

GROWTH AND PERFORMANCE OF SECONDARY MARKETS: A REVIEW OF EMERGING TRENDS

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Abstract

Indian Securities Market, especially the Secondary Market is witnessing Fundamental Institutional Changes. Electronic Financial Services have modernized the Stock Exchanges, leading to drastic reduction in transaction costs and significant improvements in Efficiency, transparency and safety when trading leading to increased Trading Volumes and Market Capitalization. The Changes in Regulatory and Governance Framework have also brought about an improvement in Investor Confidence. With the total Market Capitalization of the Secondary Market reaching more than 69,430,493 Crores as on March 2012, the Secondary Market is set to see Phenomenal Changes in the Future.

It is in the light of these events, this paper aims to (i) To Study the Trends in Secondary Market with regards Sensex and Nifty (ii) To analyse the Growth of Online Trading in Capital Market (CM) segment of NSE with a view to assess its impact on the trading volume and turnover, (iii) to examine the overall growth and performance of secondary market in India.

Key words: Internet, Stock Trading, Investors, Stock Exchanges, Online Stock Trading, Capital Markets Financial Markets, Secondary Market, Stock Market.

INTRODUCTION

The financial system in India is in a process of rapid transformation, particularly after the introduction of reforms in the financial sector and the development of information technology. An efficient, competitive and diversified financial system is very essential to raise the rate of capital formation, increase the return on investment and thus to promote

the accelerated growth of the economy as a whole. Capital market is, important for raising funds for capital formation and investments and forms a very vital link for economic development of any country .Therefore a vibrant and efficient capital market is the most important parameter for evaluating growth of any economy.

SEGMENTS OF CAPITAL MARKET

Capital market can be divided into two segments (1) primary markets and (2) secondary markets. The primary market is mainly used by issuers for raising fresh capital from the investors by making initial public offers or rights issues or offers for sale of equity or debt. The secondary market provides liquidity to these instruments, through trading and settlement on the stock exchanges.

SECONDARY MARKET OPERATIONS

In the secondary market the investors buy / sell securities through stock exchanges. Trading on stock exchange results in exchange of money and securities between investors. Secondary market provides liquidity to the securities on the exchange(s) and this activity commences subsequent to the original issue. A stock exchange is the single most important institution in the secondary market for providing a platform to the investors for buying and selling of securities through its members. The stock exchanges along with a host of other intermediaries provide the necessary platform for trading in secondary market and also for clearing and settlement. The securities are traded, cleared and settled within the regulatory framework prescribed by the Exchanges and the SEBI.

STOCK MARKET AND ITS OPERATIONS

Secondary markets are also referred to as stock exchanges. They are a part of capital market. the stock exchange is one of the most important institutions in the capital market, which includes term lending

institutions , banks , investors , companies and just about anybody and everybody who are engaged in providing long term capital , whether share capital or debt capital , to the industrial sector. Stock exchanges in India now operate with due recognition from Securities and Exchange Board of India (SEBI) / the Government of India under the Securities Contracts (Regulation) Act, 1956.

The history of stock exchanges in India goes back to the eighteen century, Bombay stock exchange, and the oldest stock exchange in India was established in 1875, there are 24 recognized stock exchanges in India out of which one has not commenced its operations. Out of the 23 remaining stock exchanges, currently only on four stock exchanges, the trading volumes are recorded. Most of regional stock exchanges have formed subsidiary companies and obtained membership of Bombay Stock Exchange, (BSE) or National Stock Exchange (NSE) or both. Members of these stock exchanges are now working as sub-brokers of BSE / NSE brokers. In 1994, National Stock Exchange (NSE) came into existence, which brought an end to the open out-cry system of trading securities which was in vogue for 150 years, and introduced Screen Based Trading (SBT) system. BSE's On Line Trading System was launched on March 14, 1995. Now the trading in securities is done using screen based trading system through duly authorized members of the exchange.

REVIEW OF LITERATURE

Massimb and Phelps (1994) presented a comparative analysis of open outcry system and electronic trading system in US on the basis of two measures of market

performance, operational efficiency and liquidity. It was revealed that the decision to move from open outcry to electronic matching forces the exchanges, customers and regulators to face a trade-off between efficiency, liquidity and turnover.

