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INDIAN CAPITAL MARKET: PROBLEMS AND REFORMS AFTER LIBERALIZATION

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ABSTRACT

A capital market is a network of financial institutions and facilities that interact to mobilize and allocate long term savings in an economy. The long-term funds are exchanged for financial assets issued by borrowers or traded by holders of outstanding eligible securities. A well-developed financial system is the backbone of any developed as well as fast developing economies. Capital market provides the financial backbone for business entities. Indian capital market has undergone tremendous changes after the establishment of Securities and Exchange Board of India (SEBI) in 1992. A number of measures are taken by SEBI, Ministry of Finance, RBI and other regulators to make Indian stock market a dependable platform for Foreign Institutional Investors (FIIs), Domestic Institutional Investors (DIs), High Net Worth Individuals (HNIs) and Retail Investors. Introduction of new products also helped in inviting potential investors (foreign as well as domestic) to Indian Capital Market. The paper discusses the Problems of capital market in India. The paper also focused on the Capital market reforms in India.

***KEYWORDS**: Liberalization, Economic Growth, Capital Market Issues, Reforms, Financial Instruments, SEBI.*

Introduction

The capital market plays a very important role in promoting economic growth through the mobilization of long-term savings and the savings get invested in the economy for productive purpose. The capital market in India is a well-integrated structure and its components include stock exchanges, developed banks investment trusts, insurance corporations and provident fund organization. It caters to the varied needs for capital of agriculture, industrial and trading sectors of the economy. There are two important operations carried on in these markets. The raising the new capital and Trading in the securities already issued by the companies. The capital market deals with capital. Capital Market is generally understood as a market for long term funds and investments in long term instruments available in this market. Capital markets mean the market for all the financial instruments, short term and long term as so commercial industrial and government paper.

The capital market is a market where borrowing and lending of long term funds takes place. Capital market deals in both, debt and equity. In these markets productive capital is raised and made available to the corporate. The governments both central and state raise money in the capital market through the issue of government securities. Capital market refers to all the institutes and mechanisms of raising medium and long-term funds, through various instruments available like shares, debentures, bonds etc.

With the pace of economic reforms followed in India, the importance of capital markets has grown in the last ten years. Corporate both in the private sector as well as in the public sector raise thousands of crores of rupees in these markets. The governments, through Reserve Bank of India, as well as financial institutes also raise a lot of

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