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Capital Market / Financial Market and The Role of Wings and Functionaries – An Indepth Analysis

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ABSTRACT

India is one of the fastest growing economies in the World, with a consistent growth that attracts both domestic and foreign investors. Indian Capital Market is one of the largest markets globally attracting national and international investors. This article provides an in-depth analysis of the Indian Capital Market, emphasizing its evolution, significance in the global financial landscape by highlightening the market's rapid growth over the past two decades, positioning India with major exchanges such as BSE & NSE by successfully navigating challenges including the Year 2008, Global financial crisis showing a robust recovery driven by strong corporate earnings and favourable government policies. With the best efforts of the then Government of India's major regulations in Capital Market, the emerging economies including India is propelled by huge inflow of funds through FIIs with a tune of Rs. 84,360 crores during 2010, making the Indian Economy market confidence and liquidity. This trend reflects growing international confidence in India's economic prospects, encouraging further foreign investments. A robust regulatory environment, primarily governed by the Securities and Exchange Board of India (SEBI) under the guidance of Finance Secretary, Government of India ensures transparency and investor protection. This regulatory enhances trust among investors, facilitating market growth.Technological advancements play a crucial role in the growth of Indian Capital Market such as introduction of automated trading systems such as BOLT (Bombay Stock Exchange's Online Trading system) has revolutionized the transactions to reduce errors, increase the transaction speed and access up-to-date information on stock prices, trading volumes and market trends. This article aims to elucidate the functioning of Capital Market, including the roles played by FII's and domestic investors in contributing economic growth to encourage individuals and national and international investors to consider India as a most favourable Investment destination Globally. This article analyzes how corporate earnings, government policies and FII's influence market dynamics and investor sentiment.Indian Capital Market is well-positioned for sustained growth offering opportunities for investors who capitalized on India's economic potential.

This analysis gives a fairly good idea of how the Financial Market functions, stocks are traded in exchanges and the relationship between the internal and international trade and flow of funds into the Capital market internally and globally. The financial sector in India is placed under strong regulations and controlled atmosphere so as to give confidence not only to the domestic investors but also international investors who invests in Indian Capital Market through Mutual funds, Foreign Venture Capital and direct investments. Subject is vast in nature as such the important functions, rights and obligations are briefly mentioned.

keywords: Bombay Stock Exchange, National Stock Exchange, Multi Commodity Exchange, Global Depository Receipts, Bombay Stock Exchange's Online Trading system (BOLT), Foreign Institutional Implementation Authority (FIIA).

I. AIM AND OBJECTIVE

It is a exploratory bringing in the functions and rights and obligations of the wings and the functionaries of the Capital Market with respect to Indian Environment and stock exchanges and investors.

II. INTRODUCTION

Capital Market / Financial Market where in individuals, companies, brokerage firms invest their money for gains in the form of Securities, Shares, debentures, short and long term investments, intraday trading in the financial market namely share market for gains on the investments made by them. Indian Capital Market is one of the largest markets globally, attracting national and international investors. There are two main exchanges in India namely Bombay Stock Exchange Limited and National Stock Exchange Limited where trading is done regularly in a fixed time under the control of the government of India by following the rules and regulations framed/amended as per the situations from time to time.

Warren Buffet got his first share when he was eleven years old; he has since then felt that he might have started investing much earlier but unfortunately according he started investment lately. Since two decades are so, Indian Stock Market has risen phenomenally and now it is in a position to take on other Capital Markets in advanced countries and that Indian Capital Market is recognized as one of the markets that can dictate terms to certain extent internationally in Money / Capital Market. Indian Capital Market also witnessed ups and downs, major crashes that happened in 2008 but recovered soon over the top of the International Capital Markets, because the Indian Capital Market is built on foundations that are in line with certain rules and regulations that are being framed and followed in National and International obligations. There is a saying that,

"Drops of water makes a Ocean",

Savings rightfully invested will make a significant difference to their financial independence of an investor however small he/she may be. Though the Global Capital Market witnessed during 2008 and 2010 in unbelievable fashion but the recovery is faster than expected especially in Indian Capital Market. Global emerging economies including India has also witnessed this environment wherein many investors lost their savings drastically, but we too like other developed nations recovered very fast and the Capital Market has come to the normal condition in a very shorter time.