Singh (2004) examined the liquidity scenario of Indian stock exchanges and raised the issues related to illiquidity. In the paper, the author explained the indicators and present position of liquidity which showed there were no trades on several companies listed on number of regional stock exchanges. This suggested illiquidity in such securities. It has been observed that the trends of liquidity of shares traded on NSE have remained constant but there has been an increase in turnover.

Khan (2005) observed the existence of close interconnection between undesirable trading practices in stock exchanges and the type, nature and structure of the key body governing the stock exchanges i.e. governing body/ board of directors that dominated by the brokers and speculative interests. The subject chosen for the study by the author was operations, turnover and trading at Indian stock exchanges. It has been concluded that stock market trading has witnessed radical changes at the dawn of new millennium.

Kumar (2008) examined the determinants of trading volume for individual stocks in the emerging India's stock market. The CMIE data was used to construct weekly turnover measures for the individual BSE and NSE stocks from January 1997 to December 2004 (418 weeks). The paper also examined the stock trading volume which increased in the level of institutional ownership and reached at its peak at 33%

for NSE stocks. The study argued that behavioural factors affect investor's trading decisions in Indian equity market which had an impact on stock trading volume.

RESEARCH GAP

It can be observed from the literature that most of the research covers the studies which analyze the difference between open outcry system and electronic trading system on the basis of market performance, operational efficiency and liquidity and also they are others studies done to identify the determinants of trading volume for individual stocks in the emerging India's stock market. But little research has been done on analysing the growth of secondary markets in the cash segment. The recent developments like the recession affecting major stocks markets and increased innovations have caused deep impact on the trading volume of the stock markets. The present study aims to investigate in detail the growth and performance of the secondary market in India.

SCOPE AND OBJECTIVES

1. To Study the Trends in Secondary Market with regards to Sensex and Nifty
2. To analyse the Growth of Online Trading in Capital Market (CM) Segment of NSE with a view to assess its impact on the trading Volume and Turnover
3. To Examine the Growth and Performance of Secondary Market in India.

RESEARCH METHODOLOGY

The study is based on the secondary data. The data has been collected from the sites of SEBI, NSE and RBI. The data relates to the period from 2000-2001 to 2011-2012. The research is of analytical nature in which facts, figures and information from secondary sources are used to make a critical evaluation. To explain the growth of Capital Market Segment of NSE, the variables like turnover of stock exchanges, relative share of listed and permitted securities and average daily turnover of NSE and BSE have been taken.

SECONDARY MARKET REFORMS AND DEVELOPMENT

Over the last few years, SEBI has announced several far-reaching reforms to promote the secondary market operations and protect investor interests. Reforms in the secondary market have focused on three main areas: structure and functioning of stock exchanges, automation of trading and post trade systems, and the introduction of surveillance and monitoring systems. Computerized online trading of securities, and setting up of clearing houses or settlement guarantee funds were made compulsory for stock exchanges. Stock exchanges were permitted to expand their trading to locations outside their jurisdiction through computer terminals. Thus, major stock exchanges in India have started locating computer terminals in far-flung areas, while smaller regional exchanges are planning to consolidate by using centralized trading under a federated structure. Online trading systems have

