3. India & Global Stock Market Surge - Economy

India's Nifty50 and Sensex indices have slipped about 1%, underperforming nearly every major global benchmark, while markets in South Korea, Japan, China, and the US have surged in recent months, rising between 2% and 21%. India's stock market is a core component of the country's financial system, enabling companies to raise long-term capital and allowing investors to participate in economic growth. It functions within a rules-based regulatory architecture led by SEBI and is dominated by two nationwide exchanges—BSE and NSE.

1) Institutional and Regulatory Architecture

SEBI- The Market Regulator

1. SEBI was constituted in 1988 as a non-statutory body and became a statutory regulator in 1992 under the SEBI Act, 1992.
2. Core mandate (as per the Act and SEBI's charter)
    1. Protect investors
    2. Promote development of securities market
    3. Regulate the securities market and intermediaries

Key Institutions That Support Market Integrity

1. Stock exchanges (BSE/NSE)- provide trading platform and market infrastructure
2. Clearing corporations- guarantee settlement, reduce counterparty risk
3. Depositories (demat system)- electronic holding/transfer of securities
4. Intermediaries- brokers, mutual funds, merchant bankers, registrars, etc., regulated by SEBI

2) Major Stock Exchanges

Bombay Stock Exchange (BSE) - Established in 1875; widely recognised as Asia's oldest stock exchange. Among the world's largest by number of listed companies (often cited at ~5,000+ listings). Sensex is the flagship benchmark index (30 large, liquid companies).

National Stock Exchange (NSE) - Incorporated in 1992, recognised by SEBI in 1993; began operations in 1994. Credited with scaling nationwide electronic trading and modern market microstructure. Nifty 50 is its headline benchmark index (50 large-cap companies).

Two Major Exchanges Matter - Together, BSE and NSE provide

1. high liquidity and continuous price discovery,
2. competitive market infrastructure,
3. broad access for issuers and investors.

3) "Do You Know"

1. Equity shares represent partial ownership in a company.
2. Shareholders typically have-
    1. economic rights (dividends, capital gains),
    2. residual claim on assets after liabilities (in liquidation),
    3. governance rights (voting, subject to share class and company law).

4) India's Market Performance and Structural Trends

A) Capital Mobilisation and Primary Market Depth - India's IPO ecosystem has expanded due to

1. strong domestic liquidity,
2. rising retail participation,
3. improved market infrastructure and disclosures.

(Your IPO numbers for FY2025–26 and "world-leading" claim are time-sensitive; treat them as "recent reports suggest…" unless you are quoting a specific source or official dataset.)

B) Market Capitalisation and "Mcap-to-GDP" Narrative

1. A rising market cap-to-GDP ratio is often interpreted as-
    1. deeper financialisation,
    2. increased investor participation,
    3. higher expected corporate profitability,
    4. but also, may indicate valuation stretch if earnings do not keep pace.

C) Broadening Investor Base - Growth drivers typically include

1. digitisation (online broking, UPI-linked flows),
2. SIP-led mutual fund participation,
3. improved financial awareness and distribution networks.

(Again, exact investor counts should be cited to a specific exchange/SEBI/AMFI dataset if used in an exam answer.)

D) Global Ranking and Scale - India is routinely discussed as one of the larger equity markets globally; however, precise rank and exact market-cap figure (e.g., ">$4T") can fluctuate with index levels and FX rates. Use careful wording in high-stakes writing.

5) Concerns and Issues

Foreign Portfolio Investor (FPI) Volatility - FPIs can rapidly reallocate due to

1. US interest rate expectations,
2. dollar strength,
3. global risk-off episodes,
4. geopolitical risk.

Implication- high FPI selling can pressure valuations and currency-sensitive sectors.

Valuation Premium vs Earnings Delivery - Indian markets often trade at a premium due to

1. higher structural growth narrative,
2. governance/regulatory credibility,
3. domestic liquidity.

Risk- if earnings growth underdelivers, premium compresses.

Limited Direct Exposure to Global AI-Hardware Cycle - Global AI rallies have been heavily powered by

1. semiconductors,
2. advanced hardware supply chains,
3. hyperscaler-linked ecosystems.

India's listed market is more tilted to

1. financials,
2. IT services,
3. energy,
4. consumer sectors—benefiting indirectly, not always directly.

Retail-Liquidity-Driven Volatility - Strong DII/retail flows can stabilise dips, but can also create

1. momentum-driven rallies,
2. froth in mid/small-caps if liquidity outruns fundamentals.

Sectoral Concentration Risk - Index performance can be narrow if leadership is confined to a few sectors or a few large stocks. Policy implication- need for broader manufacturing and innovation-linked listed ecosystem over time.

Governance and Disclosure Risks (Always Relevant)- Persistent concerns include

1. related-party transactions,
2. promoter governance,
3. insider trading,
4. audit quality—areas where SEBI enforcement and disclosure norms matter.

6) Key Regulatory and Market Reforms

Under SEBI and market infrastructure institutions, reforms generally aim at

1. faster and safer settlement cycles,
2. tighter disclosure standards,
3. stronger corporate governance,
4. easier capital raising with investor protection,
5. widening bond market participation (including digital access).

(Your "IPO listing timeline to T+3" is a specific operational detail that can change; use it only with a current citation in exam notes.)

7) Foreign Investment and Global Integration

Reasons India attracts global investors (framing)

1. macro stability narrative and growth differential,
2. improving ease of investing (digital KYC, market access),
3. regulatory credibility and market infrastructure,
4. expanding domestic savings channelled via MF/SIP.

8) Future Outlook

India's equity market prospects depend on

1. sustained earnings growth,
2. breadth of listed corporate base beyond a few sectors,
3. governance quality,
4. resilience to global liquidity cycles,
5. continued strengthening of market infrastructure and enforcement.

Source- https-//indianexpress.com/article/business/beyond-growth-what-india-needs-to-match-global-stock-market-surge-10481562/