



REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631 (UIF)

VOLUME - 13 | ISSUE - 3 | DECEMBER - 2023



MARKET DYNAMICS: UNVEILING THE ROLES AND FUNCTIONS OF INTERMEDIARIES IN INDIAN STOCK EXCHANGES

Dr. Pravin S. Borase¹ and Mr. Aniket S. Khatri²

¹Assistant Professor, Mahatma Phule Mahavidyalaya, Pimpri, Pune.

²Assistant Professor, Mahatma Phule Mahavidyalaya, Pimpri, Pune.

ABSTRACT :

This study aims to investigate the intricate dynamics of the Indian stock market by examining the specific roles and activities of stockbrokers and intermediaries. The primary aim of this research is to offer a thorough understanding of the historical development, regulatory structure, and operational mechanisms that influence the role of stockbrokers and intermediaries in the Indian stock market. The research seeks to educate market participants, policymakers, and practitioners about the significant interconnections among stockbrokers, intermediaries, and the broader market context.



KEYWORDS : *Stock Exchanges, Stockbrokers, Market Dynamics, Intermediaries and Indian Stock Market.*

INTRODUCTION

Stock exchanges are very important to meet the capital market needs of India and Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) are major instruments in terms of trading volume. These exchanges are governed by a board of members and include brokers who act as intermediaries or links connecting the exchange with investors. The Securities and Exchange Board of India (SEBI) monitors and regulates trading activities. The main objective behind this research is to examine the functioning of stock exchanges with special focus on the role of stock brokers and other intermediaries besides examining the functions of depositories in India.

MARKET INTERMEDIARIES:

Various market intermediaries play a vital role in connecting the various components of the stock market, ensuring its smooth and effective functioning. These intermediaries facilitate various services such as order matching, investment advice, maintaining market liquidity, stock lending, engaging in retail broking, enabling online trading, conducting equity research and offering depository services.

OBJECTIVES OF THE STUDY:

- To investigate the stock exchange operations in India.
- To examine the role of Stockbrokers and other Intermediaries.

HYPOTHESIS:

The roles performed by the financial institutes plays vital role and have positively increased the confidence level of investors to participate in the market rally.

RESEARCH METHODOLOGY:

The research will rely on secondary data methodology, which will include an extensive review of existing literature, reports and market data primarily related to the roles and functions of stockbrokers and intermediaries in Indian stock exchanges. The study aims to provide valuable insights into market dynamics by analysing and synthesizing available secondary data, without conducting primary interviews or surveys. This streamlined approach increases efficiency and leverages existing information to contribute to a comprehensive understanding of the subject.

STOCK MARKET IN INDIA:

India's stock market has seen remarkable growth from humble beginnings in the 19th century. In 1990, the country was home to 19 stock exchanges hosting about 6,000 listed companies with a population of about 15 million. To gain a deeper understanding of this evolution, it is very important to explore the functions performed by the stock market, study its organizational structure, examine the governance mechanisms in place and understand the trading systems that operate on these exchanges.

ROLE AND FUNCTIONS OF STOCK EXCHANGES:

The historical evolution of stock exchanges underlines their indispensable contribution to the development of joint stock enterprises. It is evident that these platforms have played an important role in facilitating transactions involving securities which are essential for the growth of the corporate sector. Stock exchanges play an important role in the economy of a country.

Firstly, stock exchanges provide a large market for buying and selling of securities including shares, bonds and debentures. It ensures the essential principle of free transferability of securities, making the stock enterprise the foundation of this system. The smooth functioning of the private sector economy depends on the assurance that stocks and bonds can be bought and sold in this market at any time. Simultaneously, individuals can freely choose and acquire securities in the market for long-term capital growth and investing their surplus funds.

Secondly, the stock exchange is positioned as an important link between savings in the household sector and investment in the corporate economy. By aggregating all savings and channeling them into securities, the stock exchange consolidates the flow of funds into investors' preferred industries based on criteria such as future growth prospects, attractive returns and capital appreciation.

