Historical Development of Stock Market in India: An Evaluation

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Abstract

Development of Stock market is the one of the great sign of financial breadth in every nation because without financial development or stock market development we don't receive enough kind of wealth to build our nation. However, firstly we understood the what is the grass root of stock market development henceforth we studied the stock market history and which tells that the present an past situation that means how the stock market developed in fluctuating manner as well as past, current and future things. The present study describes the history of Indian stock market, our stock market one of the 6th largest stock market capitalization around the world stock market and Market capitalization of listed domestic companies reached US$1,566,680.49 in 2016. Further, it discusses the detail picture of Indian stock market development from 1930's to post economic reforms period in India.

Key Words: stock market, history, committees, stock market development, India

I.INTRODUCTION:

Stock market is the hallmark of the capitalised system of every nation and it played an pivotal role in form of long term finance and accesses to saving and investment, industrial development and ultimately economic development in India. The stock market is an arena where the players act on the assumption that they are making decisions about the ownership of long-term and illiquid assets through a medium that allows those decisions to be reversible at low cost (Peter L. Bernstein, 1998:15-24). Indian stock market has long history to grown up to capital accumulation and people financial activities. Stock market is market place where industrial securities like equity shares, preference shares, debentures and bonds of listed public limited companies and government securities are traded. The stock market is a prime institution in security market and is a special place.

II. II. HISTORICAL DEVELOPMENTS OF INDIAN STOCK MARKET:

The stock market development trend stated from before independence i.e., 1930's at time of existing of East Indian Company. That time, company was dominant institution to transact securities and business activities. At that time the prominent securities was only five. The first trading listed brokerage was started in Calcutta in 1939 and Calcutta newspapers quoted securities of banks and business ventures at Bengal warehouse after 1840-50 half of dozen broker recognised by banks and merchants in Bombay.

The company Act 1850 was enacted which provided principle of limited liability issue commenced in joint stock companies in India and that year on wards rapid development is taking place in commercial enterprises viz., railway, telegraphs, communications and transport sector. This leads to the development of internal and external trade and stock brokers also shared in this general process. The brokerage business was increased by 6 to 60s in 1850. On that year Prem Chand Roy who entered brokerage business and he is the first broker in India.

In 1860—61, the American civil war broke out and supply of cotton from the United States to Europe came to stand still. As a result, the demand for India's' cotton increased along with prices and large export of cotton done through paid of bullion and it poured to Bombay. The import of bullion along with the wealth in the city opened avenue of new ventures. However, the market price of the shares of old and new ventures commanded premium. The black bay Reclamation share with Rs.5,000 paid up value commanded premium of Rs.50,000. Similarly, the share of Port Canning, Mazgaon Land, Elphinstone Land and share of few banks and allied financial associations commands high premium.

During the 1866, the share trading increased and brokers are also increased from 200 to 250. Brokers were then privileged and respectable classes. End of civil war, the number of brokers declined and were considered as a social nuisance and police drove them from pillar to post. They had to shift from place to place until 1984, and lastly they found a place in a street which is called Dalal Street after their native name, where they could conveniently gather and tract their business in securities.

In between 1868 and 1875 there were had days for brokers after that they realised the effect of public dealing and formed an informal association for protecting the character, status and interest of native share and stock brokers. One of the institute or society came into existence on 3rd December, 1887, which is called "Native Share and Stock Broker Association". The word native provides that no other person except native of India shall be admitted as member of this association. It is alternatively known as "The Stock Exchange".

In 1875, the entrance fee for new members was Rs.1 and there were 318 members and it fee increased to Rs.5, and Rs.100 in 1896. It was raised to Rs.2500 in 1916 and ultimately to Rs.48, 000 in 1920. The number of member increased from 318 in 1875 to 478 in 1920. The value of the right of nomination which is called 'card' on Bombay also raised to Rs.48,111 in 1920 from Rs.1800 in 1910. This happened because the brokers of Bombay became wiser due to the seven years depression that fallowed share mania of 1861-65. They floated only productive enterprises such as a mills, pressing and mining companies. The exchange and members tried their best to popularise the new issue to enable the enterprises in meeting their financial requirements. The stock exchange helped the canalising the investment in gilt edged securities and in commercial securities.

Henceforth, Bombay Stock Exchange is the oldest exchange and also the oldest trade association in the country. The establishment of regular market in securities helped to make Bombay is the chief centre of the money and capital market and financial capital of India.

