

A General Study about the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)

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Abstract

Stock exchange provide that platform to buyers and sellers to exchange their financial assets at stock markets. The study pertains too general study about National Stock Exchange and Bombay Stock Exchange. Stock Exchanges are now crossing national boundaries to extend their service areas and this has led to cross border integration. This not only increased the appeal of the exchange for investors but also attracted more volume of trading. The Indian stock exchange (NSE) holds a place of prominence not only in Asia, but also at global level. Stock exchanges play a crucial role in the promotion of capital market through consolidation of national economy in general and in the development of industrial sector in particular. Especially in the developing countries like India.

Introduction

Bombay Stock Exchange

The Bombay Stock Exchange (BSE) is Asia's oldest stock exchange. Based in Mumbai, India, BSE was established in 1875 as the Native Share & Stock Brokers' Association. Prior to that brokers and traders would gather under banyan trees to conduct transactions.

BSE functions as the first-level regulator in the securities market, providing monitoring and surveillance mechanisms that are able to detect irregularities and manipulations in stock prices. The Exchange also provides counter-party risk management in all transactions that take place on its trading platform through its clearing and settlement services. Shares of more than 5,000 companies are traded on BSE. In addition to equity and debt, the Exchange allows for trading of mutual fund units and derivatives.

Bombay Stock Exchange was recognized as an exchange under the Securities Contracts (Regulation) Act in 1957. Its benchmark index, the Sensitive Index (Sensex) was launched in 1986. In 1995, the BSE launched its fully automated trading platform called BSE On-Line Trading system (BOLT) which fully replaced the open outcry system.

In 2005, the Exchange changed from being simply an association of brokers to become a corporate entity. The administrative structure of the Exchange is headed by a board of directors, below which is a governing council and management that presides over its day-to-day functioning.

National Stock Exchange

The National Stock Exchange (NSE) is the leading stock exchange in India and the fourth largest in the world by equity trading volume in 2015, according to World Federation of Exchanges (WFE). It began operations in 1994 and is ranked as the largest stock exchange in India in terms of total and average daily turnover for equity shares every year since 1995, based on annual reports of SEBI.

NSE launched electronic screen-based trading in 1994, derivatives trading (in the form of index futures) and internet trading in 2000, which were each the first of its kind in India.

NSE has a fully-integrated business model comprising our exchange listings, trading services, clearing and settlement services, indices, market data feeds, technology solutions and financial education offerings. NSE also oversees compliance by trading and clearing members and listed companies with the rules and regulations of the exchange.

NSE is a pioneer in technology and ensures the reliability and performance of its systems through a culture of innovation and investment in technology. NSE believes that the scale and breadth of its products and services, sustained leadership positions across multiple asset classes in India and globally enable it to be highly reactive to market demands and changes and deliver innovation in both trading and non-trading businesses to provide high-quality data and services to market participants and clients.

Mr. Ashok Chawla is the Chairman of the Board of Directors of NSE and Mr. Vikram Limaye is the Managing Director and CEO of NSE.

Objectives

- To know about the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)
- To know the difference between NSE and BSE
- To study and understand the working of stock market
- To know the process of stock market

Review of Literature

According to “Debjit Chakraborty” (1997) in his study attempts to establish a relationship between major economic indicators and stock market behaviour. It also analyses the stock market reactions to changes in the economic climate

According to “Madhusudan” (1998) found that BSE sensitivity and national indices did not follow random walk by using correlation analysis on monthly stock returns data over the period January 1981 to December 1992

Methodology of Study

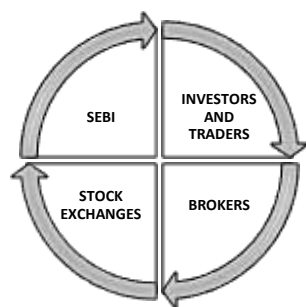
The Study is based only on secondary sources

Comparison between NSE and BSE

| Point of Comparison | National Stock Exchange | Bombay Stock Exchange |
|-----------------------|---|--|
| Year of establishment | 1992 | 1875 |
| Existence | Latest Stock exchange in India | Oldest Stock Exchange in India |
| Daily Turnover | Highest then BSE | Lower Than NSE |
| Market Capitalization | It has a market capitalization of more than 1.65 trillion | It has a market capitalization of 1.65 trillion |
| Companies | More than 1700 companies | It has 5500 companies |
| Presence | Present in all the cities of India | Present only in around 400 cities of the country |
| Main Index | S&P CNX Nifty | BSE Sensex |

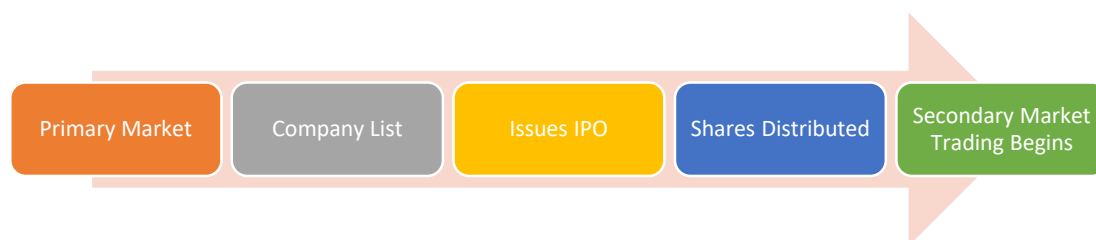
Working of Stock Market (NSE & BSE)

Stock Market Participants



Participants include Securities Exchange Board of India, Investors and Traders, Stock Exchange and Brokers

Process of Stock Market



- A place where financial instruments like stocks and derivatives are traded is called stock exchange. Participants have to register themselves with stock exchange and SEBI.

- Company gets listed in primary market through an Initial Public Offering (IPO). In the document, details about the company, stock being issued everything will be given there. During the listing, the stocks issued in the primary market are allotted to investors who have to bid for the same.
- Once stocks are listed, they can be traded by investors in the secondary market. The most trading happens here. The buyers and sellers gather to conduct transaction to make profit and cut their losses.
- Stock brokers and brokerage firms act as an intermediary between the investor and the stock exchange.
- The Broker buys and sells your share. Once the buyer and seller are fixed, an agreed price is finalized, and the order will be confirmed.
- The message will be informed to the investor. Multiple communication takes place at the broker and exchange levels. The trading becomes electronic, the process is done through computers and finished within minutes.

Processing of Order



1. Place an order – An order is placed at a particular share with a price estimated. Multiple parties are involved in-between buying and selling process.
2. Exchange – The broker passes the buying order to exchange and also searches for a sell order. Once buyer and seller are fixed on the agreed price, the exchange communicates the broker that the order has been confirmed.
3. Finds Counter Party - The broker sends to the exchange and sellers ensures that parties are not at default. It enables actual ownership of shares. This process is called settlement
4. Confirmation to the broker – The exchange finds the counter party and ensure that the trade is honored during the settlement
5. Broker debits / Credits the account - Broker debits / credits the account accordingly

Conclusion

Money can be invested in Stocks or trading in stock market, but not for new investors.

Great care should be taken when it comes to investing in stocks. Before investing the investor should have a great and solid understanding of stocks and how they trade in the market and what risks associated and should be able to accept the risks. First when invested do not invest a large amount of money, invest money in small

amounts try to learn the market. You can lose all of your investment with stocks. The flip-side of this is you can make a lot of money if you invest in the right company. Stock prices are driven by law of supply and demand so better to know the supply and demand changes before investing in any stock.

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