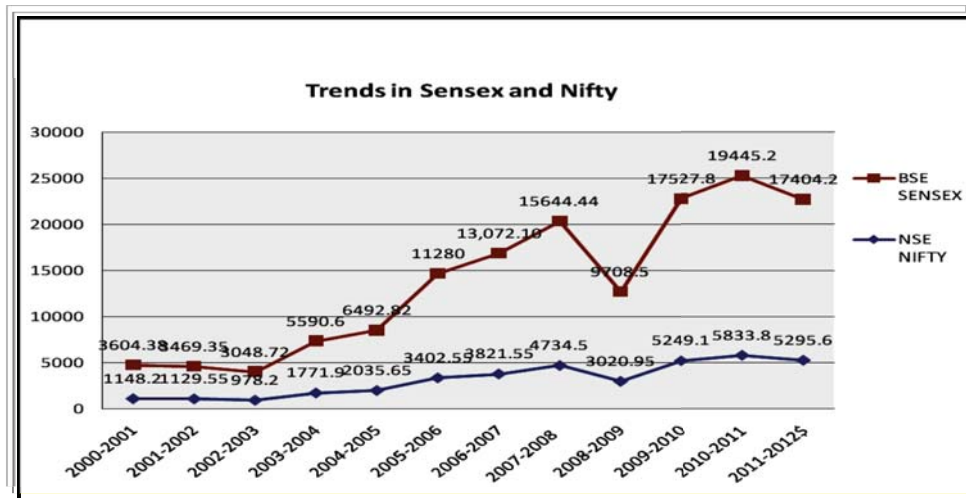
been introduced in almost all stock exchanges making stock trading much more transparent and quicker than in the past.

TRENDS IN THE SECONDARY MARKET

The total numbers of brokers in the year 2000-2001 were 9,782 and in the following year their numbers decreased to 9,687 indicating a drop of 95 members. In 2001-2002 NSE Nifty was at 1129.55 points and BSE Sensex at 3469.35 points. By 2002-2003 the total numbers of trading brokers were 9,519, while Nifty closed at 978.20 points and Sensex at 3048.72 points. By 2005-2006 the number of brokers increased to 9,335 indicating an increase of 207 members from 9128 members in 2004-2005, the Nifty closed at 3402.55 points and Sensex was 11280.00 in the year 2005-2006. In 2008-2009 Nifty was at 4734.50 points and BSE Sensex at 9708.50 Points with 9628 number of brokers. In 2009-2010 there was an increase in the number of brokers from 9628 to 9,772, indicating an increase of 144 members, in the same year NSE Nifty closed at 5249.10 points and Sensex at 17527.80. In the year 2010 -2011 the total numbers of stock brokers increased to 10,203, Nifty closed at 5833.80 points and Sensex at 19445.20 points. By the year 2011-2012, October the total number of stock brokers increased to 10,245 indicating an increase of 42 members from 10,203 in the year 2011, while Nifty closed at 5295.6 and BSE Sensex at 17404.2. The following table shows the movement of Sensex and Nifty from the year 2000 to 2012.

YEAR	NO OF BROKE RS	DIFFERNCE (increase / decrease)	NSE NIFTY	BSE SENSEX
2000-2001	9,782	--	1148.2	3604.38
2001-2002	9,687	-95	1129.55	3469.35
2002-2003	9,519	-168	978.2	3048.72
2003-2004	9,368	-151	1771.9	5590.6
2004-2005	9,128	-240	2035.65	6492.82
2005-2006	9,335	207	3402.55	11280
2006-2007	9,443	108	3821.55	13,072.10
2007-2008	9,487	44	4734.50	15644.44
2008-2009	9,628	141	3020.95	9708.5
2009-2010	9,772	144	5249.1	17527.8
2010-2011	10,203	431	5833.8	19445.2
2011-2012\$	10,245	42	5295.6	17404.2

Table 1 Nifty and Sensex movement for the period 2000-2012
Source: SEBI publication



Graph 1: Nifty and Sensex movement for the period 2000-2012

Source: SEBI

**TRADING VOLUME:
CASH SEGMENT AT BSE**

In the year 2000-2001 the BSE recorded trading volumes of 1,000,032 Crores and the average daily trading volume was around 3,984 Crores. In the year 2002-

2003 the trading volumes in BSE increased to 3, 14,073 Crores from 3, 07,292 Crores in 2001- 2002. The average daily turnover was 1.251 Crores in the year 2002-2003. By 2005-2006 the average daily turnover increased from 2,050 Crores in 2004-2005 to 3,251 Crores. The total trading volume of bse was 8, 16,074

Crores. The trading volume in 2008-2009 increase to 11,00,074 and the average daily trading volume was 4,527 Crores .by the year 2010-2011 the daily trading volume was 4.333 Crores which slightly decreased from 5,651 Crores in 2009-2010. In 2011-2012 the total trading volume of BSE is 6, 67,498 Crores and the average daily turnover is 2681 Crores.