The development of cotton textile industry in Bombay also led to development of cotton textiles units in Ahmadabad. After 1880, a number of cotton textile units were established in Ahmadabad. This led to the establishment of 'Ahmadabad Share and Stock Brokers Association' in 1894 on the pattern of Bombay Stock Exchange. This exchange was organized as a voluntary non-profit making association and followed the rules and instructions of Bombay.

The beginning of 20th century witnessed the birth of Swadeshi Movement and emergence of industrial enterprises and industrial enthusiasm in the country and provided further impetus to industrialization with inauguration of the Tata Iron and Steel Co, Ltd. in 1907. It has bestowed as gift to establishment of several industries in Indian for example, several jute industries had been setup in bank of Hoogly River in Calcutta when Bombay was in the grip of share mania in 1861-1865. The trading in jute shares had not become popular till 1870s when boom in shares was not witnessed. In 1864, there were 91 joint stock companies, in a large group was of tea consisting of 38 companies. The coal and mining industry were developed in Bihar, Orissa, and Bengal. The boom in the jute shares followed by similar spurts in the tea shares in 1880s and coal shares in 1890s. The need for setting up a stock exchange perhaps would not have been felt had not the boom in coal share trading. On 15th June, 1908, an association was formed by leading brokers under the name of the Calcutta Stock Exchange Association. The exchange started with 150 members and 27 of them gave donations to raise `3500 to meet the preliminary expenses. The first committee of the exchange had nine members include five European and five Indians. In 1926, the exchange had 236 listed stock among them 10 were of railways, 19 of banks, 26 of jute mills, 69 of coal companies, 81 of tea companies and 31 of miscellaneous companies. The Calcutta stock exchange was registered as a limited liability company on June 7th, 1923 with an authorized capital of Rs.3.00 lakhs consisting of 300 shares of Rs.100 each. The membership was reconsidered in 1958 when each of the Rs.1000 shares was constituted in 1958 when each of the Rs.1000 shares was split up into four shares of Rs.250 each and 1112 such shares were issued.

In 1913, there were bank failures which had an adverse effect on the stock market in India. Bombay was affected badly because most of the banks were located there and these had large dealings in the stock market. After first world (1914-18) war broke out manufacture sector increased which is evidences to impetus the domestic industry and all the enterprises earned fabulous profits and declared high dividends so that stock exchange soon became attraction all masses. In Bombay and Ahmadabad Stock Exchanges were incorporated in the name of

Bombay Stock Exchange Ltd., in 1917 and Gujarat Share and Stock exchange in 1920 respectively because was boom. After that boom was over by October 1921 the great depression stated and during this period currency was deflated. After the passing of Bombay Stock Securities Contact Act, 1925 came into existence, effort was made to build the strong institutions. Thereafter, it went to liquidation and wound up its affairs.

A new stock exchange stock exchange was also established in Madras on April 6th, 1920 under the name and style of the Madras Stock Exchange. It had 100 members and transacted mainly in mill shares

III. WORKING GROUPS ON STOCK EXCHANGE COMMITTEES:

1) The Atlay Committee:-

After the 1918, there was a wave of concerns and crisis on the Bombay Stock Exchange, as large number of companies were liquidated leading to a huge waste of public money. The government of Bombay proposed the formation of a Committee of Appeal (control) consisting of member from both the exchanges and other outside representatives, to supervise the management of exchange and grind down the poor investor. The Government of Bombay, appointed the Atlay Committee on September, 14th 1923. The committee submitted the report in early 1924.

The committee reported that, the chief weakness of the Bombay Stock Exchange was leniency in administration, the rules and regulations were most frenzied conditions, as some were printed, some had never been printed and no one, whether public or member of the exchange had the opportunity of knowing the rules and regulations in force.

The committee found that the main cause was the vague rules of the exchange. The stock exchange should be empowered to suspend all future dealings in such shares, to suspend the ‘buying in rule’ and to fix ‘mark up’ prices for purpose of settlements. The committee unanimously recommended that there should be a controlling authority on commercial associations of Bombay should be represented. The committee remedied the defects by codifying the rules, bye-laws and regulations. The Atlay Committee stressed and emphasised the necessity in forming and maintaining a systematic and settled body of rules and regulations in the interest of investing public and of the trade itself.

