.0	4,03,234	27.1
2011-12	6,096,518	-9.0	16,32,058	-7.0	3,18,794	1.9	2,55,463	-8.4	3,59,370	-10.9
Total	354,49,735	-	147,43,964	-	25,95,536	-	23,86,585	-	23,23,058	-
CGR	23.09	-	9.59	-	13.04	-	4.54	-	16.52	-

Note: Market capitalization is the value of last trading day of the respective year

Source: SEBI Annual Reports – 2003-04 to 2011-12.

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The market capitalisation was increased by more than 41.39 per cent by the end of 2004-05 for both BSE and NSE over the year 2003 -04 (Tables 3 and 4). In absolute terms, market capitalisation at BSE was higher at Rs. 16, 98,428 crore than that of NSE at Rs. 15, 85,585 crore on 2004-05. A higher market capitalisation implies the larger number of active scrip's at BSE during 2004- 05. The market capitalisation of BSE increased by 17.3 per cent in 2006- 07 compared to 2005-06 (Table 3.4). The market capitalisation of NSE rose by 19.7 per cent in 2006-07 compared to 2005-06 (Table 4). The rise of market capitalisation of frontline and the sectoral indices at BSE and NSE was lower in 2006-07 as compared to 2005- 06 (Table 3). The market capitalisation of BSE Sensex rose by 20.2 per cent in 2006-07 against 96.3 per cent in 2005-06. The market capitalization of BSE Teck index and Bankex index rose by 53.1 per cent and 16.9 per cent, respectively in 2006-07. The decline in market capitalisation of BSE PSU index was 3.5 per cent in 2006-07 in contrast to a rise of 45.0 per cent in 2005-06. Market capitalisation of S&P CNX Nifty rose by 19.7 per cent during 2006-07 compared to 67.1 per cent in 2005-06 (Table 4).

At NSE, market capitalisation of all listed companies increased by 11.5 percent as on 2010-11 compared to 2009-10. At NSE, among selective sectoral indices, increase in market capitalization was the highest for CNX Bank (27.1 percent) followed by CNX IT (22.0 percent) while CNX Midcap decreased by 1.5 percent. In terms of absolute value, CNX Bankex stood with market capitalisation of ` 4, 03,234 crore, followed by CNX Midcap of ` 3, 12,736 crore and CNX IT at ` 2, 78,848 crore as on 2010-11 (Table 4). The market capitalisation of BSE declined by 9.1 percent in 2011-12. On the other hand, at NSE market capitalisation declined by 9.0 percent compared to 2011-12. During 2011-12, market capilatation of BSE Sensex declined by 6.2 percent whereas that of BSE Teck, BSE Bankex and BSE PSU declined by 6.9, 10.7 and 17.7 percent respectively (Table 3).Market capitalisation of the shares included in S&P CNX Nifty declined by 7.0 percent during the year 2011-12. At NSE, market capitalisation of Nifty (except CNX Midcap), declined during 2011-12 compared to the year 2010-11. The market capitalization of CNX Midcap rose by 1.9 percent in 2011-12 on top of a decline of 1.5 percent in the year 2010-11. At NSE, among sectoral indices, decline in market capitalisation was the highest for CNX Bank (10.9 percent) followed by CNX IT (8.4 percent) (Table 4).

The Compound Growth Rate of Market Capitalization at BSE during these eleven years was the highest of All Listed Companies i.e. 282.80 and the lowest of BSE PSU i.e. 7.73 percent. The CGR of BSE Sensex was 11.99 percent, BSE-Teck was 8.07 percent, and Bankex was 17.82 percent. (Table 3). The Compound Growth Rate of Market Capitalization at NSE during the study period was the highest of All Listed Companies i.e.23.09 percent and the lowest CNX IT i.e. 4.54 percent. The CGR of S&P CNX Nifty was 9.59 percent, CNX Midcap was 13.04 percent and CNX Bank was 16.52 percent. (Table 4)

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TRADING FREQUENCY:

In an ideal situation all the securities listed must be traded at any given point of time but it seldom happens in any market. Some companies have high liquidity and others have low liquidity. During the period from 2001 to 2012, the trading frequency of listed stocks BSE and NSE has reached tremendous growth which is discussed in table 5 and 6. Trading frequency improved at both stock exchanges during the study period. During 2011-12, the number of securities traded in BSE was higher i.e. 3,923 as compared to 2,679 in 2002-03. Similarly, the number of securities traded in NSE was also higher at 1,627 in 2011-12 where as it was 899 in 2002-03.

