

Effect of Share Market in Indian Economy A Crytical Analysis



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Introduction:

Indian economy is the third largest economy in the world in terms of purchasing power. It is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy. This booming economy of today has to pass through many phases before it can achieve the current milestone of 9% GDP.

Economic history of India since Indus Valley Civilization to 1700 AD can be said under pre-colonial phase. During Indus Valley Civilization the economy was very well developed. It had very good trade relations with other parts of world, which is evident from the coins of various civilizations found at the site of Indus valley. Then came the phase of Colonization. The arrival of East India Company in India ruined the economy of India. There was a two-way depletion of resources. British used to buy raw materials from India at cheaper rates and finished goods were sold at higher than normal price in Indian markets. During this phase India's share of world income declined from 22.3% in 1700AD to 3.8% in 1952.

Economy of India after independence:

After India got independence from this colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. First five year plan for the development of the economy came into implementation in 1952. These Five Year Plans, started by Indian government, focused on the needs of the economy. Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps which also include share market, which helped the economy to gain momentum. The Economic Liberalization introduced by Shri Man Mohan Singh (Presently Hon'le Prime Minister of India) in 1991, then Finance Minister in the government of P V Narsimha Rao, proved to be the stepping-stone for Indian economic reform movements. To maintain its current status and to achieve the target GDP of 10% for financial year 2006-07, the economy of India has to overcome many challenges.

A Stock Analysis:

Technical analysis is the method of predicting the stock price based on different factors. Stock analysts take note of the past market, price of the stock and volume of the traded stocks to do the stock analysis and thereby forecast the price of the stock. In practice technical analysis is done on the basis of the different models and trading patterns.

Analysts take note of various indicators such as relative strength index, regressions, moving averages, cycles regressions, inter-market and intra-market price correlations to prepare charts that actually show the pattern of the price movement for a particular stock. On the basis of the chart and indentifying the price pattern stock analysts predict the future movement of the stock. These financial indicators are actually mathematical transformation of the stock price and trading volume. Apart from these indicators some analysts also consider the market psyche while predicting the stock prices. There are different models and theories in practice for stock analysis.

Candle Stick Charting:

The method of candlestick charts was first developed by Homma Munehisa in the 18th century. The candlestick chart is basically a bar style chart that can be used to project and predict the price movement of the stock. The candlestick chart is basically the combination of the line chart and the bar chart and gives an overview of the opening price, closing price, high and low price in a day for over a period of time. This method of charting and technical analysis is very popular among the investors and analysts because of the easy readability of the chart.

Dow Theory:

Dow Theory was first developed by Charles H. Dow, who was the first editor of the Wall Street Journal and co-founder of Dow Jones and Company. The theory is based on six basic tenets. * There are three types of movements in the market.* Market trends typically have three phases.* Stock market discounts all news* The market average must always confirm each other * Market trends needs to be confirmed by the volume of trading * Trends can only be said to be ended only when definitive signals prove that.

Elliott wave principle:

This theory was developed by Ralph Nelson Elliott in his book *The Wave Principle* (1938). According to this theory the psychology of the investors generally moves from optimism to pessimism and this swing creates the price pattern that is projected by the three-wave structures of increasing degree or size.

Apart from above technical methods there are lot many methods available to do stock analysis of Indian stock market and movement of stocks listed in NSE and BSE can be estimated based on those indicators Why should Invest In Share Market? Share market for many is gamble and they find the stock jargons to be alien. But the reality is something far from that. Stocks are also a viable investment option that can give the investors huge returns if the investment is done meticulously. There are so many factors that make the share market a chosen area of investment for millions of investors.

Stocks can give multiple returns on investment that no other asset class can match. If investors can invest wisely in the potentially strong stocks, investors are all set to gain hugely from your investment. There are so many options in stock market investment. investors can choose to do intraday trading or delivery trading and you can trade in cash segment or in derivative segment. investors also get a variety of choices in equity trading itself. investors can invest in growth stocks to gain rapidly, or investors can invest in dividend stocks for long term and enjoy the dividends that keep coming to you. In short share market investments have plenty of options that you can choose according to investors need and investors budget.

With the advent of online trading, investing in the stock market and trading in the stock market has become easier for the individual stock investors. They can buy or sell stocks by themselves with just a click of the mouse and that too sitting at the comfort of their home or office. In case of online stock trading, there is no broker involved and there is no paper work either. The brokerage in online trading is also lower in comparison to the conventional stock trading. In short online share trading has made the share market investment a profitable proposition for the individual investors. In this age of internet and media boom, informa-

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tion has become easy accessible. Anyone can get detailed information on any business quite easily through internet. Companies publish quarterly and annual reports that are very much helpful to judge the financial health and standing of the company.

There are so many institutions who offer analysis and tips on stock trading. Once investors get registered with one of them, they will send you detailed analysis reports and suggestions on buying and selling stocks that are very much helpful in making profitable investments. With the new regulations and monitoring authorities at place the operations at the stock exchanges have become transparent and easy to do.

Conclusion:

This booming Indian economy of today has to pass through many phases before it can achieve the current milestone. It is very important to overcome and to face the challenges in front of the economy of India in a more efficient and effective way to achieve productive, fruitful and desired results on a continuous basis. Here we are discussing some challenges before Indian economy.

Challenges before Indian economy:

Population explosion: This monster is eating up into the success of India. According to 2001 census of India, population of India in 2001 was 1,028,610,328, growing at a rate of 2.11% approx. Such a vast population puts lots of stress on economic infrastructure of the nation. Thus India has to control its burgeoning population.

Poverty: As per records of National Planning Commission, 36% of the Indian population was living Below Poverty Line in 1993-94. Though this figure has decreased in recent times but some major steps are needed to be taken to eliminate poverty from India.

Unemployment: The increasing population is pressing hard on economic resources as well as job opportunities.

Rural urban divide: It is said that India lies in villages, even today when there is lots of talk going about migration to cities, 70% of the Indian population still lives in villages. There is a very stark difference in pace of rural and urban growth. Unless there isn't a balanced development the economy cannot grow.

The above challenges is breaker of Indian economy, if we want to develop early we should be outcome from challenges.