CASH SEGMENT AT NSE:

In the year 2000-2001 the trading volumes of NSE were recorded as 13, 39,510 Crores and the average daily trading volume were around 5,337 Crores. In the year 2002-2003 the trading volumes in NSE increased to 6, 17,989 Crores from 5, 13,167 Crores in 2001- 2002. The average daily turnover was 2,462crores in 2002-2003. The average daily trading volume also increased by leaps and bounds from Rs. 17 crore during 1994-95 to Rs. 6,253 crore during 2005-2006.the total trading volume of NSE was 15,69,558 Crores. The CM segment registered a record number of trades on April 07, 2006 of 3,864,268 trades. In the year 2009-10, the trading volumes increased by 50.36 % to 4,138,023 crore from 2,752,023 crore during 2008-09.

The Average daily trading volume increased from 11,325 crore during 2008-09 to 16,959 crores during 2009-10. The remarkable aspect was that the trading volumes in the year 2009-10 showed a growth of 16.53 % over the trading volumes witnessed in 2007-2008.By 2012 the total trading volumes at NSE was 28,10,893Crores and the average daily turnover was 11,289 Crores.

TURNOVER RATIO:

The increase in turnover ratio shown in Table 3 indicated that there was an increase in trading activities in NSE. The turnover ratio in NSE increased from 16.8% in 1995-96 to 82.2% in 1999-00. The turnover ratio which reflects the volume of trading in relation to size of market has been increasing by leaps and bounds after the introduction of internet based trading system by NSE .

It is evident from the table that the turnover ratio rose steeply in 2000-01 and exhibited a declining trend till 2005-06 except 2002-03. From 2006-07, the turnover ratio increased to 95.02% till 2008-09. However, in 2009-10 (April-May) i.e. of two months reported a low turnover ratio due to small period of time.

The turnover ratio rose to 203.62% in 2010-2011 and in 2011-2012 the turnover ratio was 80.58% as on 30th September 2012. However, in 2009-10 (April-May) i.e. of two months reported a low turnover ratio due to small period of time. The turnover ratio was 16.15in 2010-2011 and in 2011-2012 the turnover ratio was 10.74 as on 30th September 2012.

TRADING VOLUME AND AVERAGE DAILY TURNOVER AT CASH SEGMENT AT NSE AND BSE

Year	BSE						NSE					
	Traded Quantity (Lakh)	Trading value (in crores)	Average trade size (Rs)	Average Daily Turnover (crore)	Turnover ratio (%)	Traded Quantity (Lakh)	Trading value (in Crores)	Average trade size (Rs)	Average Daily Turnover (crore)	Turnover ratio (%)		
2000-2001	25,85,111	1,000,032	7,002	3,984	174.96	3,29,536	13,39,510	86,980	5337	203.62		
2001-2002	1,82,196	3,07,292	24,060	1,244	50.19	2,78,408	5,13,167	29,270	2078	80.58		
2002-2003	2,21,401	3,14,073	22,226	1,251	54.8	3,64,066	6,17,989	25,776	2462	115.05		
2003-2004	3,90,441	5,03,053	24,806	1,981	41.87	7,13,300	10,99,534	29,090	4329	98.09		
2004-2005	4,77,171	5,18,715	21,849	2,050	30.54	7,97,685	11,40,072	25,283	4506	71.9		
2005-2006	6,64,455	8,16,074	30,911	3,251	27.01	8,44,486	15,69,558	25,044	6253	55.79		
2006-2007	5,60,777	9,56,186	27,618	29,771	26.97	8,55,456	19,45,287	24,790	7812	57.77		
2007-2008	9,86,010	15,78,855	29,771	20,342	30.72	14,98,469	35,51,038	30,280	4,148	73.09		
2008-2009	7,39,600	11,00,074	20,342	4,527	35.64	14,26,355	27,52,023	20,161	11,325	95.02		
2009-2010	11,36,513	13,78,809	22,768	5,651	22.36	22,15,530	41,38,023	24,608	16,959	68.86		
2010-2011	9,90,777	11,05,027	20,910	4,333	16.15	18,24,515	35,77,410	23,070	14,029	53.37		
2011-2012	6,54,137	6,67,498	16,925	2681	10.74	16,16,978	28,10,893	19,551	11,289			