Table 5
Trading Frequency of Listed Stocks BSE

Trading Frequency (Range of Days)		Above 100	91-100	81-90	71-80	61-70	51-60	41-50	31-40	21-30	11-20	1-10	Total
2001-02	No. of scrips Traded	1,238	93	113	197	579	402	315	299	360	427	1,324	5,347
	Percentage of Total	23.15	1.74	2.11	3.68	10.83	7.52	5.89	5.59	6.73	7.99	24.76	100.00
2002-03	No. of scrips Traded	1,815	63	51	54	68	74	75	53	86	105	235	2,679
	Percentage of Total	67.70	2.40	1.90	2.00	2.50	2.80	2.80	2.00	3.20	3.90	8.80	100.00
2003-04	No. of scrips Traded	1,960	65	54	49	46	58	61	56	52	63	146	2,610
	Percentage of Total	75.10	2.50	2.10	1.90	1.80	2.20	2.30	2.10	2.00	2.40	5.60	100.00
2004-05	No. of scrips Traded	2,368	36	37	35	32	50	34	41	68	63	142	2,906
	Percentage of Total	81.49	1.24	1.27	1.20	1.10	1.72	1.17	1.41	2.34	2.17	4.89	100.00
2005-06	No. of scrips Traded	2,630	22	19	21	27	30	25	32	43	52	148	3,049
	Percentage of Total	86.26	0.72	0.62	0.69	0.89	0.98	0.82	1.05	1.41	1.71	4.85	100.00
2006-07	No. of scrips Traded	2,673	30	25	31	35	30	22	22	30	50	149	3,097
	Percentage of Total	86.31	0.97	0.81	1.00	1.13	0.97	0.71	0.71	0.97	1.61	4.81	100.00
2007-08	No. of scrips Traded	2,868	17	18	18	18	18	15	15	33	43	103	3,166
	Percentage of Total	90.59	0.54	0.57	0.57	0.57	0.57	0.47	0.47	1.04	1.36	3.25	100.00
2008-09	No. of scrips Traded	2,831	29	32	21	24	25	33	34	32	38	147	3,246
	Percentage of Total	87.22	0.89	0.99	0.65	0.74	0.77	1.02	1.05	0.99	1.17	4.53	100.00
2009-10	No. of scrips Traded	2,986	22	26	24	27	21	30	29	28	39	139	3,371
	Percentage of Total	88.58	0.65	0.77	0.71	0.80	0.62	0.89	0.86	0.83	1.16	4.12	100.00
2010-11	No. of scrips Traded	3,203	28	21	31	35	33	26	29	19	57	270	3,752
	Percentage of Total	85.4	0.7	0.6	0.8	0.9	0.9	0.7	0.8	0.5	1.5	7.2	100
2011-12	No. of scrips Traded	3,190	37	43	39	35	45	56	53	53	50	322	3,923
	Percentage of Total	81.3	0.9	1.1	1.0	0.9	1.1	1.4	1.4	1.4	1.3	8.2	100

Source: SEBI Annual Reports – 2001-02 to 2011-12.