According to IMF reports in 2010, the projected growth is 4.5% against D-growth of 0.6% witnessed in 2009. With the best efforts of the then Government of India, major business houses, stringent economic policies, hard regulations in Capital Market, the emerging economies including India is propelled by huge FIIs will tune of Rs. 84,360 crores during 2010, brought back Indian economy on the rails. At the same time, the Capital Market is being supported by robust Corporate earning that is evident from 2010 onwards showing strong growth posted by financial sectors like banking, consumer durables, metals, mining, shipping etc. From the year 2010-2011, after the market crash India witnessed a study flow of investments in various segments of the Capital Market at a phenomenal speed, is a good sign and the Indian economy witnessed rapid growth. During the same period 2010-2011 major part of the World witnessed continued uncertainity with a re-emergence of dead crisis in Europe, uprisings in North Africa and West Asia with major adverse impacts. It is heartening to note India posted a growth rate of 8.6% in that period, mainly due to strong earnings by Corporate Houses, that enabled Indian Sensex post a gain of 7.10% and since then the Indian Capital Market coupled with investments has shown study growth and today i.e. 2023-2024, we have established ourselves a force to reckon in International Capital Market.

As an example, the most successful investment money managers like Warren Buffet, Charlie Munger, Peter Lynch,

"Owe their success not only to their intellectual ability but also to their discipline and emotional control".

In an article titled, emotions in the Stock Market by John Grifith, Mohammad Majand and Jianchengshen published in www.tandfoline.com, categorically explode the interaction between media content and market returns and volatility.

In this regard, they utilized *"the propriety investor sentiment measures"*, developed by Thompson Reuters, market physic.

In their analysis they obtained the information from 24 hours rolling average scores of total references in the news and social media by counting overall positive references net of negative references. In their experiments, the authors examined the ability of these sentiment measures to predict market returns, secondly the authors interested in exploring the effects of these sentiment measures on market return and volatility.

III. LITERATURE REVIEW

The importance of Finance/Financial Market is to facilitate a. Rising of Capital (Capital Market), b. Transfer of Risk (Derivative Market), c. International Trade (Currency Market).

These are the principle sources wherein the finance that is available at one source will be accommodated to the source that wants the finance and such transactions/financial functions will take place in a regulated platform under the control of finance ministry called Stock Exchanges/Commodity Exchanges. Normally the borrower of the person in need of the funds issues a receipt to the lender/seller/buyer promising to pay back the capital. These receipts that are issued in the Capital Market are the securities that may be bought and sold to persons who purchases the securities in the capital market normally expect some compensation on their investment in the form of interests or dividend. Market is the aggregate of possible buyers and sellers of a certain goods or services and transactions between them.

Depending upon the transaction in the subject, financial markets can be divided into a. Stock Markets, b. Bond Markets and c. Commodity Markets, d. Derivative Markets, e. Money Markets, f. Future Markets, g. Insurance Markets, h. Foreign Exchange Markets etc.

a. Indian Environment with respect to Capital Market:

Once India is dependent on imports, hard pressed for foreign exchange, very little growth internally, having depend upon not only investment but also technology, equipment and knowhow from other developed countries. However, the right thinking politicians and bureaucrats at the helm of affairs has shown the path for study growth, which enabled heavy foreign investments through joint ventures, investments, participation in Indian Markets by investing either through Capital or knowhow or equipments. This is possible because, with the other parts of the Globe, the investors recognized India being an emerging nation of wealth creator and that confidence brought investments in Financial Instruments like Stocks, Mutual Funds, Insurance Products, Gold ETFs, IPOs and FPOs both in Private Sector and Public Sector. The Foreign Institutional Investments and Investors realized the facts that investing in Indian Capital Market both in Private and Public Sectors can give some handsome returns to them (Investors). This confidence to the overseas investors, to come forward to invest in various Capital Market Instruments and that, the investors recognized their investments in Indian Capital Market will be safe and the returns are good. This favourable atmosphere in Indian Capital Market has brought in, Foreign Investments in the forms that are mentioned above, that have given an impetus in economical growth in India. This kind of favourable environmental Investment in India compared to other developing nations gained confidence of the foreign investors because, the foreign investors believed that,

"India is expected to emerge as one of the fastest growing economies in the World and that the Investment Climate is much favourable compared to other developing nations"

After one and half decades of this favourable environmental investments, India never looked back and at current levels in my view markets are at higher end of fare value and investor should not look towards asset allocation in various fields where the investments will give them handsome returns.