Table 2: Trading volume at cash segment at NSE and BSE
Source: NSE and BSE

MARKET CAPITALISATION AND TURNOVER STATISTICS

NATIONAL STOCK EXCHANGE (NSE):

The total market capitalization of securities available for trading on the CM segment of BSE was 612,224 Crores in the year 2001-2002, in the same year the total market capitalization of NSE was 636,861 Crores. The Market capitalization witnessed an increase of 4.9 % from the previous year in BSE. , The Market capitalization witnessed an increase of 110% in NSE. The market capitalization of NSE was 28,96,194 ,there was a drop of more than 40% from the previous year 2007-2008 when the market capitalization at NSE was 48,58,122 . By 2010-2011 the total market capitalization of BSE was 68,39,084 and the market capitalization of NSE. Was 67,02,616 Crores. Both BSE and NSE recorded an increase of 11% and 11.5% at BSE and NSE. In the year 2011-2012 the total market capitalization of securities available for trading on the CM segment of BSE was 62,14,941 Crores and NSE was 60,96,518 Crores ,the Market capitalization of NSE witnessed a fall of more than 9 % from the previous year 2010-2011. The total market capitalization of BSE was 60,96,518 in the year 2011-2012.

BOMBAY STOCK EXCHANGE (BSE):

The total market turnover of BSE was 10,00,032 Crores and 13,39,510 Crores at NSE in 2000-2001. the following year the turnover decreased to 3,07,292 Crores at BSE which witnessed a fall of more than 69 % and the turnover of NSE was 5,13,167 which dropped by more than 62%. By 2010-2011 the turnover at BSE

was 11,05,027 Crores which showed a decrease of more than 20 % from the previous year 2009-2010 when the total turnover was 13,78,809 Crores. In 2011-2012 the turnover at NSE was 35,77,410 Crores which showed a drop of 13% from the previous year 2009-2010 when the total turnover was 41,29,214 Crores. The total turnover in the year 2011-2012 was 6,67,498 Crores at BSE and 28,10,893 Crores at NSE. See Table -3

TRENDS IN THE DEPOSITORY ACCOUNTS

The total numbers of investor accounts were 101.4 lakh at NSDL and 60.3 lakh at CDSL at the end of September 2009, the number of participants were 283 at NSDL and 483 at CDSL. The number of stock exchanges connected was 18 in CDSL and 8 at NSDL. By the following month November 2009 the number of investor's accounts increased to 62.3 lakh at CDSL and 102.6 at NSDL at the number of depository participants increased to 490 at CDSL and 285 at NSDL. By March 2010 the total numbers of investor accounts were 105.9 lakh at NSDL and 65.9 lakh at CDSL at the end of December 2010, the number of participants were 289 at NSDL and 539 at CDSL.

The number of stock exchanges connected was 18 in CDSL and 8 at NSDL, the number of investor's accounts increased to 539 lakh at CDSL and at NSDL it was around 289. By the end of December 2011 the number of investor's accounts increased to 178.4 lakh at CDSL and 118.5 at NSDL at the number of depository participants increased to 566 at CDSL and 282 at NSDL.