Table 6
Trading Frequency of Listed Stocks NSE

Trading Frequency (Range of Days)		Above 100	91-100	81-90	71-80	61-70	51-60	41-50	31-40	21-30	11-20	1-10	Total
2001-02	No. of scrips Traded	796	18	25	29	16	22	19	24	13	19	38	1,019
	Percentage of Total	78.12	1.77	2.45	2.85	1.57	2.16	1.86	2.36	1.28	1.86	3.73	100.00
2002-03	No. of scrips Traded	794	3	6	8	12	7	8	4	10	28	19	899
	Percentage of Total	88.30	0.30	0.70	0.90	1.30	0.80	0.90	0.40	1.10	3.10	2.10	100.00
2003-04	No. of scrips Traded	741	7	8	3	2	11	8	2	7	8	7	804
	Percentage of Total	92.20	0.90	1.00	0.40	0.20	1.40	1.00	0.20	0.90	1.00	0.90	100.00
2004-05	No. of scrips Traded	818	2	1	4	6	3	1	4	4	3	10	856
	Percentage of Total	95.56	0.23	0.12	0.47	0.70	0.35	0.12	0.47	0.47	0.35	1.17	100.00
2005-06	No. of scrips Traded	877	3	5	8	5	6	4	5	10	19	14	956
	Percentage of Total	91.74	0.31	0.52	0.84	0.52	0.63	0.42	0.52	1.05	1.99	1.46	100.00
2006-07	No. of scrips Traded	9813	3	12	8	25	18	13	17	14	17	13	1,121
	Percentage of Total	87.51	0.27	1.07	0.71	2.23	1.61	1.16	1.52	1.25	1.52	1.16	100.00
2007-08	No. of scrips Traded	1,177	5	17	7	11	7	7	6	9	13	7	1,266
	Percentage of Total	92.97	0.39	1.34	0.55	0.87	0.55	0.55	0.47	0.71	1.03	0.55	100.00
2008-09	No. of scrips Traded	1,273	5	4	0	1	2	4	4	2	3	3	1,301
	Percentage of Total	97.85	0.38	0.31	0.00	0.08	0.15	0.31	0.31	0.15	0.23	0.23	100.00
2009-10	No. of scrips Traded	1301	15	3	9	2	23	6	6	9	14	13	1,401
	Percentage of Total	92.86	1.07	0.21	0.64	0.14	1.64	0.43	0.43	0.64	1.00	0.93	100.00
2010-11	No. of scrips Traded	1,444	7	5	7	11	5	6	8	8	11	29	1,541
	Percentage of Total	93.7	0.5	0.3	0.5	0.7	0.3	0.4	0.5	0.5	0.7	1.9	100
2011-12	No. of scrips Traded	1,530	5	8	7	5	6	3	3	8	8	46	1,627
	Percentage of Total	94.0	0.3	0.5	0.4	0.3	0.4	0.2	0.2	0.5	0.5	2.7	100

Source: SEBI Annual Reports – 2001-02 to 2011-12.

The year 2003-04 appears to be a better one compared to the year 2002-03 in terms of trading frequency. A greater percentage of companies traded on more than 100 days during the year compared to the year 2002-03. Nearer 92.2 per cent of NSE companies and 75.1 per cent of BSE companies traded for more than

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100 days in 2003-04. In 2003-04, the trading frequency up to 90 days and above has also risen compared to the year 2002-03. Another interesting development is that the percentage of companies which traded for 30 days or less had come down. This is a positive development. In 2003-04, the total number of companies that traded on both the exchanges however, had come down compared to the year 2002-03 trading.

Trading frequency of stocks in BSE and NSE gives picture of liquidity in the Indian securities market. During 2007-08, the average number of shares traded in BSE was 3,166 as compared to 3,097 in 2006-07. On the other hand, the average numbers of shares traded in NSE were 1,266 in 2007-08 compared to 1,121 in 2006-07. The number of shares traded above 100 days also improved in both the stock exchanges which reflected a rise in frequently traded stocks. In percentage terms, about 90.59 per cent of the shares were traded for more than 100 days at BSE in 2007-08 compared to 86.31 per cent in 2006-07. Similarly, in NSE too, the percentage of shares traded increased from 87.51 per cent in 2006-07 to 92.97 per cent in 2007-08. The percentage share of stocks traded for less than 10 days was 3.25 per cent at BSE and 0.55 per cent at NSE in 2007-08.