The principle in any Capital Market being,

Any correction in Volatality should be viewed as a opportunity to invest and advances an opportunity to book profits. Most of the investments are routed through Financial Institutions mainly through banks, and Indian Banking System both Public and Private is so robust and built on good foundations, are able to take the challenges of this Investment opportunities in the Capital Market, established themselves that they are equally strong and can meet the challenges like any financial institutions in the developed nations. Since the Stock Market Crash during 2008-09, Indian Capital Market has shown a robust growth and steep decline in NPAs in banking sector, high level automations and focus on customer services made the Indian Economy poised for a major rise beyond the expectations of everyone.

From the groomy pessimism and desperation, the sentiment of the Capital Market is replaced cautious Optimism and thus made the Indian economy on a sustained growth path in line with the estimates and projections. The Government of Indian gave importance and has taken necessary steps to contain inflation and increase agricultural production, in addition industrialization, has put Indian Market in a better position comparable to markets of the advanced countries. Taking cues from these developments the domestic Capital Market in India is likely to grow by addressing the fluctuations with positive bias till confidence is fully restored. This kind of atmosphere is a favorable market condition for the foreign players to invest in Indian Capital Market.

The present Indian growth rate, continues to be amongst the highest in the World and second to China. The main reasons are fundamental solidity and a healthy and flourishing Financial systems are the backbones of Indian Economy. This positive trend in Indian economy and the structural growth continued to make India an attractive Investment destination. This kind of environment has shown the path to foreign investors as, an individuals or Financial Institutions to participate and put their investments in Indian Capital Market, because they believed that Indian Capital Market can yield high returns compared to other investmental areas in the Globe/Global Market.

The another important aspect of Indian economy to grow is, the ability to focus on growth oriented policies and on ground fast paced execution.

Corporate houses/companies/organizations who are registered, raise their capital requirements to their business operations either by debt or equity. The amount so raised is utilized for the purpose of Capital. Of these two, Capital raised by way of equity is usually raised by, *"issuing shares or stocks or warrants or debentures to the investors who are interested in investing"*.

In economies, Financial Market is a mechanism that allows interested persons who want to invest their surplus income for the gains by those instruments either to private placement or to stock exchanges provided in the organizations/companies who ever registered them in any stock market / exchange. Usually the two main stock exchanges that are having bulk business in the share markets are Bombay Stock Exchange and National Stock Exchange and also the Commodity market such as Multi Commodity Exchanges (MCX). The usual way of markets working is by placing many interested buyers and sellers in one place/platform. Thus, making easier for them to find each other.

Stock Exchange means,

"an entity that provides services for stock brokers and traders to trade stocks, bonds and other securities".

According to Sec 2(d) of the Securities Contracts Regulations Act, 1956 stock exchanges means,

"anybody of individuals whether incorporated or not constituted before corporatization and demutualization under Section 4(A) & 4(B).

A body corporate incorporated under the companies Act 1956, whether under scheme of corporatization and demutualization or otherwise for the purpose of assessing, regulating or controlling the business of buying, selling or dealing stock exchanges."

In addition stock exchanges are also provide facilities for,

"Issue and Redemption of Securities and other financial instruments and capital events including the payments of income and dividends. Securities traded on a stock exchange includes shares issues by companies, unit trusts, derivatives, pooled investment products and bonds."

Market economy is nothing but economy which realize principally on interactions between buyers and sellers to allocate resources.

BOMBAY STOCK EXCHANGE:

Bombay Stock Exchange established in 1875 is the oldest Stock Exchange in Asia and first Stock Exchange that was granted permanent recognition under the SEBI Regulations Act, 1956 since 150 years rose to prominence. In 2002, the name, the Stock Exchange, Mumbai was changed to Bombay Stock Exchange and in 19th August, 2005, the Exchange turned into a corporate entity from an association of persons and it was renamed as Bombay Stock Exchange Limited and got prominence when it introduced Securities Trading System in India replacing its *"Open*