2) Bombay Securities Contract Control Act, 1925:-

Protection of interest of public investing purpose Government of Bombay enact regulation passed on October 29, 1925 and it came into existence in January 1st , 1926 i.e., Bombay Securities Contract Control Act, 1925.

The Act remained in force till the securities Contract (Regulation) Act, 1956 was passed. The Act defined the ‘ready delivery contract’ as one for the performance of which no time was specified and which had to be performed with a reasonable time. The act was also defective for the contracts, for the sale or purchase the securities, other than those for ready delivery would be void in law if not entered through the between members of the recognised stock exchanges, in accordance with the rules approved by the government.

3) The Morrison Enquiry Committee:-

The securities Contract Control Act, 1925 failed to handle the market position during the crisis in 1928, 1933 and 1935. This led to public criticism and demanded for enquiry of the Bombay Stock Exchange. After that, Morrison Committee was appointed in November, 1936 and it submitted the report.

The recommendations of the Committee recommendation are;

i. Introducing of compulsory system of margins ;
ii. Abolition of blank transfer;
iii. Reservation by the government of powers to impose rules on the exchange;
iv. Abolition of exchanges overriding power over the governing body in certain circumstances; and
v. Extension of control over ‘ ready delivery contracts’ and the amendments in the definition of ‘ready delivery contract’

During First World War boom many new stock exchanges were established. In Lahore, four new stock exchanges were setup, viz., Punjab Share and Stock Broker Association Ltd, the Lahore Stock Exchange Ltd, and All India Stock Exchange Ltd. In Calcutta, where Calcutta Stock Exchange Ltd and Bengal Share and Stock Exchange Association Ltd were existing, a third exchange was set up i.e., Stock Exchange Association of Bengal Ltd. In Delhi, two new exchanges were established, the Delhi Stock Exchange and Share Brokers’ Association Ltd and Delhi Stocks and Shares Exchanges Ltd. On June 25th, 1947, they were amalgamated into Delhi Stock Exchange Association Ltd. The new stock exchanges were set up in Kanpur, Nagpur, Hyderabad and Bangalore. As these of increasing pictures the membership of new stock exchanges ranged from 20 to 100. Their members were included businessmen, bankers, lawyers, etc. but the active members were a few and the volume of business was limited.

4) Departmental Committee 1948:-

The draft bill on the basis of Morrison Committee Report which was not passed because of war was revived in 1947 with the modification. In May, 1948, the Government appointed the Departmental Committee under the chairmanship of Dr. P J Thomas, economic advisor to the Ministry of Finance to submit a report on suitable legislation for regulation of stock exchanges in India. The Committee submitted its report in 1948 and expressed that legislation for stock exchanges should be finalised only after the holding a conference of the representative of the Central government, state government concerned, the Reserve Bank and president or other representative of the leading stock exchange in India

5) Gorwala Committee:-

The Government prepared a draft bill for stock exchange regulation on the basis of Forward Contracts (Regulation) Bill 1950 and a draft suggest by the Departmental committee of 1948 for the controlling commodity and exchange. The draft bill was preferred to the expert committee under the chairmanship of Mr. A.D. Gorwala. The Committee submitted its report on July 14,

1951. On the basis of recommendations, the Government prepared the Securities Contract (Regulation) Bill, 1954 and the Act came into force on February 20, 1957. It is called Securities Contract (Regulation) Act, 1956.

Most of the other stock exchanges either withdrawal away or languished till 1957 when they were refused to recognition under the Securities Contract (Regulation) Act, 1956. However, some of the members of the non-recognised stock exchanges were required to be admitted by the recognised stock exchange at concessional terms. Only the established stock exchanges of Bombay, Calcutta, Delhi, Ahmadabad, Madras, Hyderabad and Indore were recognised under the Securities Contract (Regulation) Act, 1956. The Bengalore stock exchange was registered in 1957 and recognised in 1963. Six more exchanges were recognised under the Act-the Cochin Stock Exchange Ltd. in 1979; the Uttar Pradesh Stock Exchange Ltd (at Khanapur) and Pune Stock Exchange Ltd in 1982; the Ludhiana Stock Exchange Ltd. in 1983; the Gowahati Stock Exchange Ltd, in 1984 and Kanara Stock Exchange Ltd (at Mangalore) in 1985. Upto 1985, the fourteen stock exchanges were functioning in India. These stock exchanges operate under, rules, bye-laws and regulations approved by the government.