THE BASIC INDICATORS IN CASH MARKET

Year	Market Capitalisation (` crore)			Turnover (` crore)				
	BSE	Percentage of growth %	NSE	Percentage of growth %	BSE	Percentage of growth %	NSE	Percentage of growth %
2000-2001	5,71,553	--	657847	--	10,00,032	---	13,39,510	--
2001-2002	6,12,224	7	636861	-3.19	3,07,292	-69.27	5,13,167	-62
2002-2003	5,72,197	-7	537133	-15.65	3,14,073	2.20	6,17,988	20
2003-2004	12,01,206	110	1120976	108.69	5,03,053	60.17	10,99,535	78
2004-2005	16,98,428	41	15,85,585	41.44	5,18,715	3.11	11,40,071	4
2005-2006	30,22,189	78	28,13,201	77.42	8,16,074	57.32	15,69,556	38
2006-2007	35,45,041	17	33,67,350	19.69	9,56,186	17.16	19,45,285	24
2007-2008	51,38,041	45	48,58,122	44.27	15,78,855	65.12	35,51,038	83
2008-2009	30,86,075	-40	28,96,194	-40.38	11,00,074	-30.32	27,52,023	-23
2009-2010	61,65,619	100	60,09,173	107.48	13,78,809	25.33	41,29,214	50
2010-2011	68,39,084	11	67,02,616	11.53	11,05,027	-19.85	35,77,410	-13
2011-2012\$	62,14,941	-9	60,96,518	-9.04	6,67,498	-39.59	28,10,893	-21

Table 3: Market Capitalisation and Turnover at Capital Market Segment at NSE and BSE

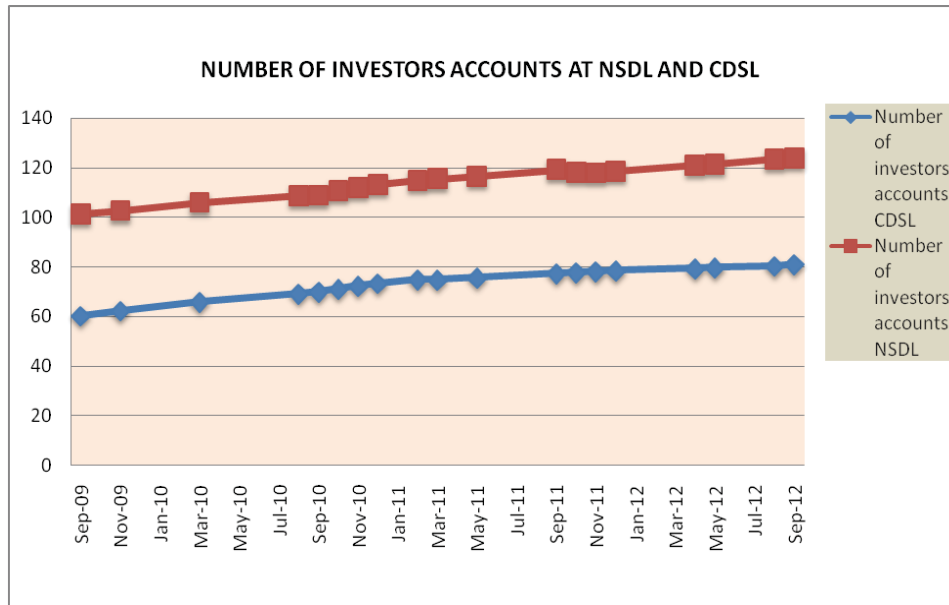
Source: NSE and BSE

The total number of investor accounts was 119.1 lakh at NSDL and 78.6 lakh at CDSL at the end of January 2012. The number of investor accounts in January 2012 increased by 0.5 percent at NSDL and 0.2 percent at CDSL over the previous month. The total number of investor accounts was 121.4 lakh at NSDL and 79.6 lakh at CDSL at the end of May 2012. By September 2012 the number of investor's

accounts increased to 81.0 lakhs at CDSL and 123.8 at NSDL, The numbers of depository participants were 283 in NSDL and 568 at CDSL as on September 2012. The following is the table depicting the number of investors accounts, depository participants, number of stock exchanges connected and number of companies signed in for de-materialization process at CDSL and NSDL as shown in Table -4

