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INCREASING TREND OF INVESTING IN STOCK MARKET IN INDIA

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ABSTRACT

There is a clear correlation between the size and health of a nation's stock market and the success or failure of that market compared to other markets. The Indian stock market has seen significant growth over the last several years as a result of the growing number of people and organizations that have allocated their capital to the market. However, despite the fact that the stock market has become more popular, the majority of people still have no understanding what it is or how it operates. As a result of the lack of information available, the supporter bears the danger of making incorrect assumptions, which might potentially reduce their wealth. Due to the fact that it is vital, it is of the utmost importance to get further knowledge about honest and fair financial exchange in India and to identify the factors that either support or damage it. The purpose of this article is to examine the relationship between the Indian stock market and wider economic measures, such as Gross Domestic Product growth and Foreign Direct Investment. This study concludes with recommendations on future policies and market trends that are directed at investors, policymakers, and market regulators. These recommendations come after an in-depth analysis of the characteristics and changes that have been seen in the Indian stock market.

Keywords: Indian stock market, Stock market performance, Factors influencing stock market,

INTRODUCTION

When compared to other stock markets throughout the world, the Indian stock market is growing at a far faster rate than its counterparts. On two of the most important stock markets in India, the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), investors have the chance to buy and sell shares in publicly listed companies. Throughout the years, India's stock market has seen significant growth for a number of factors, which have contributed to this growth. One of the primary reasons why the stock market in India has been expanding is because of the robust foundation that the Indian economy is built upon. India is swiftly becoming one of the most dynamic economies in the world as a result of its large and growing middle class as well as its robust consumer sector.

A significant portion of the current boom in the stock market may be attributed to the infusion of funds from investors from outside the market. Another factor that has helped to the rise of the Indian stock market is the steps taken by the government to encourage economic growth and development. The government has taken a number of actions to encourage investors to put their money into the stock market. Two of these steps include tax advantages for investments with a longer time horizon and attempts to promote transparency and accountability in corporate leadership. These are only two of the numerous steps that the government has done overall. In addition to the factors that have previously been highlighted, the rise of the Indian stock market may also be attributed to the growing participation of ordinary investors.

As a result of the expansion of digital technology, common investors are increasingly turning to online trading platforms in order to buy and sell shares. This is a direct result of the democratization of investing that has been made possible by the technological advancements. Throughout the years, the Indian stock market has been subjected to a great deal of turmoil; nonetheless, it has managed to expand and remain resilient in spite of all of these challenges. A significant reason that has been pushing the business as a whole in recent years is the expansion of many sectors, such as the pharmaceutical industry, the information technology industry, and the healthcare industry.

Those who are not acquainted with the inner workings of the market, investment strategies, and risk management may find the notion of investing in the stock market to be intimidating and confusing. When an investor makes decisions about their investments that are not well informed owing to a lack of awareness, the investor's financial stability is put in jeopardy. As a consequence of this, it is of the utmost importance to explore the factors that either encourage or discourage the growth of stock market knowledge in India. There are a number of factors that have contributed to the rise of the Indian stock market, which is an essential indicator of the country's economic development and success. These factors include robust economic fundamentals, policies implemented by the government, and the increasing participation of ordinary investors. Investors from all over the world continue to be lured to the Indian stock market because of its great growth potential. This is the case despite the fact that there are a lot of challenges and uncertain conditions. It is common for those living in rural regions, which are home to the bulk of the population, to be unaware of newly available investment possibilities.

OBJECTIVES

1. To find the reason behind the rise of retail investors in Indian stock market
2. To Study the various aspect of Indian Stock Market in detail.

REVIEW OF LITERATURE

In view of the recent meteoric development of the Indian stock market, a number of studies have been conducted among Indian individuals and organizations to investigate the level of stock market knowledge that exists among them. The following is a summary of the information that has been gleaned from the current body of literature about the Indian stock. Several studies have been conducted to investigate the level of information that Indian individuals and enterprises possess about the stock market. According to information provided by Kotak Securities in 2017, just 33 percent of Indians invested their money in the stock market. Five-fifths of individuals who did not invest any money said that they did not have sufficient knowledge. According to a research that was published in 2015 by SEBI (the Securities and Exchange Board of India), just 5.7% of Indians have made investments in the stock market.