Outcry System of trading in 1955", and subsequently the exchange was totally automated. Thus, the introduction of trading through the BSE Online Trading (BOLT). This Bolt network expanded nationwide in 1997. Even prior to SEBI Rules and Regulations, BSE has formulated its own comprehensive set of rules and regulations for Securities Market etc and laid down best practices which were adopted subsequently by 23 stock exchanges throughout India. Bombay Stock Exchange Limited can take the pride of facilitated growth of Indian Capital Market/Corporate Sector by providing an efficient Capital raising Platform. Bombay Stock Exchange was included in the Top 10 list of Global Exchanges in terms of the market capitalization of the companies (31.12.2009). The total market capitalization of BSE Limited is around USD trillion 1.8 as on 02.02.2010. The total market capitalization of BSE Limited is around Rs. 4,59,42,338.50 as on December, 2024. In addition, BSE Limited, the 1st Exchange in India and second in the world to obtain an ISO 9001:2000 certification and is a first exchange in the country and second in the world to receive Information Security Management System Standard, BS 7799-2002 certification for its Online Trading System (BOLT). BSE Index, Sensex is India's first and most popular Stock Market Bench Mark Index, Exchange Traded Fund on Sensex are listed on BSE and in Hong Kong Futures and Options and the Index are also traded as BSE.

Following are the awards and laurels obtained by Bombay Stock Exchange Limited:
a. First in India to introduce equity derivatives
b. First in India to launch a free float index
c. First in India to launch US $ version of BSW Sensex.
d. First in India to launch, "Exchange enabled Internet Trading Platform".
e. First in Indian to launch, Exclusive Financial Trading.

The Primary Objective of BSE Limited is to promote and inculcate honorable and just practices of trade in securities transactions, discourage malpractices. Bombay Stock Exchange Limited has an online real-time survivellance system and is operational since 15.07.1999 and under this system alerts are generated online in real time during the trading hours based on certain present parameters like volume valuation in scripts, a member taking unduly large positions not commensurate with their financial position, concentrated position in one or more scripts. This OLRT System, *"integrates several database like company profiles, member profiles and historical data of turnover, moments in scripts, members turnovers and their pain obligations"*. In addition BSE Limited to help buyers setup a *"bad delivery cell"*, based upon the uniform norms for good/bad deliveries that are formulated by SEBI and this follow,
"the set in steps as per the SEBI guidelines and award for invalid objections, the award for the invalid rectifications if any is also given and also maintains the data of loss/stolen/fake duplicate shares of all listed companies".

BSE Limited in order to protect the interests of investors who are dealing with securities which is their main objective has opened *"Department of Investor Services in 1986"*. Foreign Investors who are trading in India Trade Market for investment are freely permitted in almost all the sectors and this investment is routed through Foreign Direct Investments (FDI), can be made under two routes such as Automatic Route, Government route.

NATIONAL STOCK EXCHANGE(NSE):

The other important Stock Exchange in addition to Bombay Stock Exchange is the newly established *"The National Stock Exchange of India Limited*". *"In the report of five powered study groups on establishment of New York Stock Exchange, which recommended promotion of a National Stock Exchange by financial institutions (FI) provides access to investors from all across the country on an equal footing."*

Based on the recommendations of the group NSE was promoted by leading financial institutions at the behest of the Government of India and was incorporated in 1992 as a Tax paying company unlike other Stock Exchanges in the country; such as

1. Industrial Development Bank of India Limited
2. Industrial Financial Corporation of India Limited
3. Life Insurance Corporation of India
4. State Bank of India
5. ICICI Bank Limited
6. IL & FS Trust Company Limited

7. Stock Holding Corporation of India Limited
8. SBI Capital Market Limited
9. Bank of Baroda
10. Canara Bank
11. General Insurance Corporation of India
12. National Insurance Company India Limited
13. The New India Assurance Company India Limited
14. The Oriental Insurance Company Limited
15. The United India Insurance Company Limited
16. Punjab National Bank
17. Oriental Bank of Commerce
18. Corporation Bank
19. Indian Bank
20. Union Bank of India
21. Infrastructure Finance Company Limited

The main objectives of NSE are a. establishing National Trading facilities for equities market, debt instruments and hybrids b. ensuring of equal access to investors all over the country to an appropriate communication network, c. providing fair efficiency transparent securities to investors with the help of electronic trading systems practices and technology that have become industry benchmarks that are being emulated by the other market participants. NSE not only a market facilitator is force which is guiding the industry towards new horizons and greater opportunities. NSE has introduced shorter settlement cycle and book administrative settlement system and meeting the current international standards of securities markets as per the NSE standards.