Thirdly, the stock exchange is seen to act as a mechanism to provide market value for share and bond prices. This collective decision derived from the interaction of numerous buyers and sellers in the market serves as a barometer not only for the individual health of the company but also for the overall state of the country's economy. A country's economic program, general economic conditions, economic and non-economic policies, tax adjustments, political environment, international affairs and share price fluctuations.

SECURITIES MARKET INTERMEDIARIES:

Capital market intermediaries play a vital role as an important link between investors, issuers and regulators. Their primary objective is to facilitate the investment process as well as establish relationships between investors and fund users.

Corporations and governments do not sell their securities directly to investors. Instead, they enlist the services of market intermediaries to represent potential investors. Investing directly in the stock market can be challenging for many investors. Major market intermediaries help investors make informed investment choices by providing investment advice, market analysis and credit rating of investment instruments.

In the secondary market, investors are usually seen trading primarily through stockbrokers. Capital market intermediaries such as registrars and share transfer agents, custodians and depository participants play an important role by providing the necessary infrastructure for both primary and secondary markets.

According to the SEBI (Intermediaries) Rules, 2008, "intermediaries" include entities mentioned in certain sections of the SEBI Act and in relation to the SEBI (Mutual Funds) Rules, 1996 include asset management companies, clearing corporations or members of clearing houses and derivatives segments of stock exchanges or currencies. Trading members of the derivatives segment.

SEBI has issued regulations for every intermediary to ensure fair presentation of services to investors and capital markets. According to Section 11 of the SEBI Act, SEBI has the duty to register and regulate the activities of stockbrokers, sub-brokers, share transfer agents, bankers for issue, trustees of trust deed, registrar of issue, merchant bankers.

ROLE AND RESPONSIBILITIES OF INTERMEDIARIES:

1. Merchant Bankers

Issuers are obliged to appoint a merchant banker, an important intermediary in the financial landscape. For a variety of critical functions, such as overseeing the management of public issues of securities, ensuring a smooth and consistent offering to the public. Merchant bankers are responsible for underwriting, effectively managing and mitigating risk associated with public issue management. His expertise lies in managing and advising on international offerings involving instruments such as debt/equity, GDRs, ADRs and bonds.

2. Registrars and Share Transfer Agents

Registrars and Share Transfer Agents (RTAs) play a vital role in various stages of the process of issuing securities. This ensures smooth and organized flow of information. In pre-issue activities, they send instructions to banks to report collection statistics and help design bid cum application forms. They establish an effective information flow system between clients, banks and lead managers of issues, as well as liaise with regulatory authorities such as SEBI and stock exchanges. In post-issue activities, RTAs carry out data capturing and validation, as well as reconciliation of information to ensure accuracy.

3. Underwriters

Underwriters play an important role in the financial landscape by pledging to take up fully unsubscribed securities in public issues. Their primary responsibility is to ensure successful subscription of the issue by obtaining commitments from other investors or by subscribing the remaining securities themselves. That is, underwriters provide an important backstop and provide financial support to issuers if public response to an offering falls short of expectations.

4. Bankers to an issue

Bankers of Issue, as the name suggests, are responsible for overseeing all activities related to the collection and transfer of funds into escrow accounts. One or more banks may act as bankers of issue and may also act as collecting banks, handling the collection of applications for securities with associated remittances at their various branches in various centres. Banks are required to provide timely information and records to the company and key managers, which will facilitate monitoring and progress of issue work.

5. Debenture Trustees

Debenture trustees play a vital role in safeguarding the interests of debenture holders by carrying out various responsibilities. They call for periodical reports from the issuer, take possession of the trust assets as per the trust deed and enforce security measures for the benefit of the debenture holders. Continuous monitoring ensures that the assets backing the debenture remain available,

sufficient and unencumbered. It also takes immediate measures to protect the interest of the debenture holder in case of default.

6. Stockbrokers and sub-brokers

By facilitating transactions between sellers and buyers of securities, stock brokers play a very important role in the secondary market. Also acting as an intermediary, stock brokers help both brokers and clients to complete transactions. While dealing as a principal, a stock broker must obtain the consent of the client and the prices charged must be fair as well as fair as per the market conditions. This dual role underscores the stockbroker's responsibility to ensure transparency and fairness in securities transactions.