Dattatray P. Gandhmal, K. Kumar (2019) As a result of recent advancements in the capacity to anticipate stock values, professional analysts and investors have started to put a premium on these developments. There are intrinsically noisy settings and high volatility in relation to market trends, both of which make it impossible to estimate stock market trends using trend analysis. There are a variety of factors that contribute to the complexities of stock prices. These factors include quarterly earnings releases, market news, and other altering behaviors. In order to make informed decisions, traders depend on a wide range of stock-based technical indicators that are routinely updated. The problem of anticipating market moves on a daily or weekly basis continues to be difficult, despite the fact that these indicators are helpful for assessing stock returns. Given the dynamic nature of the modern industrial world, precisely anticipating stock movements is an effort that is both fascinating and difficult to do. There are a variety of factors, both economic and non-economic, that are taken into consideration while analysing the manner in which stock changes occur. As a consequence of this, increasing production is considered to be a significant challenge when attempting to anticipate the stock market.

Sadhan Kumar Chattopadhyay(2014) With its history dating back to 1875, the Indian stock market is often regarded as one of the first in all of Asia. On the other hand, the global integration movement focused almost entirely on ignoring it until 1991. Some developing countries have been able to revitalize and extend their stock markets with the assistance of the International Finance Corporation and the World Bank. This has allowed them to more effectively allocate and mobilize capital investments. For the purpose of regulating the Indian stock market, the Securities and Exchange Board of India (SEBI) was founded, following a pattern that was seen all over the globe. On the other hand, its efficiency was improved after the scandal that occurred in the stock market in 1991. Through the efforts of SEBI and technical advancements, the Indian stock market has reached a level of parity with its counterparts in other countries.

According to the primary criteria of stock market development, the Indian stock market has seen significant growth since the reforms were implemented for the stock market.

Venkata Narasimha Chary Mushinada mvnchary and Venkata Subrahmanya Sarma Veluri(2018) This article takes a look at the Bombay Stock Exchange (BSE) from the perspective of self-attribution, overconfidence bias, and dynamic market volatility for a variety of market capitalizations. An examination of the responses of investors to market gains resulting from both accurate and inaccurate estimates is the first stage in establishing whether or not the overconfidence of investors is the result of self-attribution bias. When investors make correct projections of future returns, they tend to get an excessive amount of confidence and engage in more trading in subsequent time periods. The second factor that is looked at is whether or not there is a connection between an excessive amount of price volatility and the overconfidence of investors. The trading volume is comprised of two components: the first comes from the overconfidence of investors, and the second comes from something that has nothing to do with it. A high degree of association exists between overconfident trading volume and conditional volatility, as shown by an investigation of small companies that was carried out immediately before to the onset of the financial crisis. An analysis that was carried out after the crisis showed that investors who lacked confidence were very pessimistic about their little equity holdings and had a tendency to exaggerate the unpredictability of the future. According to the findings of research conducted on prominent companies, there is a notable correlation between the overconfidence component of trading volume and the volatility of the market. The results of the empirical research, when considered as a whole, provide considerable statistical support to the hypothesis that self-attribution and overconfidence bias are prevalent, and that these biases are responsible for a sizeable percentage of the unusually high and uneven volatility that is seen in the Indian stock market.

Mrunal Chetanbhai Joshi & Yashika Batra(2018) In 1875, a group of twenty-two merchants established the Bombay Stock market (BSE), which would go on to become the oldest stock market in Asia. In India, something took place. After then, the Indian stock market saw tremendous expansion, finally becoming a powerful and competent stock market on a worldwide scale. This growth occurred in the years that followed. In October of 2016, the combined market capitalization of India's two main stock exchanges, the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), reached a total of Rs. 8,080,812.54 Crores. Investors would be wise to keep a high level of information and financial literacy on the stock market and the factors that impact it. Their knowledge and literacy would be beneficial. A primary emphasis of this essay is on the viewpoints of investors about the many factors that have an effect on the stock market. In addition to this, it investigates the preferences of investors towards various sectors and characteristics that are associated with investing in the stock market respectively. We used a descriptive research design, a convenience sample to choose participants, and a personal survey to collect data from a standardized questionnaire for this study. All of these methods were included in the research design. According to the findings of this research, the Price Earnings Ratio (P/E Ratio) and Earnings Per Share (EPS) are more significant investment metrics than market share, company reputation, and liquidity. Additionally, when it comes to questions concerning the industrial sector, the policies of the government and the rate of expansion of the industry are of far greater significance. For those who invest in the stock market, the macroeconomic environment is comprised of many essential components, including the current state of the global economy and the movement of foreign institutional investors (FIIs).

