



INDIAN CAPITAL MARKET- BY ANMI (India)



- 1) ANMI is a **pan India association** comprising of the trading members across India like National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and other exchanges having national presence.
- 2) ANMI is a member of various international organizations like ASF, ICOSA, AFIE & Indian associations like FICCI (Federation of Indian Chambers of Commerce & Industry) etc.
- 3) The basic objective of the association is to **work for the growth of the Capital Markets,** economic development of the country and the overall interest of investors and its members at large by becoming a bridge and channel between regulator, exchanges and participants.
- 4) ANMI provides **a healthy platform to its members to regularly interact with each other,** aids them to identify and understand the problems/difficulties/issues being faced by them/ investors/financial fraternity from time to time.
- 5) ANMI provides **professional assistance, guidance and special services** for enhancement of the skill levels of the employees of its members to function ethically according to the standard principles and practices laid down by the Government, the Regulator and the Stock Exchanges.
- 6) ANMI regularly conducts **Educational / Training / Awareness Seminars/ Workshops and programs** for the benefit of its members / investors / Financial fraternity / Intermediaries all over the country.

The Present State of Economy in India

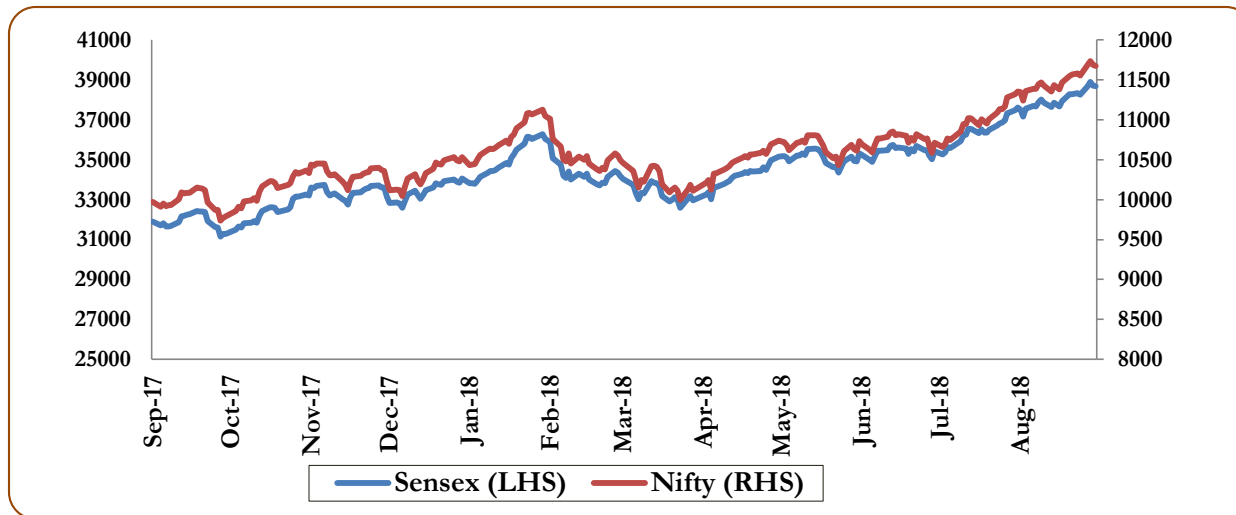
- 1) **India** now is the 6th largest economy in the world - 3rd largest in PPP terms.
- 2) Second fastest growing large economy in the past decade. IMF estimates India to grow faster than China in next 5 years.
- 3) Presently a USD 2.5 trillion Economy, India is expected to grow into USD 5 trillion by 2025. Expected GDP CAGR (2017-2022e) to be at 7.9% as against 6.2% of China, 1.9% of USA, 1.6% of UK & 1.5% of Russia.
- 4) All-Round growth in sectors like Infrastructure development, Road and Aviation network, Science and technology, Ease of doing business, Renewable energy, Education, Sports, Rural Development, Healthcare, Defence, Tourism, Space technology - to name a few.
- 5) Ever increasing inflow of FDI (Foreign Direct Investments) into “Make in India” manufacturing plants. Samsung has recently set-up its world’s largest mobile manufacturing unit near New Delhi. Foreign direct investment in India grew by 23 percent to \$12.75 billion during the April-June quarter of 2018-19, Key sectors received maximum foreign investment during the first quarter of the fiscal include services (\$2.43 billion), trading (\$1.62 billion), telecommunications (\$1.59 billion), computer software and hardware (\$1.4 billion), and power (\$969 million).
- 6) Concerted efforts of the Government has resulted into ease of doing business, financial and banking reforms, reducing NPAs, social & cultural integration thereby putting India on fast track growth, which is expected to continue.