6) The Rangarajan Study Group, (1983):-

The committee recommended that banks while taking up underwriting activities, should carefully evaluate the proposals to ensure that issues have an adequate public response and that the prospects of devolution on underwriting banks is minimal. On the recommendation of Study Group the ceiling rate of dividend on preference shares was raised from 13.5 percent to 15 percent in 1984. Further, on the recommendation of the Study Group, the Union Government announced the appointment of high level committee under the chairmanship of Shri. G. S. Patel, former chairman of UTI, on May, 17th, 1984 to make a comprehensive review of working of the stock exchanges in the country to make certain healthy functioning and for the expand their activities.

7) Patel Committee:-

The Patel Committee was set up by the government after the lapse over the stock market growth. Meanwhile the stock market took place in an imbalanced manner leading uneven distribution of the pattern and frequency of trading, lack of price continuity and liquidity of the listed stocks at many of the exchanges, insufficient spread of investment consciousness and habit in the country, inadequate of mobilisation of semi urban and rural savings, lack of free flow of information and effective communication, and an inadequate number of members without having any knowledge and background in finance accounting, law and economics. Hence the Patel Committee was assigned a important task of practically suggesting a scheme to impart vitality to stock exchanges and to make them function in a more meaningful, systematic and disciplined manner as a professional organisation. The committee submitted the report on December 10th, 1985. Many of the recommendations of the Committee have been accepted and implemented by the

Government. The other recommendations included those relating to bonus issues, services to investors, encouragement to semi-urban and rural investors, formalities regarding procedure of transfer of securities, establishment of stock exchange centers in non-metropolitan areas and insider trading etc.

8) Dave Committee Report:-

The controller of capital issues appointed an informal working group to go into the current system restrictions/regulations on trading stock exchanges under the chairmanship of Dr.S.A. Dave on September 23rd, 1987. The committee recommended that for relaxing restrictions in a phased manner and suggested that while making these relaxations, the following three criteria should be fulfilled.

i. Unwarranted and unjustifiable large fluctuations in prices due to excessive trading should not be allowed.
ii. Investor' confidence should be restored by encouraging larger volume of trading and by providing liquidity to the market.
iii. There should be sufficiency deterrent provisions in the form of margins, quantum restrictions on trading in particular scrips, penalties on erring members etc. But more importantly a sound surveillance, vigilance and monitoring mechanism should be set up ensure that (i) and (ii) above are satisfied. The Committee recommended the course of action to be divided into two main pages.

9) Abid Hussain's Committee:-

A working group was setup by the Government under the Chairmanship of Shri. Abid Hussain, member of planning commission, to examine measures to revitalize the capital market. The Working Groups suggested that a large number of recommendations to boost the market. Some of the recommendations have already been accepted and implemented such as raising ceiling on NRI investment in the equity capital of Indian companies, selling up to 25 percent of profit making PSU's equity to employment.

The group recommends the appointment of market makers and provisions of Bank credit to them. The panel wanted the listing rules to be tightened and procedure for transfer of shares be made less cumbersome. The group suggested institutionalized share transfer services and recommended that Stock Holding Corporation of India Ltd (SHCIL) should extend this facility to the investing public and group suggested centralized listing and made the proposal that well established companies should resort to more public than rights issue to attract new investors.

Keeping in view the tremendous growth in the stock market in every nook and corner, the number recognized stock exchanges increased from 7 in 1946 to 23 in 1933. As this evidence there is an urgent need for establishment of new stock exchanges in India.

10) Pherwani Committee Report:-

A study was setup under the chairmanship of Shri. M J Pherwani, for evolving a policy establishment of new stock exchanges in February, 1991. the group submitted its report in June, 1992 with the major recommendations being the establishment of stock market to segregate investors from speculators, appointment of a market maker in each of stock exchanges to provide inherent liquidity, free market pricing and introduction of ten new financial instruments like non-voting shares, detachable equity coupons and warrants, participating preferences shares, detachable equity coupons and warrents, participating preferences shares, participating debentures, convertible debentures with options, third part convertible debentures, mortgage-backed securities, convertible debentures redeemable at premium, debt for equity, swaps and zero coupon convertible bonds.

11) Report of the Committee on the Financial System:-

A nine member committee under the chairmanship of Shri M. Narasimham, former Governor, Reserve Bank of India was set up by the Government of India (GOI) to examine the existing structure of the financial system and its various components and to make recommendations for improving the efficiency and effectiveness of the system, with particular reference to economy of operations, accountability and profitability and for infusing greater competitive vitality into the system so as to enable the banks and financial institutions to respond more effectively to the emerging credit needs of the economy.