RESEARCH METHODOLOGY

This section outlines the procedures that were followed in order to carry out the research and provides a description of the methodology that was used. A fundamental bullish trading strategy serves as the foundation for this research, which is organized in an operational design structure. As part of the process of implementation, orders to buy and sell are carried out in line with objectives that have been established in advance via the use of algorithms and technical indicators. Following that, we will investigate the effectiveness and profitability of the transaction. Through the examination of algorithmic turnover data, the study will analyse the impact that algorithmic trading has had on the Indian stock market. Once the hypothesis has been validated, the research will demonstrate that there is a significant disparity between the profitability of algorithmic trading and financial trading. Among the secondary sources that were used in the process of data collecting are research papers written by Ben G. Charoenwong on technical trading methods and on algorithmic trading effectiveness in the Indian market written by Ritesh Kumar Dubey, A. Sarath Babu, Rajneesh Ranjan Jha, and Urvashi Varma. Both of these papers were written by professionals in the field. In addition, we make use of data from the National Stock Exchange that refers to transaction volumes in order to evaluate the difference in effectiveness between the two approaches. Literature reviews and reliable sources like SEBI, Screener.in, and Tradingview.com are the sources of additional information that were gathered for the research.

As part of the methodology of the research, statistical analysis is used to quantify the impact and effects of different trading strategies. Additionally, comparative situational analysis is utilized to evaluate the effectiveness and profitability of the various trading methods. The statistical effect study spans a one-year period beginning on April 1st, 2021 and ending on March 31st, 2022, while the operating efficiency analysis covers a one-month period beginning on January 10th, 2023 and ending in February. There are a number of variables that might potentially influence the efficiency of trade, including individual skill levels and the degree to which individuals comprehend trade concepts. The study acknowledges that these are limitations. Furthermore, despite the fact that the study may demonstrate that many trading styles are distinct from one another, the manner in which an individual decides to adjust their trading style to their own preferences and abilities is ultimately decided by the individual. In order to provide an illustration of the fundamental concepts of technical trading, a diagram is shown that depicts the manual execution of trades in accordance with technical considerations.

Fig 1: showing the Framework of technical trade

RESULTS AND DISCUSSION:

The results and discussion portion of this work uncovers remarkable insights on the operational efficiency and effect of trading techniques, particularly algorithmic and technical approaches, on the Indian stock market. These insights are shown within the framework of this study. Through the process of comparing various trading techniques, the study uncovers some fascinating information on the effectiveness and profitability of these strategies. The operational design of carrying out basic bullish trades based on specified objectives demonstrates a deep understanding of how technical indicators and algorithmic approaches effect market behavior. This understanding is shown by the designs of the trades themselves. It is evident from empirical study that there is a discernible difference in profitability between algorithmic trading and technical trading, which demonstrates the significance of trading techniques in providing outcomes for investments. In addition, when algorithmic turnover data are analyzed, it may be possible to get a better understanding of the shifting nature of market participation and the implications that it has on the dynamics of the market.