Liquidity in stock markets is measured by the trading frequency of listed stocks at BSE and NSE. The number of companies listed at BSE at the end of March 2012 was 5,133. At NSE, the number of companies listed was 1,646 as on March 31, 2012. Trading frequency improved at both the stock exchanges in 2011-12 over the year 2010-11. During 2011-12, the number of securities traded in BSE was 3,923 as compared to 3,752 in 2010-11. Similarly, the number of securities traded in NSE was higher at 1,627 in 2011-12 compared to 1,541 in 2010-11. The percentage share of securities traded at BSE above 100 days marginally decreased from 85.4 percent in 2010-11 to 81.3 percent in 2011-12. At NSE, this percentage increased from 93.7 percent in 2010-11 to 94.0 percent in 2011-12. The percentage share of securities traded for less than 10 days was 8.2 percent at BSE and 2.7 percent at NSE in 2011-12.

MUTUAL FUNDS:

Household savings play an important role in domestic capital formation. Only a small part of the household savings in India is channelized to the capital market. Attracting more households to the capital market requires efficient intermediation. On this background mutual funds have emerged as one of the important class of financial intermediaries which cater to the needs of retail investors. As a traditional investment vehicle, mutual funds pool resources from households and allocate them to various investment opportunities.

Mutual funds have emerged as one of the important class of financial intermediaries which generally cater to the investment needs of retail investors. Mutual funds pool savings of households and other investors and invest in different instruments such as shares, bonds, debentures and other securities.

Mutual funds as an intermediation mechanism and products play an important role in India's financial sector development. Apart from pooling resources from small investors, funds also provide informed decision making mechanism. Thus funds contribute to not only financial sector participation, but also financial inclusion and thereby enhance market efficiency. Additionally funds contribute to financial stability and help in enhancing market transparency.

Table 9 deals with the data of resources mobilized through mutual funds.

Table 9
Mobilization of Resources by Mutual Funds (Crore)

Period	Gross Mobilization	Redemption	Net Inflow	Assets at the end of per
1	2	3	4	5
2001-02	1,64,523	1,57,348	7,175	1,00,594
2002-03	3,14,706	3,10,510	4,196	1,09,299
2003-04	5,90,190	5,43,381	46,808	1,39,616
2004-05	8,39,708	8,37,508	2,200	1,49,600
2005-06	10,98,149	10,45,370	52,779	2,31,862
2006-07	19,38,493	18,44,508	93,985	3,26,292
2007-08	44,64,376	43,10,575	1,53,802	5,05,152
2008-09	54,26,353	54,54,650	-28,296	4,17,300
2009-10	1,00,19,022	99,35,942	83,080	6,31,978
2010-11	88,59,515	89,08,921	-49,406	5,92,250
2011-12	68,19,678	68,41,702	-22,024	5,87,217
Total	305,15,691	401,90,415	3,44,299	37,91,160
CGR	51.37	52.15	-	23.19

Source: SEBI Annual Reports – 2001-02 to 2011-12.

Mutual funds had mobilised gross amount of Rs.3, 14,706 crore (US \$ 66.06 billion) during the financial year 2002-03 as against Rs. 1, 64,523 crore (US \$ 33.75 billion) during the previous year 2001-02. After adjustment of repurchases and redemptions, there has been net inflow of funds of Rs. 4,196 crore (US\$ 0.88 billion) as against Rs. 7,175 crore (US \$ 1.47 billion) during the year 2001-02. The gross mobilization of resources by all mutual funds during 2007-08 stood at Rs. 44,64,376 crore compared to Rs. 19,38,493 crore during the year 2006-07 indicating an increase of 130.3 per cent over the year 2006-07. Redemption also rose by 133.7 per cent in 2007-08 compared to 2006-07. The net mobilisation of resources by all mutual funds was Rs. 1, 53,802 crore in 2007-08 compared to Rs.93, 985 crore in 2006-07, a rise of 63.6 per cent. The assets under management by all mutual funds increased by 54.8 per cent in 2007-08 over the year 2006-07. The gross mobilisation of resources by all mutual funds during 2011-12 was at 68, 19,678 crore compared to ` 88, 59,515 crore during the year 2010-11 indicating a decline of 23.0 percent over the year 2010-11. Redemption also declined by 23.2 percent in 2011-12 compared to 2010-11. The mutual fund segment recorded a net outflow of ` 22,024 crore in 2011-12 as compared to an outflow of ` 49,406 crore in 2010-11. The assets under management by all mutual funds decreased by 0.8 percent in 2011-12 compared to 2010-11.

