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"The Upswings of Indian Stock Markets- A Comparative Study With Asian Markets"

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Abstract: The global markets are shrinking and investors are losing their investments markets. Economies are facing problems with many issues and slipping from blue to red zone. Most of the foreign investors drag their funds from markets due to the liquidity problems in their home nations. Most of the benchmark indices are slipping to the grounds in the Asian region where as the Indian indices NIFTY and SENSEX are reaching to their new highs **(Business Lines, Aug-2018).** The sharp correction in mid cap and small cap stocks wrinkled the investors' funds. This resulted in most of the listed companies were crashed their share prices in the market. The actively traded stocks in India are about 1850 stocks, out of 80% of the stocks were declined in 2018 and recorded negative returns only. About 20% of the stocks lost more than 20% of their value and 284 stocks lost more than half of their value **(Economic Times, July 2018)**.

As headwinds from the Global Financial Crisis (2008-09), followed by the European Sovereign Debt Crisis (2010-12) and the Global Commodity Price Realignments (2014–16) subside, the Cyclical Upswings in Global Output have grown by 3.7 percent in 2017 which is half per cent higher than in 2016 **(IMF, Jan, 2018).** The Global Economies experienced 3.0 per cent Economic Growth in 2017, a significant acceleration compared to growth of just 2.4 per cent in 2016, and the highest rate of global growth recorded since 2011. Labour market indicators continue to improve in two-thirds of countries worldwide in 2017 and remain steady at 3.0 per cent in 2018 and 2019. Yet, Weak growth in Per Capita Income poses setbacks to sustainable development targets across countries and regions. The Investment Rebound is amid of low Financial Volatility and Financing Costs, reduced fragilities in Banking Sector, rising levels of NPAs **(UN World Economic Situation Report, 2018).**

The negative aspects like trade wars among the nations, elevation of crude oil prices, higher interest rates in the economy, the political uncertainty in the nation; despite of all these Indian Stock Markets are listing new life time highs in every trading session. By covering the said factors, a sincere attempt is made to assess the future and prospect of Indian Financial Markets in detail.

Introduction and History

Indian Financial Market is one of the ancient in the world, and is considered as one of the fastest growing markets of the emerging economies. The History of Indian Capital market was started about 2 centuries back, under the rule of East India Company **(Christopoulos, D. K., & Tsionas, E. G. 2007)**[1]. The development of capital market in India concentrated around Mumbai till 19th century. The first Indian stock exchange established at Mumbai in 1875 and is the oldest Exchange in Asia. From the time, since 1980s there has been an unprecedented growth of the stock markets. The number of stocks exchanges increased from 8 in 1980 to 22 in 1993 in the country[2] . The number of listed companies in Bombay Stock Exchange are 5,439 and in National Stock Exchange (NSE) 1,952, as on April- 2018 (www.nseindia.com). Now the markets are functioning at wider range and covered entire India **(Pradhan, R. P, 2011)** [3].

In India, financial sector is crucial and play an important role for accumulation of capital, Economic Growth and Development, enrooting production of goods and services. The process of fund collection and capital raising becomes costlier in many developing nations because of less reforms, rigid government policies, less regulation of banking, problems in determining the interest rates, limited access of financial markets, dis-integration or less integration of financial system etc **(Priti Sinha, Brinda VIswanathan, and Badri Narayan (2015)** [4].

One of the largest and fastest growing economies like India, is depending on private players for capital contribution majorly and institutional investors indirectly feeding the capital requirements **(Greenwood, J., &**

[1] . Christopoulos, D. K., & Tsionas, E. G. (2007). Financial development and economic growth: Evidence from panel unit root and cointegration. Journal of Development Economics, 73, 55–74.
[2] Financial Management for Managers (2004), ICFAI Publishers, ISBN- 81-7881-627
[3] Pradhan, R. P. (2011). Financial development, growth and stock market development: The trilateral analysis in India. Journal of Quantitative Economics, 9, 134–145.
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Jovanovic, B. 1990)[5]. If the market capitalization increases, it drives the economic growth, whereas human capital turnover has no significant effect, and an increase in the money market rate of interest has a positive effect on economic growth[6]. Hence, there are many objectives of financial markets, but the flourishing one is to intermediate resources from savings to investors and helps the economy to become stronger[7].