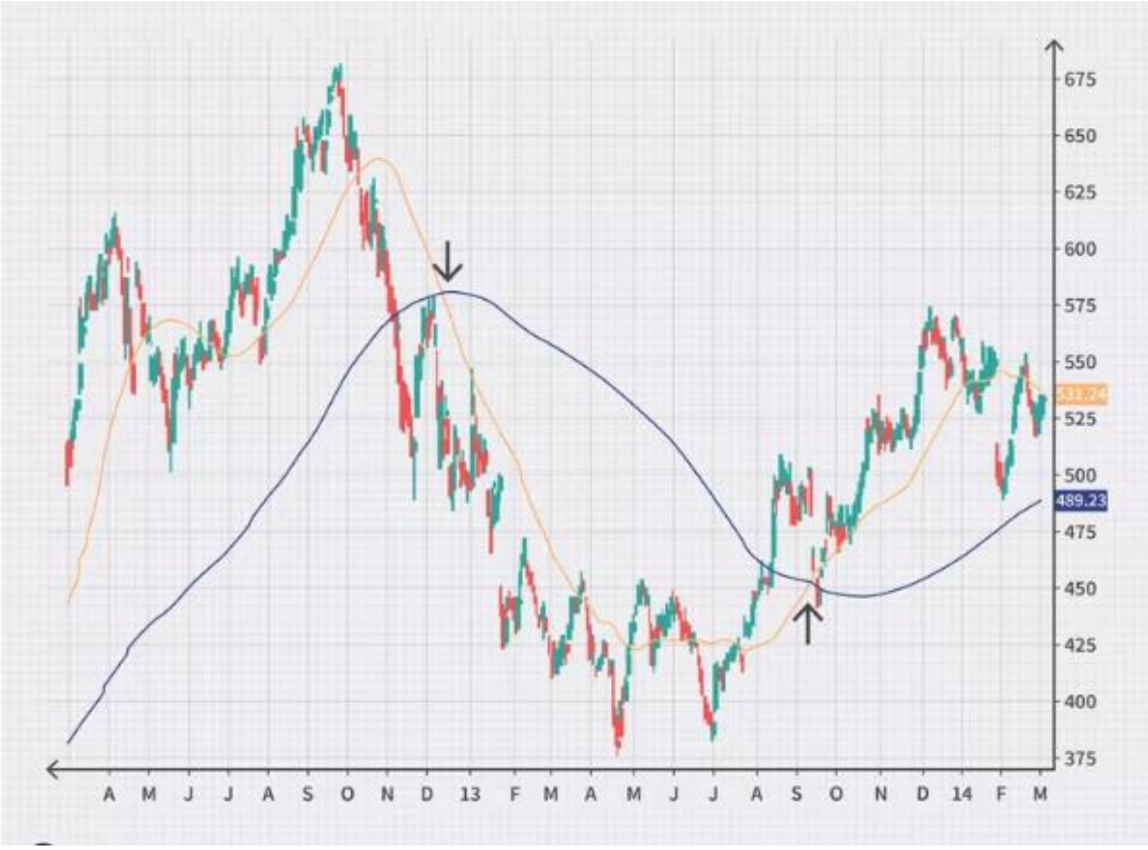

Fig.2 Show the live market indicator

Through the use of primary and secondary data collected from a wide range of sources, it is possible to have a deeper understanding of market trends and investor behavior, which improves the quality of the discussion. The findings are further confirmed by statistical analysis, which offers valuable information about the ways in which different trading techniques influence the performance of the market. Despite the fact that the methodology of the research is sound and the findings are insightful, there are a number of limitations that need to be addressed. Trading efficiency may be affected by a variety of variables, including individual skill levels and subjective interpretations of trading principles. This is one of the aspects that can have an effect on trading efficiency. The study, on the other hand, contributes to our understanding of the patterns and dynamics of the Indian stock market. This is significant because it demonstrates how complicated this market is and how flexible strategies and well-informed judgments are necessary in order to achieve success in it.

The results and discussion part of the analysis shed light on the complex environment of the Indian stock market, which is characterized by both resilience and volatility. According to the examination of the data, the significant association that exists between macroeconomic indicators and stock market performance demonstrates the susceptibility of the stock market to changes in policy and to trends that occur on a global scale.

The report sheds light on the growing trend towards digitalization and trading platforms that are driven by technology, which is having an effect on the accessibility of the market as well as the conduct of investors. In addition, the arguments bring up the implications of legislative changes on the dynamics of the market, which further emphasizes the need for stakeholders and investors to use strategies that are adaptable. When making estimates for the expansion of the market in the future, those who make decisions about investments would do well to take into account growing sectors such as eco-friendly energy, online shopping, and financial technology. The results shed light on the dynamic nature of the Indian stock market, which is always evolving, and make it imperative for stakeholders to keep a close eye on emerging trends and laws in order to effectively manage risks and capitalize on opportunities as they present themselves.

CONCLUSION

The purpose of this research is to chronicle the development of India's stock market by conducting a review of relevant literature. Many other metrics, such as market capitalization and market size, have been used by researchers in an effort to provide a definition of the process of stock market development. The purpose of this study is to make a contribution by analyzing their efforts. It is important that the development of the stock market be described in a way that is both consistent and open-ended. It is becoming more important for a nation's stock market and economic development to be considered. As a result of the growing relevance of the stock market in the expansion of the global economy, they have been particularly interested in doing research in this area. As a result of the deregulation of the stock market, it has come to the top of the priority list for academics who are researching emerging nations.

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