MULTI COMMODITY EXCHANGE OF INDIA LIMITED (MCX):

The other important stock Exchange exclusively for commodity trading is MCX India Limited whose head quarters is located in Mumbai, is the state of art electronic commodity exchange. The demutualized setup by Financial Technologies India Limited was awarded permanent recognition by the Government of India to facilitate Online Trading and Clearing and settlement operations for commodity futures across the country and enjoys the confidence of many blue chip companies in India and International Financial Circles. Following the list of strategic equity partners of MCX Board.

1. State Bank of India and its associates
2. National Bank of Agriculture and Rural Development (NABARD)
3. National Stock Exchange
4. SBI
5. Life Insurance Corporation of India Limited
6. Bank of India
7. Bank of Baroda
8. Union Bank of India
9. Corporation Bank
10. Canara Bank
11. HDFC Bank
12. FID Fund (Mauritius Limited)
13. An affiliate of Fidility International
14. Merilynch
15. EURO Next NV and others

MCX Limited started its operations in November 2023 and holds a market share of 80% in Indian Commodity futures market and has more than 2000 registered members operating through over one lakh trade work stations across the country. MCX emerged has sixth largest and amongst fastest growing “Commodity Futures Exchange Globally” in terms of members of contracts traded in 2009, and this exchange offers more than 40 commodities across various segments such as *“Bullion, Ferrous and Non Ferrous Metals and number of Agri-Commodities on its Platform and this exchange is world’s largest exchange in Silver and second largest in Gold, Copper and Natural*

Gases and third largest Crude Oil Futures with respect to, the number of futures, contracts traded ”. The MCX has been certified to three ISO Standards that are,

“*ISO 9001:2000, Quality Management System Standard, ISO 1401:2004, Environmental Management System standard and ISO 27001: 2005, Information Security Management System Standard, The Exchanges Platform enables anonymous trades, leading to efficient price discovery, globally traded commodities and also enables domestic participants to trade in Indian Currency*.”

The other services that are included in this Commodity Exchange Platform are,

“To be at the forefront of developments in Commodities Futures Industry and has forced strategic alliances with various leading international exchanges, including London Metal Exchange (LME), New York Mercantile Exchange (NME), Schangai Futures Exchange (SHFE), LIFFE Life Administration and Management, Boltic Exchange Limited (BEL), Taiwan Futures Exchange (TAIFX) among others”.

The main futures and Innovative ideas of MCX are ability to use and apply technology efficiently in the development of business, the exchanges technology framework is desgined to provide high availability for all critical components that generates continuous availability of trading facilities, and deployment capabilities to operate efficiently with fast order routine, immediate trade execution, trade reporting, real time risk management, market surveillance and market data dissemination. The Online trading system deployed in MCX is accessible to the member through multiple mediums of connectivity such as VSAT, Terminal leased circuits (point to point) and multi protocol label switching (MPLS), facility to their members to expand their business by using the trading front and software produced from exchange.

Finally MCX Technology service provider enables the exchange to implement new products and services quickly and efficiently. MCX Commodity Exchange received many laurels and awards such as Financial Inclusion award 2011 from the Skoch Foundation 2011, b. Best Commodity Exchange award of the Year from the Bombay Bullion Association – 2010, c. FICCI, Socio Economic Development Foundation (SEDF), Corporate Social Responsibility Award, 2009-10, Nasscom Foundation Social Innovation Honors – 2010, Sankalp Award for Agriculture and Innovation 2009, Best Billionaire Exchange Award of the Year awarded from the Bombay Bullion Association 2008, India’s First Green Exchange by Priyadarshini Academy, 2008 and Golden Peacock Echo – Innovation Award 2008 from the institute of directors 2008, finally this exchange has a *“Redressal of Investor’s Grievances mechanism to sort out the grievances of the investors and compliant cell to receive the complaints from the investors in a systematic manner to solve their problems”*.

IV. **DISCUSSION AND ANALYSIS**:

Study of Capital Market with reference to National and International Markets:

Credit Market Structure:

A large Corporate Houses/Organizations who are in need of capital who cannot otherwise procure except in financial market mainly depends upon financial intermediaries to meet their requirements. The function of these intermediaries and their capacity of providing huge capital to the needy can be categorized as institutional and non institutional.