A Snap Shot on Global Indices- TOP 20 INDICES IN THEWORLD

MARKET CAPITALIZATION ($ BILLIONS)- AS ON 30, APRIL-2018					
S. NO	NAME OF THE EXCHANGE	NATION	MARKET CAPITALIZATION	YEAR OF ESTABLISHMENT	No. OF COMPANIE S LISTED
1	NYSE	USA	23,139	1792	2,400
2	NASDAQ	USA	10,376	1971	3,321
3	JEG	JAPAN	6,288	1878	2,292
4	SSE	SHANGHAI	5,023	1990	1,437
5	EURONEXT	EU	4,649	2000	1,240
6	LSE	UK	4,596	1571	2,483
7	HSE	HONGKONG	4,443	1891	2,062
8	SSE	SHENZHEN, CHINA	3,547	1987	1,420
9	DB	GERMANY	2,339	1992	1,080
10	BSE	INDIA	2,298	1875	5,439
11	NSE	INDIA	2,273	1992	1,952
12	TMX	CANADA	2,246	1861	2,207
13	KOREA EXCHANGE	SOUTH KOREA	1,841	2005	2,030
14	SIX SWIS	SWITZERLAN D	1,541	1850	NA
15	NASDAQ NORDIC	STOCKHOLM	1,524	2003	1,638
16	ASE	AUSTRAILA	1,442	1987	2,258
17	JSE	SOUTH AFRICA	1,165	1887	388
18	TSE	TAIWAN	1,077	1968	898
19	B3	BRAZIL	1,073	1890	368
20	BME	SPAIN	919	1831	NA

Source: en.wikipedia.org/wiki/List_of_stock_exchanges#Major_stock_exchanges

Growth of Financial Markets in India:

The appointment of the Narasimhan Committee in 1991 set the guidelines that provided several measures for reforms in the banking sector and the capital market. The market reforms like establishment of SEBI (Securities Exchange Board of India) in 1992 to regulate the market and its functioning, open doors for foreign investors, similarly allowed the Indian firms to raise capital from foreign markets etc, were boost the

[5] Greenwood, J., & Jovanovic, B. (1990). Financial development, growth, and the distribution of income. Journal of Political Economy, 98, 1076–1107.

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market. Electronic trading was introduced with the setting up of a competitive exchange called as the National Stock Exchange (NSE) alongside the older Bombay Stock Exchange (BSE)[8].

Due to the less liberal policies, rigid government controls, involvement of government in all aspects, etc till 1991, the Indian stock Markets have remained. After liberalization process, the Indian securities market witnessed a flurry of Initial Public Offerings (IPOs)[9]. The market saw many new companies spanning across different industry segments and business to access the capital markets and register themselves in BSE/NSE. Due to the difficulty to the nations which were failed to define the financial market and its functions clearly, the process of fund raising and capital raising is much costlier than the developed nations. The limited financial markets, instruments, failed to integrate the financial system with all players, poorly defined financial system etc., are some of the reasons for the said issues[10].

They also help to facilitate the international flow of funds between countries. The banking sector and the capital markets are assumed to be the primary constituents of the financial sector (**Azarmi, T., Lazar, D., & Jeyapaul, J. 2005)[11].** This study assumes relevance in the context of a fast-growing economy such as of India that has taken several reform measures and continues to do so to enhance the role of financial sector in the economic development and better regulation so that markets are efficient[12].

The market scenario at present:

India becomes the global hub for variety of services and becomes an engine for the growth of the world economies for the next few decades **(IMF, Aug, 2018).** The expected GDP rate for the current F.Y. will be estimated as 7.4% and for 2019-20 it will be 7.5%. The market has been recovering from the two hurdles of Demonetization and implementation of Goods & Services Tax (GST). The growth rate is projected in the value of index like Nifty and Sensex. In Table 1, it is shown that Nifty has provided the return 27.78% for the last year i.e. 2017, in the present year the index returns are 7.4%. In the same route Sensex provided a return of 27.50% for the year 2017, and in this year the returns are about 10.20%.