The Indian Capital Markets – A Review

- 1) National Stock Exchange of India (NSE), in a short span of 25 years, is now among the largest exchanges of the world. The Stock Exchange Mumbai (BSE), Estd. 1875, was the first stock exchange in Asia and is technologically fastest in the world today.
With a total of about 5800 listed companies, 2000 registered broker dealers, 400 Foreign Institutional Investors, daily turnover on Indian exchanges is at number 2 in the world.
- 2) Indian markets have multiplied 11 times in terms of return on investments over the last 15 years as compared to 2 times in China, 3 times in USA, 7 times in Russia.
- 3) The AUM (Assets Under Management) of the domestic mutual-fund industry has grown from INR 7.61 trillion as on 31st July, 2013 to INR 23.06 trillion as on 31st July, 2018 – A more than three fold increase in a span of 5 years!!
- 4) The two major depositories in India CDSL and NSDL are completely online, accounting for assets worth more than USD 3 trillion in listed stock.
- 5) The two major Commodities Exchanges in India - Multi Commodities Exchanges (MCX) and National Commodities & Derivatives Exchanges (NCDEX) deals in practically all commodities.
- 6) India has a very robust fully digitalized banking network made up of large nationalized banks and private sector banks spread out in every part and corner of the country.
- 7) The Securities and Exchange Board of India (SEBI) is not only a strong common regulator but also a strategic proponent of new age ideas, practices, products & services to strengthen the fabric of the Indian financial market.

Indian market

- In the context of Indian equity market performance, India's benchmark indices S&P Sensex and Nifty 50 continued to maintain their uptrend momentum and recorded intraday all time high of 38990 and 11,760, respectively on August 29, 2018. The performance was boosted by better corporate results, stable oil prices, FPI inflows, strong domestic macroeconomic indicators and favourable investment outlook.
- Movement of Sensex and Nifty:



Trends Indian Capital Market

- **Trends in Depository Accounts**

The total number of investor accounts at the end of August 2018 was 175.7 lakh at NSDL (an increase of 0.8 per cent over July 2018) and 158.3 lakh at CDSL (an increase of 1.6 per cent over July 2018). The number of investor accounts increased by 8.8 per cent at NSDL and by 20.3 per cent at CDSL over the number of investor accounts at the respective depositories in August 2017.

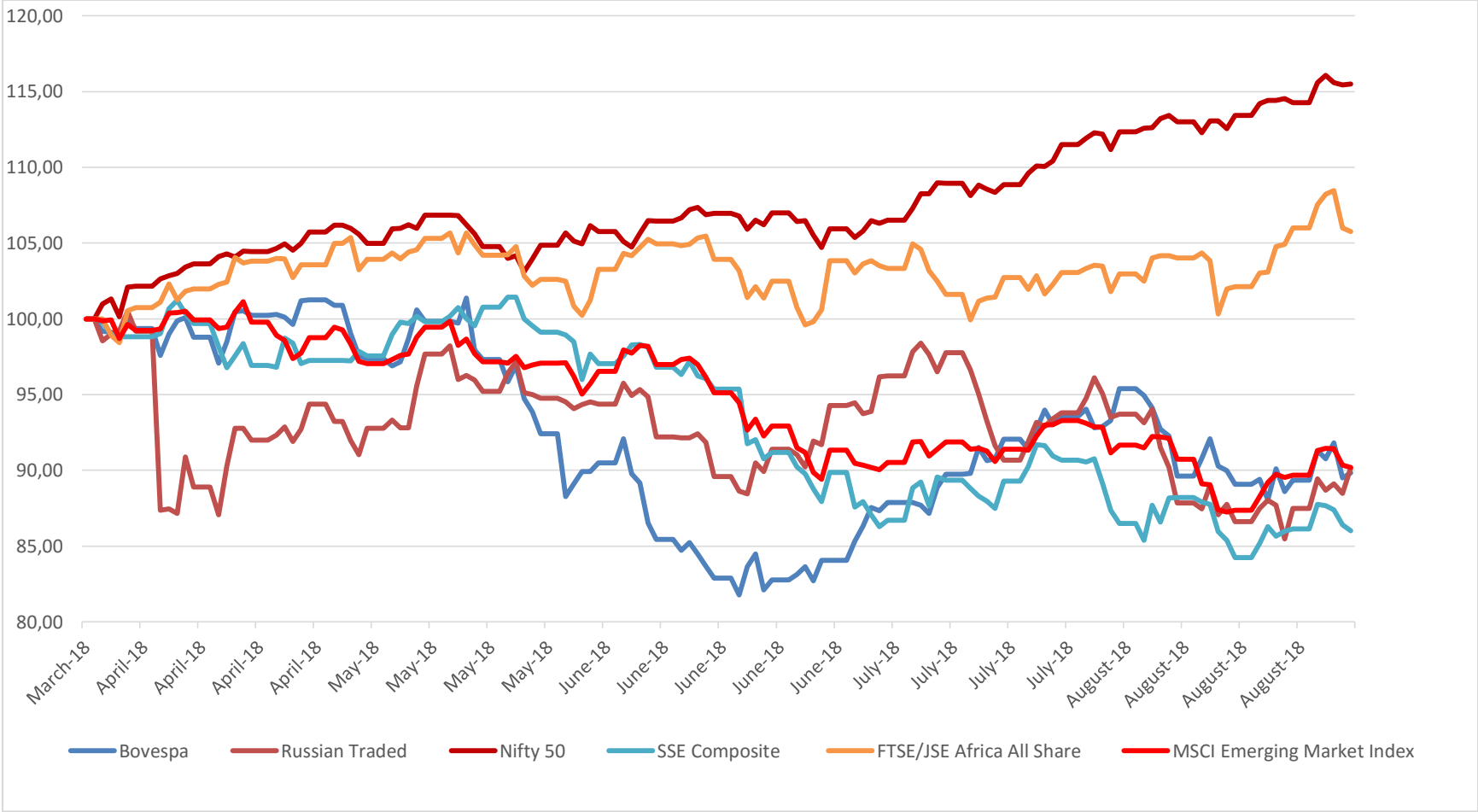
- **Trends in Investment by Mutual Funds**

