

Evolution of Stock Markets and Role of Stock Exchange

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ABSTRACT: This present study related to the evolution of Stock markets worldwide and in Indian perspective, the major stock exchange in Abroad and in India , and role of stock exchanges.

KEYWORDS: Stock exchange, Stock market, Newyork Stock exchange, National Stock exchange, Bombay stock exchange.

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I INTRODUCTION :

The stock exchanges where the stocks are listed and traded are the entities specialized in the business of bringing buyers and sellers of stocks and Securities together. The buyer and sellers of stocks are none other than the participants of the stock market. They range from small individual stock investors to large hedge Fund traders who may be situated anywhere in the world. Their business is said to be accomplished when a professional at a stock exchange executes an order for such business.

WHAT IS STOCK MARKET AND STOCK EXCHANGE

Stock Markets

Stock Market is a market where the trading of company stock both listed securities and unlisted takes place. It is different from stock exchange because it includes all the national stock exchanges of the country. For example we use the term “the stock market was up today” or the stock market bubble”.

Stock Exchanges

Stock exchanges are an organized market place, either corporation or mutual organization, where members of the organization gather to trade company stocks or other securities. The members may act either as agent for their customers or as principals for their own accounts.

Newyork Stock Exchange (NYSE)

The Newyork Stock exchange can be traced back to 1792, where 24 prominent brokers and merchants gathered in Wall Street to sign Bretton wood agreement for trading of securities on common commission basis. The First corporate stock exchange was that of Bank of New York. In 1817, New York brokers established a Formal organization named as the New York stock and Exchange Board. In 1863 the New York stock and Exchange Board were renamed as New York stock exchange.

Wall street is the leading US money centre for international Financial activities. It comprises a matrix of wholesale Financial sectors, Financial markets, Financial institutions, and Financial industry Firms. The principal sectors are securities industry, commercial banking asset management and Insurance.

NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS SYSTEM (NASDAQ)

It is the world’s First electronic stock market incorporated in 1971 with its bold initiatives. It came out with a lot of innovations and became a world market leader in stock trading. As the world’s largest stock market in the united states it has 4000 listed companies. NASDAQ was founded in 1971 by the National Association of securities Dealers (NASDAQ) which divested itself of NASDAQ in a series of sales in 2000 and 2001. NASDAQ is owned and operated by the OMX group the stocks of which were listed on its own stock exchange beginning July 2,2002, under the ticker symbol NASDAQ. It is regulated by the Financial Industry regulatory Authority (FINRA) the successor to the NASDAQ.

II EVOLUTION OF THE STOCK MARKETS

The size of world stock market grew steadily in the 1970s and 1980s and crossed the \$12 trillion figure in 1993. The share of the US market decreased tremendously from more than 50% to less than 35%. In recent years the importance of Asia has grown dramatically and its shares in the world market have multiplied three times. During 1980s the stock markets emerged rapidly in the developing countries.

In Africa, Stock markets opened in Egypt Morocco and Ivory coast, but with limited growth. The growth has been faster in Latin America, especially in Brazil, and Mexico. However, most dynamic growth was experienced in Asia, particularly in India, Indonesia, Malaysia, Thailand, Korea and Taiwan. Most of the Markets are closed to foreign investors, but after 1994 these markets have progressively opened to the International investors.

III MAJOR STOCK EXCHANGE IN INDIA

❖ National Stock Exchange

National stock exchange incorporated in the year 1992 provides trading in the equity as well as debt market. Maximum volumes take place on NSE and hence enjoy leadership position in the country today.

❖ History of BSE

The stock exchange Mumbai, popularly known as “BSE” was established in 1875 as “The Native share and stock brokers Association”. It is the oldest one in Asia, even older than the Tokyo Stock exchange which was established in 1878. It is a voluntary non-profit making Association of persons (AOP) and has covered itself into demutualised and corporate entity. It is the First stock exchange in the country to have obtained permanent recognition in 1956 from the government of India under the securities contracts (Regulation) Act, 1956.

IV ROLE OF STOCK EXCHANGE

❖ Raising Capital for Businesses

A stock exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public.

❖ Going Public

Capital Intensive companies, particularly high tech companies always need to raise high volume of capital in their early stages. For this reason, the public market provided by the stock exchanges has been one of the most important funding sources for many capital intensive startups. After the 1990s and early 2000s hi-tech listed companies boom and bust in the world’s major stock exchanges. It has been much more demanding for the high-tech entrepreneur to take his/her company public, unless either the company already has products in the market and is generating sales and earnings or the company has completed advanced promising clinical trials, earned potentially profitable patents or conducted market research which demonstrated very positive outcomes.

❖ Corporate Governance

By having a wide and varied scope of owners, companies generally tend to improve management standards and efficiency to satisfy the demands of these shareholders, and the more stringent rules for public corporations imposed by public stock exchanges and the government. Consequently it is alleged that public companies tend to have better management records than privately held companies (those companies where shares are not publicly trade, often owned by the company founders and their families or otherwise by a small group of Investors).

V CREATING INVESTMENT OPPORTUNITIES FOR SMALL INVESTORS

Venture Capital

A third usual source of capital for startup companies has venture capital. This source remains largely available today, but the maximum statistical amount that the venture company firms in aggregate will invest in any one company is not limitless.

VI CONCLUSION

The past two decades have witnessed dramatic changes in the number, location, and structure of global financial exchanges. The number of new financial exchanges has surged worldwide in countries such as Russia and China, that previously did not have any exchanges as well as in countries with many competing we have study several aspects of stock market development, market capitalization, listing degree of new capital raising and trading value.

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