Table 1: **Index Returns of Asian Nations' For 2018-19 (Till July-18)**

DATE	HONG KONG HANG SENG	INDIA BSE SENSEX	KOREA KOSPI	JAPAN NIKKEI	INDONESIA JAKARTA COMPOSITE	SINGAPORE STRAITS TIME	TAIWAN TAIEX	MALAYSIA KLSE	SHANGAI INDEX	INDIA NSE
Jan-02	30028.29	34059.99	2474.86	23074	6366.1	3406.48	10664.8	1783.1	3314.03	10531.7
Jan-31	32435.76	35951.64	2557.37	23205	6547.99	3531.47	11054.4	1865.35	3470.51	11018.8
Feb-28	31037.41	34155.63	2447.11	22293	6595.86	3565.21	10896.2	1871.4	3264.06	10488.95
Mar-29	30154.18	33098.09	2454.1	21392	6153.65	3393.86	10905.3	1859.37	3161.79	10143.6
Apr-30	30530.4	35021.2	2502.29	22467	5937.07	3604.1	10553.4	1860.84	3082.41	10705.75
May-31	30274.18	35083.81	2428.83	22163	6037.26	3476.46	10856	1731.65	3061.83	10648.35
Jun-29	28368.01	35128.16	2325.68	22314	5691.68	3269.2	10667.6	1665.04	2789.81	10612.85
Jul-31	28663.14	37534.95	2292.23	22472	6012.93	3284.4	11072.7	1768.23	2866.89	11311.05
RETURN	-4.55	10.20	-7.38	-2.61	-5.55	-3.58	3.82	-0.83	-13.49	7.40

https://wealthinasia.com/wisdom/top-10-asian-stock-markets-2017/

In the contrast to the above growth levels, the other Asian markets provided negative returns for the current year. The only Asian Market provided positive return is Tiwan Index: TAIEX, with 3.82% apart from Indian stock markets. The highest loser in Asian continent is SHANGAI Index (SSE Composite Index) with 13.49% in the current year. The remaining indices also provided negative returns only.

[8]. Priti Sinha, Brinda VIswanathan, and Badri Narayan (2015) Financial Market & Growth: Evidence from Post Reforms India , Journal- Coget Economics & Finance, Volume-3, Issue-1

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Differing to these huge destructions in the value of stocks, SENSEX and NIFTY strikes their life time highs. The large cap stocks like HDFC Bank, Infosys, ICICI Bank, L&T, RIL, and TCS are performing well and these stocks carries higher weight-age in the index. The stocks namely TCS, Infosys, Kotak Mahindra Bank, Asian Paints, HUL, YES Bank, RIL, M7M and IndusInd Bank from SENSEX provided returns in the range of 20-50%. Among the other 21 stocks, 18 stocks were flat to down up to 42% ***(Economic Times, Aug, 2018)***. Sectors such as Infrastructure, Engineering, Pharmaceutical, Cement, Real Estate and Telecom are facing various issues. Investments in Debt instruments by Foreign Portfolio Investment was about 10.4% in total FPIs in 2008, constituted 30% of the total by the end of 2017 ***(The Hindu, Aug-2018)***.

The net outflows of FIIs from Indian market is Rs. 4,167 crore at the same time the portfolio managers purchased Rs.73,904 crore worth of stocks. Most of the fund managers prefer to invest their funds in bench mark index only. As on June,2018 Mutual Funds hold stocks worth of Rs.900,000 crore, out of 70% of investments are in large cap stocks and top 100 stocks only.

In the month of July of this calendar year the investments of Private Equity players and Venture Capitalist is raised by 45% when compares to last year and investments crossed $17 Billions The reasons for this hike are expected as the strong Quarter results of Indian Inc, Bright economic Growth prospects and Flood of foreign funds into the market **(Business Lines, Aug, 2018).**

For the year 2018-19, till June end, NSE Midcap 100 declined by 12% and NSE Small-cap declined by 17.5%. Among the constituents of the Mid-Cap Index, 40% of the stocks have lost of their market capitalization and 70% of the Small-Cap stocks decline in their market value[13]. If we look into past cycle, in the cycle of 2003-08, the correction in Mid-Cap stocks was about 10% at least 8 times. In the year 2004 the fall was about 25% and in 2006 it was about 37% **(Pradhan, R. P. 2011)[14].** The interesting fact here is that the recovery of all these corrections in a few months time frame. It means that as long as growth continues in the market there can be a recovery in these stock prices.