The total net investment in the secondary market by mutual funds was ₹ 39,839 crore in August 2018, compared to the total net investment of ₹360 crore in July 2018. During August 2018, Mutual funds invested ₹ 4,095 crore in equity securities compared to ₹ 3,995 crore investment in July 2018. In addition, Mutual Funds invested ₹ 35,744 crore in debt securities in comparison to a net liquidation of ₹ 3,635 crore in July 2018.

- **Trends in Investment by the Foreign Portfolio Investors (FPIs)**

Foreign investors continued to be net buyers of Indian equities and debt securities in August 2018 too. In August 2018, FPIs invested ₹ 5,146 crore in Indian securities market compared to an inflow of ₹ 2,264 crore in July 2018. FPI has invested ₹ 1,775 crore in equity as compared to ₹ 2,264 crore investment in July 2018. In addition, FPI also invested of ₹ 3,414 crore in debt as compared to net investment of only ₹ 43 crore in July 2018. On the other hand, FPIs continued to liquidate (₹ 44 crore in August 2018) the hybrid securities held by them.

Stock Market Trend in Select Emerging Markets



Emerging Issues/ Challenges for Securities Markets in India

1 - Development of Debt and Corporate Bonds Market :

The debt market in India has not been developed to the required extent. There is very little liquidity in the debt markets. To achieve desired economic growth, there is a need to encourage investors to invest in debt markets as it plays an important role in supporting private sector growth through efficient allocation of capital, favourable funding terms, flexible term structures, financing at lower cost and scalable source of financing.

2 - Development of Commodities & Currency markets.

Low investment in commodity derivatives is due to lack of knowledge about commodity markets among Indian farmers. Further, presently, Institutional investors such as FIIs, banks, etc. are not permitted to invest in these markets. Similarly, the turnover in Currency markets is also quite low. Efforts need to be made to bring it at par with the international levels.

3 - Low level of Investors Education and Participation.

Due to low level of investors education in India , Less than **1.5 percent** of the population invests in securities, compared with almost **10 percent** in China and **18 percent** in the U.S. Just **2 percent** of India's household savings are exposed to equity; whereas in the U.S., the long-term average is 45 percent.

Emerging Issues/ Challenges for Securities Markets in India

4 - High rate of transaction costs.

High rate of transaction costs (comprising of STT, stamp duty, exchange charges, service charges and regulator fee) as compared with international markets is on a higher side thereby discouraging both domestic & foreign investors to invest in Indian markets.

5 - Lack of Development finance to Indian start ups.

All India development institutions have given way to banks, venture capitalists and private equity investors who have to mainly concentrate to earn adequate returns on their capital thereby putting less emphasis on long term greenfield projects. More development institutions need to be encouraged by the government.

6 - Non availability of bank finance to capital market players.

Though small investors have adequate funding windows available to them, Banks and Institutions still feel shy of providing large finance at competitive interest rates to large private players thereby affecting the depth of the markets which is primarily dominated by Mutual Funds, Domestic and Foreign Institutions, Insurance Companies etc.

The Road Ahead

Indian Stock Markets are on a lifetime high having outperformed major economies. The next decade is expected to be an opportunity of a lifetime for Indian capital market players.

The year 2017-18 was marked by the stabilizing operations of regulatory bodies in various segments of the financial market, with the support of a resilient regulatory framework. All measures and initiatives undertaken were dedicated to strengthen the financial markets, while increasing reach and accessibility by introducing new range of product offerings, enhancing transparency and liquidity in the financial system. Though a continuous process, more measures are also to be taken to increase trust of the investors in capital market systems and compliance.

Overall financial systems are yet to be in-line with the expected growth expectations. The road ahead for deepening the financial markets needs to be paved by the formulation of a strong linkage between the development of the economy and the capacity of the financial system. The global financial environment is moving towards an integrated financial system and will serve in good stead to standardise compliance norms and procedures. A greater measure of transparency is also required to be built into regulatory procedures, to bring in a new dimension to financial markets and take it to the next level.

THANK YOU

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