In India the major Institutional suppliers of credit are banks (National and Private) and Non Banking Financial Institutions and such other financial institutions and also Non Banking Financial Corporations are more active in arranging capital to the needy. It is mandatory for any developing nation to have a sound financial system with stable intermediaries, they may be either banks or non financial institutions and their main function is to identify the available funds from the public or any interested body in the form of savings and disburse the same as credit to the needy.

All the financial transactions are being carried out under the watchful eye of the government through Ministry of Finance and Reserve Bank of India, while doing so they should be careful enough regarding NPAs of the financial institutions.

On the other hand credit deposit ratio encourage the banks raise the deposits for funding credit flow and minimize the use of purchased funds. In this function, the majority of the Indian Banking System is fairly good except some black sheep. To understand financial market in a big way one has to look at how the funds are being used by the organizations in their capital investment and how the fund are raised are being utilized for production purpose because the money that borrowed from Banks and Non Financial Institutions have to be repaid with interest. Any company/organization cannot have capital that is needed and to fulfill their functions they have to borrow money for capital requirements and other purposes. However, sometimes few companies that are functioning well will have surplus capital which they will lend via short term markets, money markets. Such companies who are having strong cash flow becomes lenders than borrowers. The other way of making use of the surplus funds and getting more income some companies tend to invest the surplus in bonds and stocks. The borrowing depends upon the size of the company and the need of the capital requirement.

Derivative Products:

The financial markets/stock prices, bond prices, currency rates, interest rates and dividends are always fluctuating creating risk. On the other hand derivative products or financial products that are used to control risk or periodically exploit risk and is nothing but financial economies. Derivative products and such financial instruments are to help the issuers to gain an unusual profits by using these instruments called derivative products.

Currency Markets:

In Currency Markets, the buyers and sellers of currency are the importers and exporters of goods/commodities/services. When International Trade created the demand for Currency markets, these imports and exports in the present situation is only 1/32 of foreign exchange dealings according to a report.

No company or corporate house can run/sustain without borrowing from the currency market either for a long term or a short term and these borrowings, each company will choose a method/provision that is suitable to their environmental requirement.

Some of the following methods are,
a. By mortgaging immovable property such as land, buildings, machinery etc.
b. By securing long term loans from financial institutions who are in the financial market
c. By utilizing loans offered by State and Central Governments for industrial development activities which is one of the main objectives of any government of any country to create employment by industrialization and boost economy thereby improve the standard of living of people.
d. By issuing debentures
e. Obtaining loans from money lenders or banks
f. Accepting loans in the form of deposits from the public for a fixed period
g. Obtaining loans by creating charge on the property and assets of the company. In addition the organizations are in the practice of borrowing loans from the banks in the form of cash, credit, overdraft, loans, discounting of bills of exchange.

h. Also from some of the public financial institutions such as non banking financial institutions such as Industrial Credit and Investment Corporation Of India Limited, Industrial Development Bank of India, Life Insurance Corporation of India, Industrial Finance Corporation of India, Unit Trust of India, The Infrastructural Development Financial Corporation of India (IDFC), The Industrial Reconstruction Corporation of India (IRCI), the Shipping Investment Credit Company Limited (SCIC), Tourism Financial Investment Corporation of India Limited (TFICI), IFCI Venture Capital Fund, Power Finance Corporation of India, Small Industrial development Bank (SIDBI), Rural Electrification Corporation Limited (REC Ltd), Industrial Railway Finance Corporation of India Limited (IRFC), National bank of Agriculture and Rural Development (NABARD),

General Insurance Companies:

To approach International Capital Markets, the provisions are contained in "Foreign Exchange management (Borrowings or lending in foreign exchange) Regulations, 2000". If any organization could not satisfy the conditions laid down thereon, borrowing on lending is permissible only with the permission of RBI and are, a. Borrowing and lending in foreign exchange through authorized dealer, b. Borrowings from Overseas Bank for project reports, c. Borrowings by individual precedents, d. External Commercial Borrowings (ECB) under ECD Scheme, e. Conversion of ECB and secured/unsecured loans into equity shares, e. Acceptance of deposits from NRI/PIO/others, f. Issue of Commercial Papers.