Date	Number of companies		Number of investors accounts		Number of participants		Number of stock exchanges connected	
	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL	CDSL	NSDL
Sep 2009	6351	7871	60.3	101.4	483	283	17	8
Nov 2009	6421	7919	62.3	102.6	490	285	18	8
March 2010	5979	5053	65.9	105.9	495	286	18	8
Aug 2010	7117	8451	69.2	108.7	516	286	18	8
Sep 2010	7207	8514	69.9	108.8	519	288	18	8
Oct 2010	7292	8570	71.1	110.7	525	290	18	8
Nov 2010	7363	8361	72.3	111.9	531	290	18	8
Dec2010	7501	5158	73.4	113.2	539	289	18	8
Feb 2011	6610	5176	74.9	114.8	540	293	18	8
March2011	6786	5195	74.8	115.4	544	293	18	8
May2011	7033	5222	75.6	116.5	550	293	18	8
Sep2011	5353	5270	77.4	119.1	556	297	18	8
Oct2011	7474	5286	77.7	118.0	559	298	18	8
Nov2011	7541	5299	78.1	117.8	561	284	18	8
Dec2011	7582	5313	78.4	118.5	566	282	18	8
April2012	7801	5378	79.3	120.9	568	283	18	8
May2012	7907	5400	79.6	121.4	569	282	18	8
Aug2012	5508	5436	80.3	123.2	570	284	18	8
Sep2012\$	5511	5443	81.0	123.8	568	283	18	8

Table 4: Number of Investors Accounts at NSDL and CDSL
Source: NSE fact book



Graph 2: Growth in the number of investors in NSDL and CDSL

TECHNOLOGY AND APPLICATION SYSTEMS IN NSE

In recognition of the fact that technology will continue to redefine the shape of the securities industry, NSE stresses on innovation and sustained investment in technology to remain ahead of competition. The NSE is the first exchange in the world to use satellite communication technology for trading. It uses satellite communication technology to energize participation from about 2,100+ VSATs from nearly 174 cities spread across the country. NSE’s trading system, called the National Exchange for Automated Trading (NEAT), is a state-of-the-art client-server based application. BSE’s On Line Trading System was launched on March 14, 1995. NSE’s Internet Based Information System (NIBIS) has also been put in place for online real-time dissemination of trading information over the Internet.

ON-LINE TRADING IN INDIA:

Today increasingly, investors are attracted to the allure of online investing rather than to rely solely on their stockbrokers for advice and information. Having taken advantage of information technology at an opportune time trading on capital market segment has been witnessing a substantial growth over the years, With the increase in volumes, efficient and transparent trading platform, offering a wide range of securities .The rapid growth in on-line trading volumes can be attributed to the growing sophistication of retail investors, availability of reliable internet connectivity and the sophistication of the internet trading products.

Year	Enabled members	Registered clients	Internet Trading Volume (Rs. Crores)	Internet Trading Volume (US \$ millions)	% of Total trading volume
2000-2001	61	1,23,578	7,287.81	1,562.57	0.54
2001-2002	82	2,31,899	8138.81	1,667.79	1.59
2002-2003	80	3,46,420	15,360.76	3,233.84	2.48
2003-2004	70	4,63,560	37,945.08	8,745.12	3.45
2004-2005	78	8,49,696	81,033.81	18,522.01	7.11
2005-2006	142	14,43,291	1,83,428.25	41,118.25	11.68
2006-2007	242	22,79,098	3,37,524	77,432	17.35
2007-2008	305	44,05,134	6,68,399	1,67,225	18.82
2008-2009	349	56,27,789	6,92,789	1,35,974	25.17
2009-2010	363	51,43,705	9,21,380	2,04,116	11.13
2010-2011	387	56,40,513	7,65,271	1,71,393	10.7
2011-2012\$	428	61,48,447	5,97,430	116.78	10.63

Table 5: Growth of Internet Trading

Source: NSE-Fact Book 2012

In 2000 61 members who were permitted to provide internet based trading, the members of the exchange in turn had registered 123,578 lakh clients for web based access as on March 31, 2000- 2001. In 2011-2012 428 members registered 61, 48,447 clients for web based trading. In 2000 the internet trading volume in the capital market segment was around 7,288 lakh constituting around 0.54% of the total trading volume. In 2001 the volume increased to 8138.81lakh and in 2003 the trading volume was around 15,360.76 lakh and by March 31, 2005 about 499 lakh trades for Rs. 81,034 Crores, constituting 7.11% of total trading volume, were routed and executed through internet. And in 2011 - 2012, a total of 597,430 crore constituting 10.63 % of the trading value was routed and executed through the internet. Online trading increased trade volumes and number of investors trading in stock markets. Table 5 shows the growth of internet trading from the years 2000 to 2012.

