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“A Comparative Study on NSE & BSE”

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Abstract: As a part of MBA circular and in order to gain in-depth knowledge in field of Finance, it was essential to make a report on Comprehensive Project “A COMPARATIVE STUDY on BSE and NSE”. The basic objectives of preparing the report is to get knowledge about various tools of financial management. The importance of any academic courses would gain advantage and the acceptance of the true form, only through practical experiences. Hence it is quite necessary put theories as into task. This is made possible with the summer training at any of the companies under the expert guidance of a competent person.

Introduction

If you’re looking to become an investor, you may be aware of stock markets, and stock exchanges, however, you may want to know what are NSE and BSE? To understand that let first understand a Stock, a stock or a share, can be considered as one part of the total parts of a company - so if you own some stocks of a company, you’re a part owner. A share, therefore, has some value, and so a company raises money by issuing shares to the public.

The NSE or National Stock Exchange is the leading stock exchange of India. It is the fourth largest in the world (based on equity trading volume). Based in Mumbai and established in 1992, it was the first stock exchange in India to offer a screen-based system for trading.

The NSE was initially set up with an aim to usher in transparency to the Indian market system, and it has ended up delivering on its aim quite well. With the help of the government, the NSE successfully offers services such as trading, clearing as well as the settlement in debt and equities comprising domestic and international investors. The BSE or the Bombay Stock Exchange is a lot older than its cousin. It was Asia’s first stock exchange. With a trading speed of 6 microseconds, the BSE is the fastest stock exchange in the world.

About NSE

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualization of stock exchange governance, screen based trading, compression of settlement cycles, dematerialization and electronic transfer of securities, securities lending and borrowing, professionalization of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology.

Corporate Structure

NSE is one of the first de-mutualized stock exchanges in the country, where the ownership and management of the Exchange is completely divorced from the right to trade on it. Though the impetus for its establishment came from policy makers in the country, it has been set up as a public limited company, owned by the leading institutional investors in the country.

From day one, NSE has adopted the form of a demutualized exchange - the ownership, management and trading is in the hands of three different sets of people. NSE is owned by a set of leading financial institutions, banks, insurance companies and other financial intermediaries and is managed by professionals, who do not directly or indirectly trade on the Exchange. This has completely eliminated any conflict of interest and helped NSE in aggressively pursuing policies and practices within a public interest framework.

The NSE model however, does not preclude, but in fact accommodates involvement, support and contribution of trading members in a variety of ways. Its Board comprises of senior executives from promoter institutions, eminent professionals in the fields of law, economics, accountancy, finance, taxation, etc, public representatives, nominees of SEBI and one full time executive of the Exchange.

While the Board deals with broad policy issues, decisions relating to market operations are delegated by the Board to various committees constituted by it. Such committees include representatives from trading members, professionals, the public and the management. The day-to-day management of the Exchange is delegated to the Managing Director who is supported by a team of professional staff.

Listing

Listing means admission of securities of an issuer to trading privileges on a stock exchange through a formal agreement. The prime objective of admission to dealings on the Exchange is to provide liquidity and marketability to securities, as also to provide a mechanism for effective management of trading.

Listing on NSE provides qualifying companies with the broadest access to investors, the greatest market depth and liquidity, cost-effective access to capital, the highest visibility, the fairest pricing, and investor benefits. NSE trading terminals are now situated in various cities and towns across the length and breadth of India.

Securities listed on the Exchange are required to fulfill the eligibility criteria for listing. Various types of securities of a company are traded under a unique symbol and different series.

NSE plays an important role in helping Indian companies access equity capital, by providing a liquid and well-regulated market. NSE has about 800 companies listed representing the length, breadth and diversity of the Indian economy which includes from hi-tech to heavy industry, software, refinery, public sector units, infrastructure, and financial services. Listing on NSE raises a company's profile among investors in India and abroad. Trade data is distributed worldwide through various news-vending agencies.

More importantly, each and every NSE listed company is required to satisfy stringent financial, public distribution and management requirements. High listing standards foster investor confidence and also bring credibility into the markets.