Overall growth rate (CGR) of gross mobilization during the study period was 51.37 percent, redemption was 52.15 percent and the assets under management by all mutual funds were 23.19 percent. The CGR of redemption was the highest and the assets under management by all mutual funds were the lowest (Table 9).

Table 10 gives the details of the trends in transactions on stock exchanges by mutual funds during the period 2001-02 to 2011-12.

Table 10
Trends in Transactions on Stock Exchanges by Mutual Funds

Year	Equity			Debt			Total		
	Gross Purchases	Gross Sales	Net Purchases/ sales	Gross Purchases	Gross Sales	Net Purchases/ Sales	Gross Purchases	Gross Sales	Net Purchases/ Sales
2001-02	12,098.11	15,893.99	-3,795.88	33,583.64	22,624.42	10,959.22	45,681.75	38,518.41	7,163.34
2002-03	14520.89	16587.59	-2,066.7	46663.83	34059.83	12604.42	61,184.72	50,647.42	10,537.72
2003-04	36.663	35.355	1.305	63,170	40,470	22,701	99,833	75,827	24,009
2004-05	45,045	44,597	448	62,186	45,199	16,987	1,07,232	89,796	17,435
2005-06	1,00,436	86,133	14,303	1,09,720	72,969	36,801	2,10,202	1,59,102	51,104
2006-07	1,35,948	1,26,886	9,062	1,53,733	1,01,190	52,543	2,89,681	2,28,075	61,606
2007-08	2,17,578	2,01,274	16,306	2,98,605	2,24,816	73,790	5,16,183	4,26,090	90,095
2008-09	1,44,069	1,37,085	6,984	3,27,744	2,45,942	81,803	4,71,815	3,83,026	88,787
2009-10	1,95,662	2,06,173	-10,512	6,24,314	4,43,728	1,80,588	8,19,976	6,49,901	1,70,076
2010-11	1,54,317	1,74,018	-19,975	7,64,142	5,15,290	2,48,854	9,19,060	6,90,183	2,28,879
2011-12	1,32,137	1,33,494	-1,357	11,16,760	7,81,940	3,34,820	12,48,897	9,15,434	3,33,463
Total	1139750	1126283	13193.61	3567038	2505604	1061491	4682879	3617434	1065454
CGR	57.90	56.34	-	43.72	42.66	-	40.70	39.50	45.45

Source: SEBI Annual Reports – 2001-02 to 2011-12.

Table 10 presents data on purchase and sale transactions of mutual funds on stock exchanges. During the year 2001-02 mutual funds were net sellers in the equity segment to the tune of Rs.3,795.88 crore and net buyers in the debt segment to the tune of Rs. 10,959.22 crore. On analysing the data of purchase and sales transactions of mutual funds on stock exchanges, it has been observed that the trend of net purchase of debt securities and net sale of equity has continued in the year 2002-03. During the year 2002-03, the mutual funds were net sellers in equity to the tune of Rs 2066.7 crore and net buyers in debt to the tune of Rs. 12604.42 crore.

During 2007-08, the combined net investments by the mutual funds in debt and equity was Rs. 90,095 core compared to Rs.61,606 crore in 2006-07, an increase of 46.2 per cent. The net investments in the equity market was Rs.16, 306 crore in 2007-08 compared to Rs.9, 062 crore in 2006-07, an increase of 79.9 per cent, whereas, the net investments in the debt segment rose by 40.4 per cent during the same period. The combined net investment was positive for in 2007-08.

During 2011-12, combined net investment by mutual funds in debt and equity was ` 3, 33,463 crore compared to 2, 28,879 crore in 2010-11, registering

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an increase of 45.4 percent. Mutual Funds were net sellers in equity segment with ` 1,357 crore, whereas, their net investments in the debt segment rose to ` 3,34,820 crore during the same period. Combined net investment was positive in 2011-12.