SECONDARY MARKET –OVER ALL GROWTH

The exchanges in the country offer screen-based trading system. The market

capitalization has grown over the period, indicating that more companies are using the trading platform of the stock exchange. The market capitalization across India was around ` 68,430,493 million (US \$ 1,532,598 million) at the end of March 2011. Market capitalization ratio is defined as the market capitalization of stocks divided by the GDP. It is used as a measure that denotes the importance of equity markets relative to the GDP. It is of economic significance since the market is positively correlated with the ability to mobilize capital and diversify risk. The all-India market capitalization ratio decreased to 86.89 percent in 2010–2011 from 94.2 percent in 2009–2010.

The trading volumes on the stock exchanges have been witnessing phenomenal growth over the past few years. The trading volumes had picked up from 2002–2003 onwards. It stood at ` 9,689,098 million (US \$ 203,981 million) in 2002–2003, and witnessed a year-on-year increase of 67.29 percent in 2003–2004, standing at ` 16,209,326 million (US \$ 373,573 million). The table- 6 depicts the overall growth and turnover in the capital market segment of NSE and BSE.

OVER ALL GROWTH AND TURNOVER OF SECONDARY MARKET—SELECTED INDICATORS

Year	Nifty	Sensex	Market Capitalisation in millions (Rs)	Market Capitalisation (US \$ mn)	Market Capitalisation Ratio (%)	Turnover in millions (Rs)	Turnover (US \$ mn)	Turn over Ratio (%)
2000-2001	1148.20	3604.38	7,688,630	164,851	54.50	28,809,900	617,708	374.71
2001-2002	1129.55	3469.35	7,492,480	153,534	36.36	8,958,180	183,569	119.56
2002-2003	978.20	3048.72	6,319,212	133,036	28.49	9,689,098	203,981	153.33
2003-2004	1771.90	5590.60	13,187,953	303,940	52.25	16,209,326	373,573	122.91
2004-2005	2035.65	6492.82	16,984,280	388,212	54.41	16,668,960	381,005	98.14
2005-2006	3402.55	11280.00	30,221,900	677,469	85.58	23,901,030	535,777	79.09
2006-2007	3821.55	13,072.10	35,488,081	814,134	86.02	29,014,715	665,628	81.76
2007-2008	4734.50	15644.44	51,497,010	1,288,392	109.3	51,308,160	1,283,667	99.63
2008-2009	3020.95	9708.50	30,929,738	607,061	55.40	38,520,970	756,054	124.54
2009-2010	5249.10	17527.80	61,704,205	1,366,952	94.20	55,168,330	1,222,161	89.41
2010-2011	5833.80	19445.20	68,430,493	1,532,598	86.89	46,824,370	1,048,698	68.43

Table 6: Over Growth and Turnover of Secondary Market

Source: NSE and BSE

CONCLUSION

In secondary markets, the Capital Market Segment of NSE and BSE have been continuously growing over the past few years. The share of turnover of NSE/ is the largest as compared to other stock exchanges. Although a number of listed companies on NSE are much less as compared to the BSE, the NSE has surpassed all records set by the BSE (a 125 year old exchange) in terms of average daily turnover. This is because the NSE has a completely mechanized trading system which includes VSATs connections, separate clearing and settlement system. The secondary markets' behaviour has a powerful influence on the course of economic activity. The role of secondary market in Indian financial system is getting transformed from being peripheral to becoming central. The economic growth of any country requires rising levels of investment. India, with its vast investor base, strong capital market tradition and vibrant industry can optimally utilize the stock markets to raise resources cheaply and provide an impetus for economic growth. But this is possible only through by building investors confidence who contribute to the stock markets' growth. With an increase in the number of investors, (traditional and online) and trading volume, the secondary market is bound to face see phenomenally changes in the future.

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