NSE lists securities in its Capital Market (Equities) segment and its Wholesale Debt Market segment.

Listing Procedure

An Issuer has to take various steps prior to making an application for listing its securities on the NSE. These steps are essential to ensure the compliance of certain requirements by the Issuer before listing its securities on the NSE. The various steps to be taken include:

- Initial Discussions
- Approval of Memorandum and Articles of Association
- Approval of draft prospectus
- Submission of Application.

About NSE

Bombay Stock Exchange Limited is the oldest stock exchange in Asia with a rich heritage. Popularly known as "BSE", it was established as "The Native Share & Stock Brokers Association" in 1875. It is the first stock exchange in the country to obtain permanent recognition in 1956 from the Government of India under the Securities Contracts (Regulation) Act, 1956. The Exchange's pivotal and pre-eminent role in the development of the Indian capital market is widely recognized and its index, SENSEX, is tracked worldwide. Earlier an Association of Persons (AOP), the Exchange is now a demutualized and corporatized entity incorporated under the provisions of the Companies Act, 1956, pursuant to the BSE(Corporatization and Demutualization) Scheme, 2005 notified by the Securities and Exchange Board of India (SEBI).

With demutualization, the trading rights and ownership rights have been de-linked effectively addressing concerns regarding perceived and real conflicts of interest. The Exchange is professionally managed under the overall direction of the Board of Directors. The Board comprises eminent professionals, representatives of Trading Members and the Managing Director of the Exchange. The Board is inclusive and is designed to benefit from the participation of market intermediaries.

In terms of organization structure, the Board formulates larger policy issues and exercises over-all control. The committees constituted by the Board are broad-based. The day-to-day operations of the Exchange are managed by the Managing Director and a management team of professionals.

The Exchange has a nation-wide reach with a presence in 417 cities and towns of India. The systems and processes of the Exchange are designed to safeguard market integrity and enhance transparency in operations. During the year 2004-2005, the trading volumes on the Exchange showed robust growth.

The Exchange provides an efficient and transparent market for trading in equity, debt instruments and derivatives. The BSE's Online Trading System (BOLT) is a proprietary system of the Exchange and is BS 7799-2-2002 certified. The surveillance and clearing & settlement functions of the Exchange are ISO 9001:2000 certified.

Listing of Securities

Listing means admission of the securities to dealings on a recognized stock exchange. The securities may be of any public limited company, Central or State Government, quasi-governmental and other financial institutions/corporations, municipalities, etc.

The Exchange has a separate Listing Department to grant approval for listing of securities of companies in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, Companies Act, 1956, Guidelines issued by SEBI and Rules, Bye-laws and Regulations of the Exchange.

A company intending to have its securities listed on the Exchange has to comply with the listing requirements prescribed by the Exchange.

Comparison of listing fees

| Annual Listing Fees Companies with paid up share and/or debenture capital: | | | |
|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------|--------|
| Up to Rs. 5 crores | 10,000 | Of Rs.1 crore | 4,200 |
| | | Above Rs.1 crore and up to Rs.5 crores | 8,400 |
| Above Rs. 5 crores and up to Rs. 10 crores | 15,000 | Above Rs.5 crores and up to Rs.10 crores | 14,000 |
| Above Rs. 10 crores and up to Rs. 20 crores | 30,000 | Above Rs.10 crores and up to Rs.20 crores | 28,000 |
| Above 20 crores | Additional fee of Rs. 750/- for every increase of Rs. 1 crores or part thereof. | Above Rs.20 crores and up to Rs.50 crores | 42,000 |
| | | Above Rs.50 crores | 70,000 |

IMPORTANCE OF NSE

Visibility : The trading system provides unparallel level of trade and post – trade information. The best 5 buy and sell order are displayed on the trading system and the total number of securities available for buying and selling is also displayed.

Transaction speed : The speed at which the processes orders, result in liquidity and best available prices the highest number of trade in a day of 1,12,60,392 was recorded on may19th ,2009.

IMPORTANCE OF BSE

Legal supervision : Investors can scheme through companies if they choose to invest in organization listed with BSE.

