



## Review Of Research



### "AN EXPLORATORY STUDY ON MODEL OF STOCK EXCHANGES IN INDIA "

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#### A] ABSTRACT :

The progress of the nation is majority depends upon the development of Financial Market . Financial Market Depend Upon the Money Market and Capital Market . RBI is The regulator Money Market and SEBI is the Regulator Of the Capital Market. In India We have Today 22 Stock Exchanges But the Prime Stock Exchanges Is the only



two. BSE and NSE. Remaining Stock Exchanges has No much More Role in the capitalization Process. This PAPER tries to make attempt for there should be certain recommendation to the SEBI we need some changes for real development of stock exchanges in India.

**KEY WORDS:** SEBI, CCI, BSE, PSE, NSE, OTCEI, UTI, ROC, OTCEI, AMC.

#### B] INTRODUCTION

Before the establishment of SEBI, the office of CCI was in charge of the primary market. The stock exchanges and to some extent, the Registrar of Companies [ ROC ) were looking after the secondary market., After its establishment, various functions and responsibility were delegated to SEBI . The main purpose of setting up of SEBI was regulating the capital market and protecting the interest of the investors.

In the initial periods after SEBI was established a lot new entrepreneurs entered the primary market with public issue. Also existing companies came out with right issue, preferential allotment etc. , supported by the free pricing policies allowed by SEBI .Unlike in the CCI era, the companies were allowed by SEBI charge any premium for the new issues and the justification for the same was given in the prospectus by the companies and the same was given in the prospectus era was also the beginning of the globalization and its

establishment , SEBI was in the process of organizing rules and policies and a framework of the capital market and for the various intermediaries operating in the market. Also in the initially period, it did not have adequate authority in regulating the capital market.

During this period due to a combination of factors such as free pricing policies, immaturity of the investors and initially teething problem of SEBI lot of unscrupulous promoters entered in to the market and most of public issue were heavily subscribed without proper analysis and judgment of the investors.

In the secondary market, most of the newly listed shares were heavily traded at high prices on the basis of rumors and speculation. in fact most of the new companies were almost like venture capital but they entered the primary market at par with normal and listed companies

Subsequently , most of these companies failed to complete their projects many of these companies just vanished in to the thin air since most of these companies did not seek its true level,. Most of the investors lost heavily in the investment of such shares however gradually over a forced by SEBI due to increasing maturity of the investors , the fundamental concept of investing in the capital market in India has changed for the better. Due credit for the same must be given to SEBI.

## **C]RESEARCH METHODOLOGY**

### **I] Purpose Of The Study**

The purpose to study the there 22 stock exchanges in India but the dominating is only two i.e. BSE & NSE. Rest are very poor performance in market capitalization After establishment of SEBI what developments made by the SEBI in the capital market. We Want real protection and development of the capital Market what thing are necessary for the implementation. There should be certain changes in design and structure of stock exchanges.

### **II] Objectives Of The Study**

1. To Make Suggestion to SEBI for Model of stock Exchanges.
2. To understand the code of conduct all Stock Exchanges.

### **III] SCOPE OF THE STUDY**

This Research Paper mainly is based on secondary data. It includes such reference book, economic survey, Research Journal and websites related to journey of SEBI and rules implemented in the capital market.

## **D] SUGGESTIONS TO SEBI FOR STRUCTURE OF STOCK EXCHANGES**

### **1. RATIONAL CATEGORIES OF STOCK EXCHANGES**

Due to lack of rational categorization of stock exchanges, all the stock exchanges are treated at par, irrespective of the number of the companies listed, volume of trading number of investors dealing on such stock exchanges and the computerization level of each stock exchange.

Due to this, it leads to multiple listing of a company in order to provide liquidity to the investors this ultimately leads to bifurcation of the volume of trading in a particular company, and due to low volume in most of the scripts such scrip's become illiquid also the companies are required to follow multiple procedure of the different stock exchanges & pay multiple listing feed as well It is recommended that there should be three types or grouping of the stock exchanges

1. PRIME
2. REGIONAL
3. OTCEI

## A .PRIME STOCK EXCHANGES

It is recommended that the number of prime stock exchanges should be two only & those should be NSE& BSE these two prime stock exchanges should have common By laws, procedure, trading hours settlement period common listing procedure etc

The following rules on the prime stock exchanges should be as follows :-

- a. Before listing on a prime stock exchange, the company should have been listed on the regional stock exchange for a minimum period of 5 years some exceptions can be there such as:-
  - I. Public Sector Unit disinvestment companies.
  - li .public sector companies & companies promoted by them .
  - lii]Mutual funds promoted by public sector companies or Multinational companies(MNCs) having international track record with a certain minimum total corpus.
  - lv] Government Corporation converting in to joint sector companies.
- b. Normally, the company to be listed should be in business for at least 10 years .
- c. The company to be listed on prime stock exchanges should have declared profits for a minimum period of five years .
- d. A certain minimum limit of paid up capital say Rs. 25 corers or Rs. 100 corers of market capitalization should be prescribed for such companies which are to be listed on the prime stock exchanges .

## B.REGIONAL STOCK EXCHANGES

The regional stock exchanges would be those recognized stock exchanges. The conditions of listing under regional stock exchanges should be:-

1. It should be listed on OTCEI for a least 2 years. Or before listing the company should be 5 years old.
2. Out of the 5 years of its existence, the company should be profit making for at least 2 years.
- 3.. A certain minimum limit of paid up capital say Rs. 10 corers or Rs. 30 corers of market capitalization should be prescribed for such companies where are to be listed on regional stock exchanges

## C]. OTCEI (Over The Counter Exchanges of India)

This OTCEI is developed with the main object of providing listing & trading facility to the new entrepreneurs or venture capital companies which have a very small equity base .