The report of the committee was tabled in both the houses of Parliament on 17th December, 1991. The committee's hasi. approach to the subject of financial sector reform was based on three broad and inter related premises. The first was the perception that the spirit of competitive efficiency that is sought to be brought about in the real sectors of the economy should also cover the financial sector for the exercise to be meaningful and successful. The second premise was that to be able to perform this task effectively in an environment of competitive efficiency, the financial system itself should be healthy and profitable. The third premise was that for the financial sector to operate on an efficient basis it would need to have a measure of operational flexibility and, more importantly, autonomy in decision making and that credit and investment decisions should be based on professionalism and be free from any type of extraneous pressure.

12) Report of the Shri R.N. Malhotra Committee:-

A committee was appointed in April 1993 by the Ministry of Finance under the Chairmanship of Shri R.N. Malhotra, former Governor of Reserve Bank of India to study the working of Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and its four subsidiaries and the insurance business as a whole and to make recommendations for reforms in the insurance sector in line with ongoing reforms in other parts of the financial sector viz. banking and capital market. The Committee has submitted its report on January 7, 1994. Some important recommendations made by the Committee in this report are presented as below;

Private sector be permitted to enter insurance industry with a minimum paid up capital of Rs.100 crores.

ii. Foreign insurance companies be allowed to enter by floating an Indian company preferably a joint venture with Indian partners.

iii. State level cooperatives be enabled to set up cooperative societies not more than one in a State for transacting life insurance business subject to regulation by the insurance regulatory authority. Their capital base should be appropriately lower.

iv. States be initiated to set up a strong and effective insurance regulatory authority in the form of a statutory autonomous board on the lines of SEBI.

v. Life Insurance Corporation of India (LIC) be converted into a company and its capital should be raised to Rs.200 crore, 50 per cent to be owned by Government and the rest by public at large with suitable reservation for its Employee.

vi. Tariff Advisory Committee (TAC) be delinked from GIC to function as a separate statutory body under necessary supervision by the insurance regulatory authority.

IV. RECENT DEVELOPMENTS IN STOCK MARKET POST 1991 PERIOD IN INDIA:

1. Options Trading:-

An Ordinate was promulgated on January 25, 1995 for amending the Securities Contract (Regulation) (SCR) Act, 1956 which deletes Section 20 of the SCR Act. This includes the reference to 'prohibition of option' and consequently paves the way for trading in options, which will enhance liquidity in the market. The amendments also reduce the time limit from six months to two months for Stock Exchanges to amend their bye-laws, if so directed by SEBI, and provide for a Stock Exchange to establish additional trading floors with the prior approval of SEBI

2. Badla System:-

The prevalence of "badla" in the stock market had often been identified as a factor encouraging speculative activity. As part of the process of establishing transparent rules for trading, the "badla" system was discontinued by SEBI in December 1993. The SEBI directed the Stock Exchanges at Bombay, Calcutta, Delhi and Ahmadabad on December 13,1993 to enforce that all transactions in securities are concluded by delivery and payment and not to allow any carry forward of transactions.

On March 11, 1994, SEBI decided to permit carry forward facility in specified shares in these exchanges under a framework of transparency and effective regulation. The new trading system proposed by SEBI envisaged that all stock brokers would be required to pay and settle their net positions at the end of a settlement period. The Stock Exchanges were however supposed to introduce the new system of trading with carry-forward facility only after they satisfied SEBI that they were in a position to implement the system as proposed.

3. National Stock Exchange of India:-

Many secondary market problems can only be completely solved by introducing scripless trading and dematerialization of scrips in depositories. A beginning has been made with the establishment of National Stock Exchange of India (NSEI). Though formally inaugurated in July 1994, NSEI commenced operations in the Wholesale

Debt Market (WDM) in June 1994, and trading in equities has been started in the Capital Market (CM) segment in November 1994. A large number of members are successfully trading from their respective offices through NSE's Very Small Aperture Terminal (VSAT) based satellite network. The exchange has opened membership to 13 cities, including Bombay, and operations from other cities are expected to commence shortly using the satellite network.