Timely information display : Adequate information about total revenue generation and re investment pattern have to be published annually by all companies listed under the BSE.

OBJECTIVES

- The basic objective behind the study is to understand the relationship between two major stock exchange of india.
- It also serves the purpose to help the investor to understand the functioning of NSE & BSE.
- To make Comparative analysis of financial performance of BSE & NSE.
- To make Comparative analysis of profitability of these two stock exchange.

RESEARCH METHODOLOGY

The methodology used for the implementation of the assigned project is based on secondary data and with the help of custom type pie explosion chart.

Research design for the descriptive study is of exploratory type and the forms is given to discover the possible measure by detailed analysis this report also based on descriptive research because it provide the detailed knowledge about the BSE and NSE and its listing procedure.

Secondary data is to be used in the research, have been collected from various magazines, newspaper, web sites and other source.

Research design: descriptive type and analytical type.

Data collection method : secondary data collect method.

LITERATURE REVIEW

- Ekta Arora (2012) tried to examine the performance of NSE and BSE in India and suggestions to improve their performance. The objective of the study was to compare the services being provided by depositories, to analyze the financial performance of NSE and BSE, to offer suggestions for improving performance of NSE and BSE in India. The data was collected from the website of NSE and India Infoline. Data for the study was collected from secondary sources like newspapers, books, journals etc. Sample was selected through convenient sampling method. Simple size was 100 companies from NSE indices and S&P CNX Nifty index was selected.
- Dr. Girbal Singh Lodhi and Dr. Kaustubh Jain conducted a comparative study of Bombay Stock Exchange and National Stock Exchange during 2001-2013. The research methodology of the selected topic follows in these dimensions: articles, reports and surveys published on Capital Markets, BSE and NSE etc. The broader objectives of the study are: To make comparative analysis of financial performances of Bombay Stock Exchange and National Stock Exchange over the period of time, To make comparative analysis of profitability of Bombay Stock Exchange and National Stock Exchange over the period of time.
- Bansi Rajikant Shah (2012) [3] conducted a research to compare these two most prominent stock exchanges of India that which one beats the other. The major objective of the study was to make comparative analysis of financial performances of Bombay Stock Exchange and National Stock Exchange over the period of time & to make comparative analysis of profitability of Bombay Stock Exchange and National Stock Exchange over the period of time. The study was done in empirical nature. As the statistical tools have been used to analyze the financial data it was also a quantitative study. In this study all the Indian stock exchanges were the census. This study was based on secondary data, referred the books, newspapers, journals, articles, reports and surveys published on capital markets. In this study it was concluded that the financial position of BSE and NSE from 2000-'01 to 2009-'10 was quite satisfactory.
- Nitin Sethi & Sonia Gupta conducted the study with the objective of to measure the nature of correlation of Nifty and Sensex. This research paper was an attempt to consider the moving trend of Nifty and Sensex are correlated or not. The research design of the paper was causal in nature. Data was collected from different journals, magazines, and internet sites. Though the number of study conducted in the area was limited. The nature of data collection was secondary in nature. Data was analyzed through Karl Pearson's Correlation Coefficient Method. In order to find out the correlation of Nifty and Sensex, data collected was summarize averagely. Data collected was monitored on daily basis for twenty-four months. Nifty and Sensex were taken into consideration and their day-to-day data was collected and averaged for twenty-four months. The data analysis proves that there was positive correlation between Nifty & Sensex. In the data analysis, the result found that both Nifty and Sensex are moving on same direction either on bullish trend or in bearish trend. It shows that there was positive relation between Nifty and Sensex movement.
- Dr. K. Kanaka Raju conducted the study with the objective to test whether there was any significant difference from ratio of market capitalization to GDP of BSE to NSE, turnover ratio of BSE to turnover ratio of NSE, traded value ratio of BSE to traded value ratio of NSE and also know the relationship between market capitalization to GDP of BSE to NSE, turnover ratio of BSE to turnover ratio of NSE, traded value ratio of BSE to traded value ratio of NSE, along with a suitable suggestions to strengthen Indian security market system. The data collected from the secondary sources of SEBI Hand Book of 2015 and the period of study confined to the 2010-11 to 2014-15.