This exchange is based on the principle scrip less trading counters are linked through satellite with the main exchanges& it can spread throughout the country. It is recommended that the unlisted companies & entrepreneurs without any track record of running business should first obtain listing & trading on this stock exchange. Venture capital should be listed under this category.

### The following listing norms are recommended:-

- 1.The companies should be least 3 years old.
- 2.The provision of minimum 3 years old should not be applicable to venture Applicable to venture capital companies. 3.The minimum paid up capital of such companies should be Rs. 3 corers.
- 3.All companies should have compulsory market making for at least 2 from the listing on the OTCEI.

## 2. SHIFT ILLIQUID SCRIPS FROM PRIME TO REGIONAL STOCK EXCHANGES:-

All the illiquid scraps currently on the prime stock exchanges should be transfer to regional stock exchanges or O.T.C.E.I as per the above mentioned criteria.

A proper definitions of illiquid scrip's should be laid down based trading turnover as compared to the market capitalization such scrip's should not be allowed to be listed on the prime stock exchanges. This will solve the problems of illiquid scrip on the prime stock exchange or if condition of prime stock exchanges are not fulfilled, they should be transferred to regional stock exchange or any one of the regional stock exchanges for example or any one of the industries Ltd. Fulfils the criteria of begin listed on the prime stock exchanges but fulfils the criteria of the regional stock exchanges.

Similarly, these companies which are currently listed on OTCEI, if they fulfill the criteria of regional stock exchanges, then they should be listed on such appropriate regional stock exchanges and later on they may graduate to listed on the prime stock exchanges.

### 3. LIMITED NUMBER OF REGIONAL STOCK EXCHANGES AND REGIONAL INDEX

It is recommended that, there should not be more than one regional stock exchange per state. This will ensure that, there is sufficient business for each regional stock exchanges. Once the companies of a particular region are listed on a particular regional stock exchanges can be establishment, this can be a guiding barometer of that particular region. This will also support the investors to know the relative position of the stock exchanges all over the country.

### 4. MERGER OF REGIONAL STOCK EXCHANGES

In order to achieve objective of the minimum number of stock exchanges which can serve the investors all over India, and give them the best of protection, it is essential that those regional stock exchanges which cannot adjust with the changing environment should merger with the existing stock exchange which have upgraded themselves

If mergers are a not possible, then such regional stock exchanges should be closed down and companies listed should be transferred to other stock exchanges within the same zone.

Ultimate objective should be that, there should be only five regional stock exchange zone wise i.e East , West, South, North and Central.

- 1) All companies should start being listed either with OTCEI or regional stock exchanges and then graduate to prime stock exchanges
- 2) Since the new companies will start on OTCEI, they will be scrip less . After that they will be shifted to regional stock exchanges and then graduate from regional to prime stock exchanges. These trends will be continued and meanwhile all the new companies will have scrip less trading.
- 3) Although the companies may be listed on either OTCEI or regional or prime stock exchanges. The counters will be all over the country will be all over the country.
- 4) Therefore it is recommended that, in the long run there should be two prime stock exchanges and one OCTEI
- 5) Gift securities should be allowed to be listed and traded on both the prime stock exchanges as well as on the OCTEI. This will allow the investors all over the county to deal and trade in such securities.

### 5] COMMON CODE AND RULES FOR ALL STOCK EXCHANGES

The different stock exchanges use different practice regarding listing, settlement timing etc. the speculators take undue advantage of the different settlement period there should be a common code, rules and regulations for all the Stock Exchanges.

This will lead to uniformity in the functioning and healthy development of the stock exchanges .It is also necessary to have uniform trading hours for the different stock exchanges. It has been observed that current trading ours which are about five to six hours are insufficient and due to this a lot of curb trading takes places. Often such trading leads to unhealthy speculation.

This can be avoiding by having more trading hours so that the need for curb trading is avoided.

### 6. INCREASE THE NUMBER OF COUNTERS

For fair competition among the stock exchanges and prompt services to the investors, it is recommended that, SEBI should allow free introduction of more counter/ vast connection throughout the country for all stock exchanges. As a result of that, the turnover in the Stock Exchanges will increase and the investors will get the facilities for trading in the stock and securities .

## 7. INTRODUCTION OF SURVEILLANCES SYSTEM

In order to help in early detection and prevention of insider trading, Price rigging, it is necessary to have surveillance mechanism to detect the same. Such surveillance system should be set up on the various stock exchanges and should be closely monitored by SEBI. The assistance of foreign consultants or internationally renowned stock exchanges may be taken for setting up such a surveillance system.

## 8. PROMOTION MEASURES FOR OTCEI

Although OTCEI has been established in 1989 and although it employment the most modern trading and settlement system as well as it has scrip less trading , many investors do not appear to be aware of and to be making a proper use of the OTCEI . it is necessary to promote the use of OTCEI by different measures like

- 1) Increasing the counter of OTCEI
- 2) Increasing the number of brokers of OTCEI
- 3) Keeping certain scrip's reserved for OTCEI
- 4) Reduce the listing fees on OTCEI
- 5) Creating more awareness amongst the investors of the benefits of trading through OTCEI

## E] CONCLUSION:-

In advanced County like USA and UK there are only 5 stock exchanges . in our country we have 22 stock exchanges . India Need to reduced stock exchanges by categorization stock Exchanges. The Most important thing is that promote the OTCEI foe better protection and simple Transaction .Similarly tightened the surveillance systems of the stock exchanges there by it is not possible to them to hike the prices of shares.

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