7. Portfolio Managers

A portfolio manager plays an important role in creating optimal investment strategies for individuals based on factors such as income, age and risk tolerance. Their important responsibility is to educate people about the various investment instruments available in the market and the relative benefits of each scheme. A portfolio manager guides individuals to understand the rationale behind investing and helps them decide on the most suitable plan for their financial goals.

8. Custodians of Securities

Custodians of securities play an important role in safeguarding and managing client assets. Their responsibilities include opening separate custody and deposit accounts for each client, ensuring a segregated and secure system. Custodians carefully record and manage the assets entrusted to them, overseeing the registration of securities related to each client's holdings. It also contributes to the transparency and security of the customer's financial portfolio.

9. Investment Advisers

Investment advisors play a vital role in guiding individuals through their financial dealings and investments. Essentially, investment advisors provide advice and services related to the investment management process. This includes conducting risk profiling for clients to assess their risk tolerance, helping them make informed decisions aligned with their financial goals.

10. Research Analysts

Research analysts play an important role in the financial landscape by studying companies and industries, analysing raw data and making predictions or recommendations regarding buy, hold or sell decisions for securities. Their expertise is crucial in providing valuable insights to clients. Investors often view analysts as authoritative sources of information and rely on their recommendations to make informed investment decisions. There are three primary types of analysts: sell-side analysts, buy-side analysts, and independent analysts.

11. Credit Rating Agencies

Credit rating agencies play an important role in the financial landscape. Credit rating is essential not only for the protection of investors but also for the wider industry by facilitating direct mobilization of savings from individuals. These ratings serve as a valuable marketing tool for companies and their investment bankers, informing investors of their debt obligations. Moreover, credit ratings act as a driving force for corporate borrowers. Encourage them to improve their financial structure and effectively manage operating risks to secure better ratings for their debt obligations.

12. Depository Participant

A Depository Participant (DP) acts as an agent of the depository, acting as an intermediary between the depository and the investor. DPs play a vital role in managing various transactions related

to dematerialized shares. They process mortgage requests and handle off-market transfers. Also handles on-market transfer requests for investors holding shares in dematerialized form.

CONCLUSION:

This research underlining the multifaceted nature of stock exchanges, they serve as important platforms for buying and selling of securities. This has helped to bring the confidence amongst the investors who have lost it due to some malpractices happened before. The current status of the Indian Stock Market, in view of the foreign investors, is far positive. They are ready, willing and continuing support to the market by pouring the money into it with the help of these market intermediaries. Their role is also very useful to regain the confidence. The interdependence of these market participants is evident, influencing the market's response to technological advances, investor sentiment, and regulatory changes. These market intermediaries, comprising various professionals such as brokers, sub-brokers, fund managers, merchant bankers and credit rating agencies, play an important role in facilitating seamless transactions in the investment landscape. Despite the changing dynamics due to technological advancements, the fundamental role of these intermediaries is indispensable in bridging the investment gap. Their expertise and services contribute significantly to the efficiency and integrity of capital markets, allowing investors to navigate the complexities of the financial world with confidence and trust.

REFERENCES:

1. Donald E. Fischer and Ronald J. Jordon: Security Analysis and Portfolio Management, PHI.
2. Prasanna Chandra: Investment Analysis and Portfolio Management, TMH, Delhi.
3. MY. Khan, Financial Services, fifth edition, 2010, TMH Education Private Limited, New Delhi.
4. Gomez Clifford, "Financial markets, institutions and financial services", First edition, PHI Pvt. Ltd. 2008.
5. S. Guruswamy, "Financial Services", second edition, TMH Education, 2009.
6. V. A. Avadani, "Financial Services in India", second edition, Himalaya Publication house, 2009.
7. K. Ravi Chandran, "Merchant Banking and Financial Services", first edition, Himalaya Publication house,
8. <https://www.sebi.gov.in>