RESULTS AND DISCUSSION

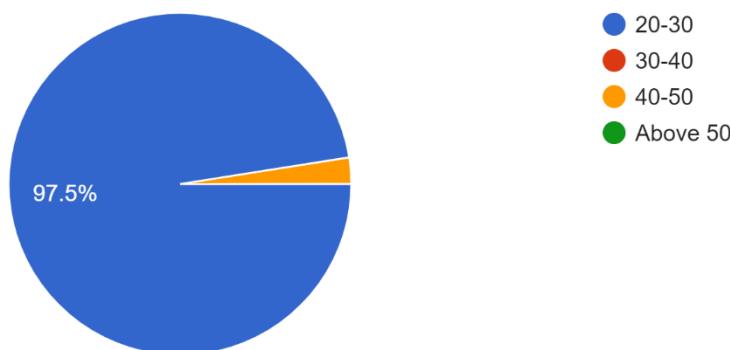
Table: 1

| Gender | Percentage |
|--------|------------|
| Male | 70 |
| Female | 30 |
| Total | 100 |

Interpretation: From the total respondents 70% are male and 30% are female.

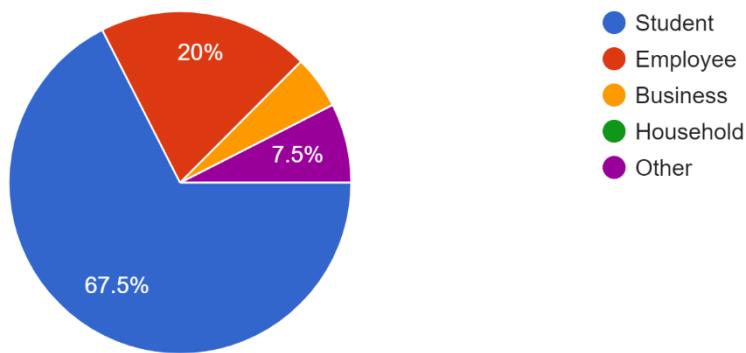
Age

40 responses



Occupation

40 responses

**Table: 2**

| Investors | Percentage |
|-----------|------------|
| Yes | 67.5 |
| No | 32.5 |

Interpretation: Out of all responses 67.5 are investors.

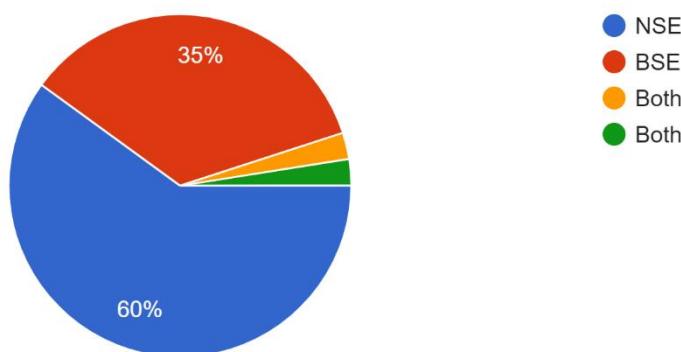
Table: 3

| Type of Investor | Percentage |
|------------------|------------|
| Long term | 40 |
| Short term | 45 |
| Both | 15 |

Interpretation: Out of all responses there are 40% of Long term investors, 45% of Short term investors and 15% are investing in both i.e. Long term and short term.

Which Stock Exchange do you prefer ?