An NSE - 100 Interim Index was launched in November 1994, covering 100 equities selected on the basis of their market capitalisation and trade volumes. In the absence of a depository, an accounting period and settlement cycle - running from Wednesday to Tuesday is operated by NSE. The Over the Counter Exchange of India (OTCEI) (1992) has also introduced an electronic trading system for stocks of relatively smaller firms and it had reached a monthly turnover of Rs.45 crore in December, 1994.

4. Government Securities Market:-

The Central Government has shifted much of its borrowing to the market. The main instruments used for this purpose are dated securities, 364 day and 91 day Treasury Bills. There is also a small proportion of conventional market borrowing. Total market borrowing at market rates of interest, excluding 91 day Treasury Bills, during the first nine months of this financial year has been of the order of about Rs. 17,000 crore. This is 12 per cent higher than the market borrowing of about Rs. 15000, crore in the first nine months of last financial year. The structure of net borrowing has also undergone a transformation. Last year, 89 per cent of net market borrowing was in the form of medium and long term loans, while amount raised through 364 day Treasury Bills actually declined.

5. Institutional Development:-

The NSE started operations in June 1994 by first activating trading in debt instruments. The volume of trading in debt instruments though currently very low has reached Rs. 244.22 crore in the week ended January 21, 1995. The type of instruments traded have included Units of Unit 64 Scheme, Government Securities, Treasury Bills, PSU bonds, Commercial Paper and Certificates of Deposit. The recording of transactions has improved with computerisation of Subsidiary General Ledger (SGL) accounts at RBls six public debt offices. It has also started releasing on a daily basis, particulars of transactions in Government securities and Treasury Bills put through the SGL accounts. This will provide useful market information, dissemination of which is expected to foster improvement in market efficiency by providing reference rates/prices to all market participants. The Securities Trading Corporation of India was set up in 1993-94 to develop the secondary market in Government securities. It received the certificate of incorporation in May, 1994. It has a fully issued paid up capital of `100 crores and started operations in June, 1994.

6. Primary Dealers:-

To strengthen the market for Government securities, RBI is launching a system of primary dealers. These dealers are to function as underwriters for the auction of Government securities to final investors and thereby broaden and develop the

Government securities market. They are expected to act as market makers, and RBI will provide credit facilities to them to impart liquidity to their operations. They will also have certain obligations in terms of their presence in auctions, and offer of two way quotes for these securities, besides being subject to prudential norms. The system of primary dealers is necessary for deepening and expanding the market for Government securities and for strengthening the effectiveness of monetary operations.

7. Inter-Bank Security Transactions:-

Reserve Bank of India reviewed inter-bank transactions in securities against Bank Receipts (BRs) after the report of the Joint Parliamentary Committee (JPC) and has introduced a number of restrictions on the use of BRs in them. The validity period of BRs has been reduced from 30 days (as stipulated earlier in June 1992) to 15 days.

The Joint Parliamentary Committee report, the need for continuance of the services of brokers was examined by RBI. It has been decided that securities transactions should henceforth be undertaken directly between banks and no bank should engage the services of any broker in these transactions. Banks may however, undertake securities transactions among themselves or with non-bank clients through members of the National Stock Exchange (NSE), wherein transactions are transparent. Transactions by banks in securities with non bank clients, can be done either through the NSE or directly without the use of brokers. Any violation or circumvention of these instructions will also invite penal action, similar to that stipulated for violation of instructions regarding the use of BRs.

V. CONCLUSION:

The trends of stock market up to 1995 period and after that stock market growth started in a speedy way because of various committees discuss the issues about investor securities and Government incorporated their regulation to the stock market development. The stock market is one of the great steps to build the nation’s economic, financial and monetary stability which require transparent of market activities, the flow of capital flow quick issues the shares and solve the investor's problems generally these things we call it as liquidity. In the context of security market or commodity or equities depth of market is generally related to a volume of transactions or frequency of trading. Market liquidity is considered as a capacity of financial markets to absorb temporary fluctuations in demand and supply without undue dislocations in prices. Moreover, liquidity is measured differently for different segments of a financial market. There are different measures of liquidity for monetary, foreign exchange, bond and equity markets. In fact, liquidity has often been analysed in terms of turnover data. At the aggregate level, trends in annual turnover become a measure of market liquidity. At times, total turnover in relation to market capitalisation is considered as a relative measure which can be used for comparison across different markets or over time. However, the stock market development in India comes in fluctuating manner because it has great history moreover if we study the stock market gaining the knowledge is an essential thing.

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