Table 2: Index Returns of Asian Nations' For 2017-18

NATION	INDEX	RETURN IN 2017-18
HONG KONG	HANG SENG	34.40%
INDIA	NSE	27.78%
INDIA	BSE SENSEX	27.50%
SOUTH KOREA	KOSPI	20.50%
JAPAN	NIKKEI	19.70%
INDONESAI	COMPOSITE	17.50%
SINGAPORE	STRAITS TIME	17.10%
TAIWAN	TAIEX	12.70%
MALAYSIA	KLSE	7%
CHINA	SHANGHAI	5.90%

Source: //in.finance.yahoo.com

Future Prospects:

The indicators revealed that Indian economy is on the recovery path and it leads to strong growth. The major indicators like industrial production, auto sales and investments showing a steady recovery helps the economy to strengthen. The other industry which most of the people still works in is Agriculture industry is expected to grow by 2.1 per cent, which is higher than the estimated levels[15]. Reserve Bank of India has taken natural stand and maintained stable rates by balancing inflation as well as spill-over risks from global policy changes, particularly the Fed rate normalization. India has become the 6th largest economy in the world, with demand expected to reaccelerate, the probability of the economy to cross the 8% growth rate rubicon is dependent on the efficacious implementation of structural and infrastructure related reforms. Manufacturing

[13] www.moneycontrol.com

[14] Pradhan, R. P. (2011). Financial development, growth and stock market development: The trilateral analysis in India.Journal of Quantitative Economics, 9, 134–145

[15] Sameer Yadav, Stock Market Volatility- A Study of Indian Stock Market (2017), Global Journal of Research Analysis p.p.626-631

sector rose 8.6% on a 3mma (3 month moving average) basis in Feb'18 compared to 9.1% rise as of Jan'18. The healthy increase in production levels is possibly a reflection of rising consumption demand as also suggested by an upswing in vehicle sales, cement and diesel. Further, the gradual recovery in industrial production (IIP) bodes well for the economy, reflecting a possible strengthening of domestic demand and a further build-up in global trade activity.

"Moody's put G-20 growth at 3.3 per cent in 2018 and 3.1 per cent in 2019. The advanced economies will grow 2.3 per cent in 2018 and 2 per cent in 2019, while G-20 emerging markets will remain the growth drivers at 5.1 per cent in both 2018 and 2019. India is registered 7.7 per cent growth in the first quarter, i.e. April- June 2018, and expected growth rate for the year is 7.4- 7.5 per cent **(Business Lines Aug 2018)**.

By the year 2020, the expected value of Bench Mark Index- SENSEX may reaches to 44,000 points, i.e. 16% growth rate from the present market (38,000 points). Most of the Large cap stocks are trading at their life time highs, where as the Mid-cap and Small-cap firms are trading at attractive price levels for new investments ***(Business Lines July, 2018)***. The strong Economic drivers of private investment is boosting in future by expected GDP rates of 7.3% in F.Y.2018-19 and 7.5% in F.Y. 2019-20. The iceberg problems of banking sector NPAs are going to be erased by near future, and further liberalising FDI will also helps the economy to grow stronger. The biggest tax reforms been implement in India, i.e. GST, the simplification of GST also enroot the private investments and consumption.

Business revival has been continuing well into the current financial year as signalled by the growth in corporate credit in the first quarter of 2018-19. The growth rates are tempting corporate to go for expansions through own capital, raising capital from public and through borrowings also. The increase in large corporate loans for 2016-17 was Rs. 11,854 crore, increased to Rs. 69,901 crores in 2018-19 ***(Financial Express, Aug-2018)***. Investors have kept their faith in equities and continued to invest via Systematic Investment Plans (SIP), the aggregate monthly contribution to SIPs have grown up to Rs.7,400 crore in July from an average Rs. 6,400 crore in March ***(https://www.bloombergquint.com/markets)*****.**

However the extent of recovery will be dependent also on global factors as well as the pace of economic and structural reforms. Reviving consumer demand and attracting more private investment remains the key to maintaining India's growth momentum and accelerate it further." And also the upside risks to inflation continue to remain a major challenge for the economy with rising oil prices, widening fiscal deficit and rising debt burden.

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