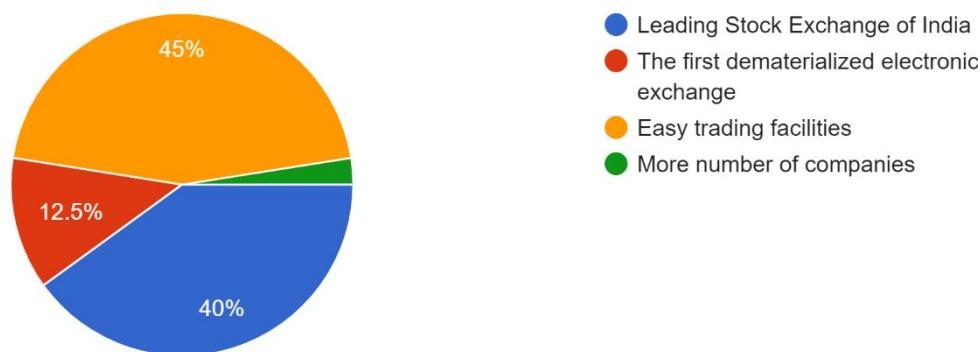
40 responses



Interpretation: Out of all responses 60% prefers NSE, 35% prefers BSE and 5% prefers both stock exchanges.

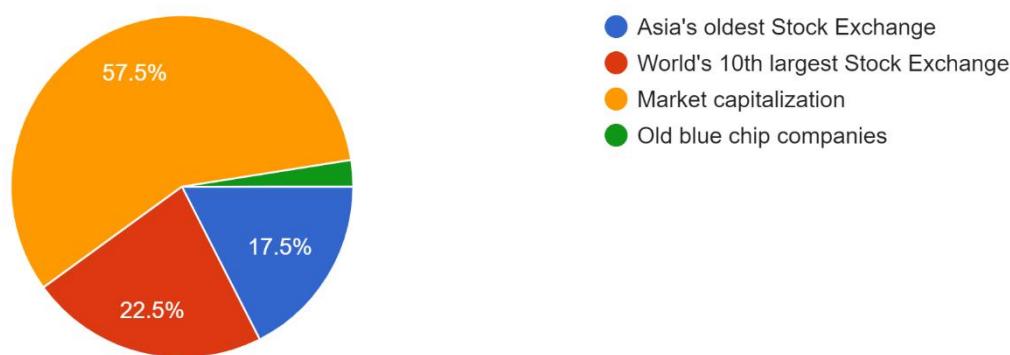
If NSE, then which is the reason ?

40 responses



If BSE, then which is the reason ?

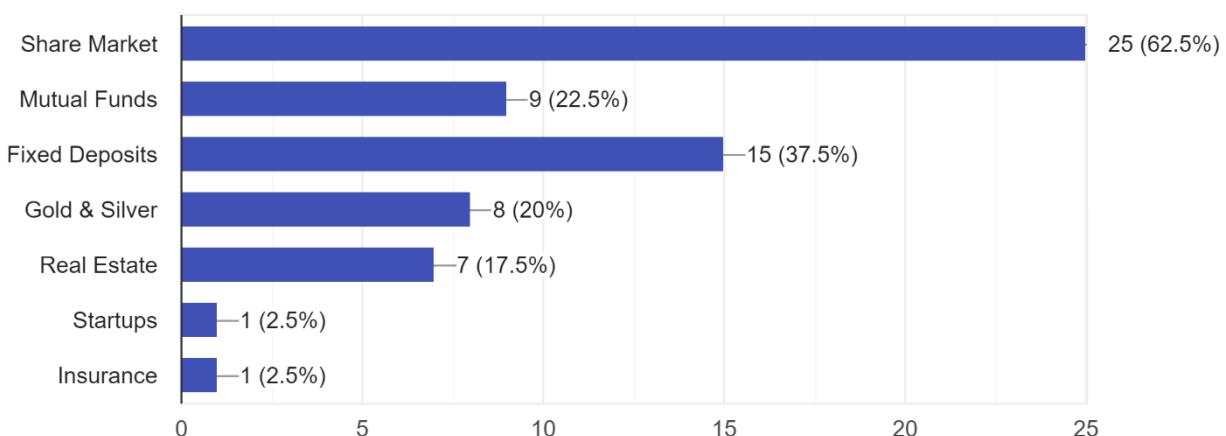
40 responses



Interpretation: Out of all responses 57.5% respondents choose BSE because of its market capitalization.

In which segment do you invest your money ?

