INTRODUCTION

Since the empowerment of the Securities and Exchange Board of India (SEBI) through an Act of Parliament in 1992, SEBI has come up with a number of initiatives aimed at regulating and developing the Indian securities market and improving its safety and efficiency. These initiatives have made an impact on nearly every aspect of the market. Some of those initiatives have transformed the market fundamentally. Particularly noteworthy is the growth in the following:

• Market capitalization

• Number of listed firms

• Trading volumes and turnover both in the spot and futures markets.

There is a growing network of financial intermediaries that operate in a highly competitive environment while being governed by a tight set of norms. India has one of the most sophisticated new equity issuance markets. Disclosure requirements and the accounting policies followed by listed companies for producing financial information are comparable to the best regimes in the world.

The Indian securities market is among the safest and the most efficient trading destinations internationally. The Indian corporate governance code is compared to the
Sarbanes Oxley Act of the USA. India has one of the fastest growing and well-developed asset management businesses in the world, with state-owned as well as private sector players. That said, the Indian market is often hostage to some scam or the other from time to time. Effective enforcement of compliance is cited as one of the reasons for these unsavoury episodes. The role that SEBI’s initiatives have played in bringing about this transformation of the market has not been researched comprehensively so far. Literature that has analysed the efficiency and the design of the Indian securities market has examined the role of certain specific regulatory provisions on the functioning of the securities market. So also the various annual reports of SEBI discuss the regulatory and other institutional developments that took place during the year under review. However, no attempt seems to have been made to take stock of all the various initiatives of SEBI so far and assess its impact on the activity in the securities market. Indian securities market has witnessed unparallel growth since 1980 as a vibrant segment of the financial system. The capital market plays a crucial role in promoting the rate of growth of economy. It serves as a conduit between those sectors which generate surplus financial resources and others which require additional funds for investment. The stock exchange is the nerve centre of the capital market. It reflects the hopes, aspirations and rays of future of the people of their outlook of the economy.

The industrial development today needs huge capital funds. The stock exchanges help to channelise savings of the country into productive organs. The first function of procuring
subscription for new issues of securities of government or bonds of financial institutions and shares of companies is referred as \textbf{Primary-Market Function}.

The second function of stock exchange is to provide a market place for trading in existing shares, bonds, and securities of government, financial institutions and joint stock companies which have been subscribed earlier. It helps the existing investors to convert their holdings back into cash and also makes it possible for others to acquire existing securities through the stock exchange. This is referred as \textbf{Secondary Market Function}. Stock exchanges first initially promote capital formation on one hand and later on enable transfer of ownership of shares and securities from one person to another as and when required at current prices. This provides requisite advice and guidance to the companies for seeking more capital, educating the investing public for the safe investment and lay down rules and regulations which members as well as companies have to abide by which serve as a protection to investors. The trend of business activities of the stock exchanges serves as a significant indication of the overall economic situation of the country and hence they are the weather clock of the economy of the country.

\textbf{SCENARIO OF INDIAN CAPITAL MARKET :}

Reforms in the securities market, particularly the establishment and empowerment of SEBI, market determined allocation of resources, screen based nation-wide trading, dematerialisation and electronic transfer of securities, rolling settlement and ban on
deferral products, sophisticated risk management and derivatives trading, have greatly improved the regulatory framework and efficiency of trading and settlement.