The compound growth rate (CGR) of trends in transaction on stock exchange by mutual funds during these eleven years the combined net investment by the mutual funds in debt and equity was 45.45 percent. The CGR of the combined gross purchases was the highest i.e. 40.70 percent and gross sales was the lowest i.e. 39.50 percent. The CGR of equity and debt gross purchases was 57.90 percent and 43.72 percent and gross sales was 56.34 percent and 42.66 percent, respectively.

FOREIGN INSTITUTIONAL INVESTMENT:

Strong risk adjusted returns of Indian market have led FIIs to make more allocations to India. Institutional Investors have a superior capacity to absorb and process information and have ability to conduct a large volume of transaction, FII lower the cost of intermediation benefit investors and issuers alike. Institutional investors also contribute to better transparency and governance for the improvement of micro- structure, of the capital market. Foreign capital flows are indispensable to growth of emerging market economies to finance the capital needed for excess of investment over the domestic savings. It helps in developing nascent financial markets and overall financial development. Foreign institutional investment is an important component in capital flows available to a country to pursue its trajectory of economic growth.

Table 11 explains the details of the trends in FII investment during the period 2001-02 to 2011-12. The table gives details about both "Gross Purchases" as well as "Gross Sales" and thereby net investment during the corresponding period.

Table 11: Yearly Trends in FII Investment

Year	Gross Purchases (Rs. Crore)	Gross Sales (Rs. Crore)	Net Investment (Rs. Crore)	Net investment (US \$ mn.)	Cumulative Net investment US \$ (US \$ mn.)
2001-02	50,071	41,308	8,763	1,839	15,372
2002-03	47,062	44,372	2,689	566	15,937
2003-04	1,44,855	99,091	45,764	10,005	25,943
2004-05	2,16,951	1,71,071	45,880	10,352	36,294
2005-06	3,46,976	3,05,509	41,467	9,363	45,657
2006-07	5,20,506	4,89,665	30,841	6,821	52,478
2007-08	9,48,018	8,81,839	66,179	16,442	68,919
2008-09	6,14,576	6,60,386	-45,811	-9,837	59,082
2009-10	8,46,438	7,03,780	1,42,658	30,253	89,335
2010-11	9,92,599	8,46,161	1,46,438	32,226	1,21,561
2011-12	9,21,285	8,27,562	93,725	18,923	1,40,482
Total	56,49,337	50,70,744	5,78,593	1,26,953	6,71,060
CGR	37.64	39.25	-	-	

Source: SEBI Annual Reports – 2001-02 to 2011-12.

Foreign institutional investors (FIIs) have come to occupy an important role in Indian capital market. Yearly investment transaction value and cumulative investment by FIIs have gone up substantially during the year 2001-02 to 2011-12. Stake of FII in some of the bell-weather stocks has also gone up and they have become an important segment of shareholders. Cumulative net investment by the Foreign Institutional Investors (FIIs) in the Indian capital market touched to US \$15.80 billion on 2002-03, registering an increase of US \$562.4 million over the cumulative net investment in 2001-02. The Indian market was not left untouched by global recession and weak sentiments. War in Afghanistan and Iraq added to the negative sentiments. Due to these negative undercurrents net investment by FIIs in 2002-03 was Rs. 2689 crore as compared to Rs. 8763 crore in 2001-2002.

The gross purchases of debt and equity by FIIs increased by 82.1 per cent in 2007-08 compared to 2006-07 (Table 11). The combined gross sales by FIIs also rose by 80.1 per cent in 2007-08 compared to 2006-07. The net investment by FIIs was Rs. 66,179 crore in 2007-08 which was more than double from Rs. 30,840 crore in 2006-07. The cumulative investment by FIIs at acquisition cost, which was USD 51.9 billion at the end of 2006-07, rose to USD 68.0 billion at the end of 2007-08. The gross purchases of debt and equity by FIIs declined by 7.2 percent in 2011-12 compared to 2010-11. The combined gross sales by FIIs declined by 2.2 percent in 2011-12 compared to 2010-11. The total net inflow of FII was ` 93,725 crore in 2011-12 compared to ` 1,46,438 crore in 2010-11. The compound growth rate of yearly trend in FII investment during the study period was 37.64 percent in gross purchases, 39.25 percent in gross sales. The CGR value of gross sales compared to gross purchases was the highest.