40 responses



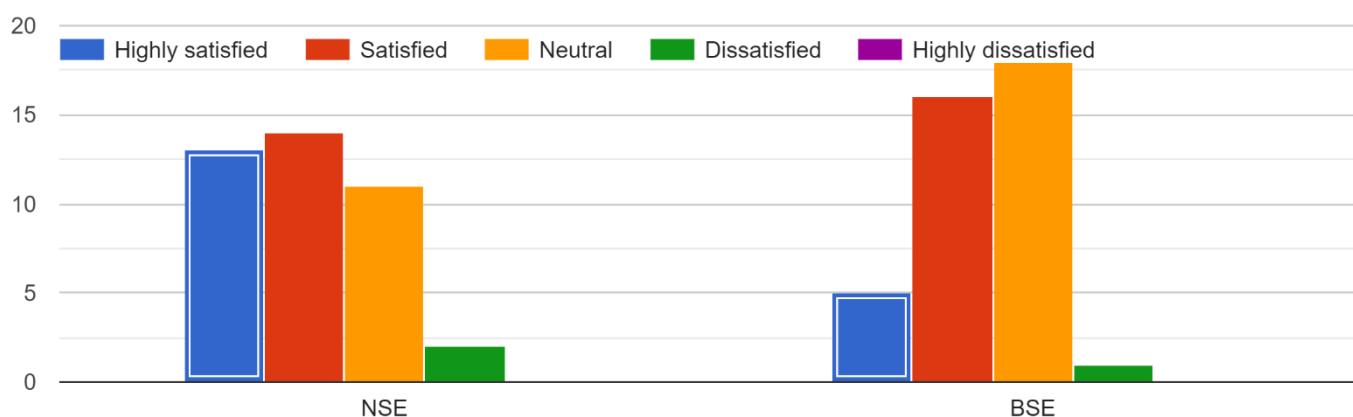
Interpretation: Above chart shows that 62.5% respondents invest their money in share market.

Table: 4

| Investment strategy | Percentage |
|---------------------|------------|
| Return | 50 |
| Risk | 22.5 |
| Amount | 10 |
| Time period | 15 |
| Value investing | 2.5 |

Interpretation: Out of all responses 50% investment strategy is based on Return, 22.5% is based on Risk, 15% is based on Time period, 10% is on Amount and 2.5% is based on Value investing.

How much do you satisfied after investing money in Stock Market ?



Acknowledgement

Behind any major work undertaken by an individual there lies contribution of the people who helped in cross all the hurdles to achieve his goal. It gives me immense pleasure to express my sense of sincere gratitude towards my respected guide Dr. Aashka Thakkar. Professor of his persistent give me invaluable cooperation and guidance. She is the source of encouragement and momentum that any intricacy becomes simple. I gained a lot of invaluable guidance and prompt suggestions from his during my entire span of report preparation and online course.

Findings

- There are capital require (paid up) must be minimum 10 crore for listing in NSE or BSE for a particular company.
- Initial listing fees for a particular company in national stock exchange are much lower then on Bombay stock exchange.
- Market capitalization of the Bombay stock exchange is more then national stock exchange.
- The daily turnover of national stock exchange is more then Bombay stock exchange on daily basis.

Preface

As a part of MBA circular and in order to gain in-depth knowledge in field of Finance, it was essential to make a report on Comprehensive Project “A COMPARATIVE STUDY on BSE and NSE”. The basic objectives of preparing the report is to get knowledge about various tools of financial management.

“Learning Categories You, and practicing on that learning specialize you.”

The importance of any academic courses would gain advantage and the acceptance of the true form, only through practical experiences. Hence it is quite necessary put theories as into task. This is made possible with the summer training at any of the companies under the expert guidance of a competent person.

The students are required to submit a report on the work done and knowledge gained this period. The report is evaluated and marks awarded as per the contents in this report.

Conclusion

On the basis of above stated study it has been asserted that with respect to technology, listing fees, listing procedure, eligibility criteria of listing & listing requirements the National Stock Exchange has the edge. Despite the fact that Bombay Stock Exchange is older & has high level of trading volume. However, Many market Players, Brokers, sub-brokers, trading firms etc. deal through the Bombay Stock Exchange.

Limitations

- Lack of professionalism
- Poor liquidity
- Domination by big operator
- Less floating stocks
- Speculating trading

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