The other way of funding the organizations from International Financial Market, the Central Government made a provision called Foreign Direct Investment and these FDIs can be broadly classified into a. Investments in Indian Companies by purchasing its shares, b. Portfolio Investments in Shares.

Foreign Investment Implementation Authority (FIIA): Government has set up FIIA in Ministry of Commerce and Industry, to look after the approvals and provide one stop after core service to foreign investors.

Foreign Venture Capital Funds and Venture Capital Company: Off-shore Venture Capital Funds can invest in domestic venture capital undertakings/companies as per SEBI guidelines and sector specific Caps as FDL.

Mauritius route for Foreign Investments (FII):

Equity can be raised from Foreign Market by issue of a. GDR, b. ADR, c. FCCB

The Government of India made a provision to raise foreign investments in Indian Economy through GDR namely Global Depository Receipt. This GDRs is a means of security issued by a Bank or depository outside the Country against underlying Rupee shares of a company incorporated in India.

The other form of raising foreign direct investment is ADR namely American Depository Receipt. American Depository Receipt means a security issued by a Bank or depository in USA against underlying Rupee shares of a company incorporated in India.

One more form of Foreign Direct Investment is through bonds called FCCB namely Foreign Currency Convertible Bond. It means issued by a bond issued by an Indian Company expressed in foreign currency and the principle and interest in respect of which is payable in foreign currency.

There is other way of getting foreign direct investment is offshore mutual funds.

Any security to be traded on any stock exchange platform, the security must be listed in that particular exchange where the stock is listed. Normally there is a central location for record keeping but trade is increasingly less linked to such physical place but the present system of trading which is under the eye of the electronic system gives an advantage of speed and reduced cost of transactions. In electronic form in a limited space maximum amount of information can be stored unlike in physical form; that is why all the stock exchanges throughout the globe introduced Dematerialized stocks instead of physical form.

A stock exchange is often the most important component of a stock market like supply and demand in stock markets in various factors so that all the transactions can be made out with click. The present system of issuing the stocks in primary market/secondary market are only in electronic form and the physical certificates are eliminated for the reasons mentioned above. In the present scenario, the importance of stock exchanges globally becoming increasingly important because *"Stock exchanges are part of a global market for securities"*.

According to Sec 2(d) of the Securities Contracts (Regulations) Act, 1956 stock exchange is defined as,

"anybody of individuals whether incorporated or not constituted before corporatization and demutualization under section 4(a) and 4(b)".

A body corporate incorporated under the Companies Act, 1956 whether under a scheme of Corporatization and demutualization or otherwise for the purpose of assessing, regulating or controlling the business of buying, selling or dealing in securities.

The other important role of the Stock Exchanges are to appoint Brokers of the Exchange who are registered with SEBI for the purpose of accepting applications and placing order with the company. It is mandatory that every depository should be a member of Stock Exchanges as the case may be. It is also mandatory and prerogative of any registered Stock Exchange to make rules made by it and to make rules restricting voting rights. A recognized and registered stock exchange is also empowered to make buy laws for the regulation and control of contracts. The Central Government is fully authorized to direct recognized stock exchanges make any loss or to amend any rules that are existing in accordance with the government policies.

The Governing body of any registered stock exchange is protected from suing, prosecution or any legal proceedings against them because all the actions are taken by the governing body of registered stock exchange is in good faith clause. Rule 19 of Securities Contracts (Regulations) Rules, 1957 provides some guidelines for listing of securities of public limited companies in the registered stock exchanges such as,

a. Public company desires of setting its securities listed at registered stock exchange along with the application should also submit the following documents.