CONCLUSION:

Primary Securities Market:

Value of resource mobilization through public issues was higher than right issue during the period 2001-02 to 2011-12. It was the lowest i.e. 22.08 percent in 2008-09. However, it was the highest to 95.67 percent in 2003-04. Amount raised through rights issues to total issues was the lowest i.e. 4.9 percent in 2011-12. And it was the highest i.e. 77.91 percent in 2008-09. The total value of issued amount remained fluctuating between Rs.7573.08 crore to Rs. 87,029 crore during the above mentioned period. And it was the highest in 2007-08, whereas the lowest in 2002-03.

Secondary Securities Market:

- a) The study reveals that the compound growth rate of BSE stood at 14.01 percent. The notable growth rate recorded by NSE was 22.76 percent which is higher and growth rate of other stock exchanges showed -51.19 percent during these eleven years.

- b) The Compound Growth Rate of Market Capitalization at BSE during these eleven years was the highest of All Listed Companies i.e. 282.80 and the lowest of BSE PSU i.e. 7.73 percent. The CGR of BSE Sensex was 11.99 percent, BSE-Teck was 8.07 percent, and Bankex was 17.82 percent.
- c) The Compound Growth Rate of Market Capitalization at NSE during the study period was the highest of All Listed Companies i.e.23.09 percent and the lowest CNX IT i.e. 4.54 percent. The CGR of S&P CNX Nifty was 9.59 percent, CNX Midcap was 13.04 percent and CNX Bank was 16.52 percent.
- d) Trading frequency improved at both stock exchanges during the study period. During 2011-12, the number of securities traded in BSE was higher i.e. 3,923 as compared to 2,679 in 2002-03. Similarly, the number of securities traded in NSE was also higher at 1,627 in 2011-12 where as it was 899 in 2002-03.
- e) The percentage share of securities traded at BSE above 100 days increased to 81.3 percent in 2011-12 from 23.15 percent in 2001-02. At NSE, this percentage was 78.12 percent in 2001-02 and 94.0 percent in 2011-12. The percentage share of securities traded for less than 10 days marginally decreased from 24.76 percent in 2001-02 to 8.2 percent in 2011-12. At NSE, this percentage decreased from 3.73 percent in 2001-02 to 2.7 percent in 2011-12.
- f) Over the study period, the CGR values clearly show that NSE had the highest growth rate in term of number of shares trade, number of shares delivered and the value of shares delivered i.e. 20.30 percent, 21.64 percent, and 29.37 percent, respectively. Amongst there three variables, the growth rate was maximum in case of value of share delivered. The performance of BSE in term of given variables was also significant but comparatively the performance of NSE surpasses that of BSE. It was worth noting that the performance of other stock exchange in terms of the number of shares traded and delivered.

Mutual Funds:

- a) Overall growth rate (CGR) of gross mobilization during the study period was 51.37 percent, redemption was 52.15 percent and the assets under management by all mutual funds were 23.19 percent. The CGR of redemption was the highest and the assets under management by all mutual funds were the lowest.
- b) The compound growth rate (CGR) of trends in transaction on stock exchange by mutual funds during these eleven years the combined net investment by the mutual funds in debt and equity was 45.45 percent. The CGR of the combined gross purchases was the highest i.e. 40.70 percent and gross sales was the lowest i.e. 39.50 percent. The CGR of equity and debt gross purchases was 57.90 percent and 43.72 percent and gross sales were 56.34 percent and 42.66 percent, respectively.

Foreign Institutional Investment:

The compound growth rate of yearly trend in FII investment during the study period was 37.64 percent in gross purchases, 39.25 percent in gross sales. The CGR value of gross sales compared to gross purchases was the highest.

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