i. Memorandum and Articles of association/Trust deed as the case may be
ii. Office of all prospectus
iii. Office of all other documents
iv. Office of audited balance sheet for the last five years
v. Entire copies of all the agreements entered into by the issuer company with various agencies and intermediaries.
vi. Submitting the application through the lead merchant bank appointed for the purpose with a requisite application fee
vii. Intimate the Stock Exchange where the stocks are to be listed any other information necessary to enable the share holders to appraise the company for investment.
viii. A recognized stock exchange where an application is filed by any person to see that such person shall comply with the conditions of the listing agreement with the stock exchange.
ix. A recognized stock exchange may delist securities, after recording the reasons from any recognized stock exchange on any one of the ground/grounds as the case may be prescribed under the act. However, the securities of a company shall not be delisted unless the company concerned has been given a reasonable opportunity of being heard.
x. A recognized stock exchange may relax any one of the conditions with previous approval of the SEBI in respect of government company when the meaning of section 617 of the companies Act 1956 and subject to such instructions as the board may issue in this behalf from time to time. A company applying for listing shall as a condition precedent under interalia, 1. Letter of allotments, 2. Letter of regrets should be issued simultaneously and not a notice to that effect will be inserted in the press so that it will appear on the morning after the letters of allotment have been posted.
xi. In case of rights issue, application containing, application for acceptance and renunciation should be sent to a eligible applicants intimating all the details after allotment along with names and addresses to stock exchanges.
xii. To advise the stock exchange of the date of the board meeting at which the declaration or recommendation of a divided or the issue of rights or bonus shares will be considered.
xiii. To notify the stock exchange of any material change in the general character or nature of the company business.
xiv. To notify the stock exchange of any other alterations of capital including calls.
xv. To promptly notify the stock exchange of any action which will result in the redemption, cancellation or retirement in whole or in part of any securities listed on the exchange. The main idea behind is intention to make a drawing of such securities intimating at the same time, the date of drawing and period of closing of transfer book. Finally a listed company or an aggrieved investor may file an appeal before SAT against the decision of the recognized stock exchange against delisting of the securities when fifteen days from the date of decision. In addition there lies an appeal against such refusal, omission or failure by the stock exchange to the central government where after giving the opportunity of being heard by the stock exchange. The Central government may vary or set aside the decision of the stock exchange,

1. Where the stock exchange has omitted or failed to dispose of the application, may grant or refuse permission stock exchanges and shall act accordingly.

2. SAT shall not be bound by the Civil Procedure Code, while trying the appeal. However every proceeding of SAT shall be deemed to be judicial proceedings and SAT deemed to be a Civil Court.

3. The Appellant may either appear in person or otherwise one or more chartered accountants or companies secretaries or cost accountants or legal practitioners or any of its officers to present his/her or its case before the SAT. However, the provisions of the limitation Act, 1963 shall, as far as may be applied to an appeal made to SAT. No Civil Court shall have jurisdiction to entertain any suit or proceedings in respect of any matter which a SAT empowered by or under the Act determined and no injunction shall be granted by any court or other authorities in respect of any action taken by or to be taken in pursuance of any power conferred by or under the Act.

xvi. Any person aggrieved by any decision or order of the SAT may file an appeal to Supreme Court within 60 days from the date of communication of the decision or order of the SAT to him/her or any question of law arising out of such order is however the Hon'ble Supreme Court may satisfy can revoke its order.

xvii. A recognized stock exchange may either at its own decision shall in accordance with the order of the SAT under sub rule 5 restore or readmit to dealings any securities suspended or withdrawn from the list.

V. CONCLUSION

From the above discussions and analysis with respect to Capital Market/Financial Market, Investors, Stock Exchanges and other people, organizations involved in the Financial Market and their duties and obligations are discussed at length. Though in India, Capital Market/Financial Market is a complicated one but the Government of India with the assistance of Reserve Bank of India through Ministry of Finance has evolved rules and regulations and strict guidelines to be followed and adopted in Toto by all the functionaries so that no investor either a single person or a corporate body or a financial institution are deprived of their rightful fruits for their investments. Especially with the introduction of SEBI (Securities Exchange Board of India) through an Act of Parliament and SEBI Rules and Regulations, Securities Appellate Tribunal to resolve all the disputes arising between the functionaries of financial markets such as investors (individual or corporate), brokers, sub brokers, intermediaries, registered stock exchanges are protected from the financial transactions if they are in line with the government rules and regulations and also financial regulations that are passed now and then by the finance ministry in accordance with the policies of the Central Government should be adhere to inspirit and meaning so that no functionary is deprived of the right accorded in accordance with the above rules and regulations and the constitution of India. This analysis gives a fairly good idea of how the financial market functions, stocks are traded in exchanges and the relationship between the internal trade and international trade, flow of funds into the capital market not only internally but also externally so that the funds are rightly utilized for the development of the country and the prosperity of the citizens. However the subject is vast and hence limited approach is made so that a common investor can have a basic knowledge while making his/her investments for rightful gains.

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