



0.5.54.1



**PRESENT POSITION  
OF  
THE STOCK MARKET IN INDIA**  
*( Reprinted from The Stock Exchange Official Directory )*

**THE STOCK EXCHANGE FOUNDATION  
BOMBAY  
1986**

0.5.54.1



## P R E F A C E

At present, there are fourteen Stock Exchanges recognised under the Securities Contracts (Regulation) Act, 1956. They are located at Bombay, Calcutta, Madras, Delhi, Ahmedabad, Hyderabad, Indore, Bangalore, Cochin, Pune, Kanpur, Ludhiana, Guwahati and Mangalore. A Stock Exchange has also been set up at Gangtok, Sikkim, early in 1986. No recognition has been sought for this body as the jurisdiction of the Securities Contracts (Regulation) Act, 1956 has not so far been extended to the areas covered by the State.

Stock Exchanges offer the most perfect type of market for gilt-edged and semi-gilt-edged securities issued by the Central and State Governments and other public bodies and also for shares and debentures issued by joint stock companies. In the stock market, purchases and sales of shares are made in conditions of free competition. The bargains that are struck by the members of the Stock Exchanges are at the fairest price determined by the basic laws of supply and demand.

In this context, it would be interesting to examine the present position of the recognised Stock Exchanges and how they have developed over the years. What is the nominal value of capital for which the Stock Exchanges provide a market place? How many companies are officially listed on these Exchanges? What is the growth pattern of listed stock and what is their market pattern? And who are the owners of the shares listed on the Stock Exchanges? The answers to these questions define the present position and scope of the recognised Stock Exchanges and determine their place and importance in the economic life of the country. An attempt is made to answer these questions in this booklet.

Bombay,

June 1986

### AN ORGANISED MARKET

1.1 The fourteen recognised Stock Exchanges at Bombay, Calcutta, Madras, Delhi, Ahmedabad, Hyderabad, Indore (M.P.), Bangalore, Cochin, Pune, Kanpur (U.P.), Ludhiana, Guwahati and Mangalore operating under the Rules, Bye-laws and Regulations duly approved by Government, constitute an organised market for securities issued by the Central and State Governments, public bodies and joint stock companies. They offer the most perfect type of market for two reasons. The stocks, shares, debentures and gilt-edged securities in which they deal involve little carrying cost and are imperishable and completely standardised. At the same time, there is active bidding, and in the case of shares and debentures two-way auction trading, so that purchases and sales are made in conditions of free competition. Bidders with purchase orders from all over the country compete with each other to buy the required stock at the lowest possible price; similarly, sellers compete with each other to sell at the highest possible price. The bargains that are struck by members of the Exchange are therefore at the fairest price determined by the basic laws of supply and demand. In consequence, though gilt-edged securities represent ownership of public debt and shares and debentures of joint stock companies represent interest in industrial property — mills and factories, plant, machinery and equipment — they become the most liquid of assets and capable of

being easily negotiated.

1.2 Savings of investors flow into public loans and joint stock enterprise because of this ready marketability and unequalled facility for transfer of ownership of stocks shares and securities provided by the recognised Stock Exchanges. As a result, over almost a hundred years during which the Stock Exchanges have existed in this country and through their medium, the Central and State Governments have raised crores of Rupees by floating public loans; Municipal Corporations, Improvement Trusts, Local Bodies and State Finance Corporations have obtained from the public their financial requirements; and industry, trade and commerce — the backbone of the country's economy — have secured capital of crores of Rupees through issue of stocks, shares and debentures for financing their day-to-day activities, organising new ventures and completing projects of expansion, diversification and modernisation.

### DISTRIBUTION PATTERN OF GILT-EDGED SECURITIES

2.1 Gilt-edged securities are those issued by the Central and State Governments, and by State Administrations, Municipalities, Improvement Trusts, Port Trusts and other public bodies. All these gilt-edged securities are officially listed on the recognised Stock Exchanges as soon as they are issued by the authorities concerned. Table I

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

gives the amount outstanding of Central and State Government loans as at 31st March, 1985. Inclusive of Rs.1,500 crores outstanding of Local Authority and Central and State Financial Institutions' Loans, the total amount outstanding of gilt-edged securities as at 31st March, 1985, was around Rs.37,000 crores.

**TABLE I**  
**GILT-EDGED SECURITIES**

(As at 31st March, 1985)

	Amount (Cr. Rs.)	Amount (Cr. Rs.)
<b>Central Govt. Loans</b>		
Below 5 years	3,425	
5 - 10 years	4,544	
Over 10 years	22,270	
Undated	258	
<b>TOTAL</b>		<b>30,497</b>
<b>State Govt. Loans:</b>		<b>5,240</b>
<b>Total (Central &amp; State Govt. Loans)</b>		<b>35,737</b>

2.2 Almost the entire outstanding Rupee debt is owned by the commercial banks, the Life Insurance Corporation, provident funds, and public and private charitable trusts. Therefore, anyone who has a bank account, or is a policy-holder, or a subscriber to a provident fund, or a beneficiary of a public or private trust is basically involved in the ownership of gilt-edged securities. As never before,

therefore, an increasingly large number of persons is being more and more interested, indirectly in Government Securities. Their number will grow as savings increase and development under the Five Year Plans is financed by public borrowing on a more extensive scale. Hence the scope and influence of the gilt-edged market and its vital significance in the economic life of the country.

### GROWTH AND PRESENT POSITION OF LISTED SECURITIES

3.1 The growth and present position of stocks and shares of joint stock companies listed on the recognised Stock Exchanges are reflected in Table II. They indicate a substantial increase in the public stake in listed stocks between 1946 and 1985.

### NUMBER OF COMPANIES

3.2 The number of public limited companies listed on the organised Stock Exchanges in 1946 was 1,125. Their number in 1984 was 4,344, that is, 286 per cent higher than in 1946.

### PAID-UP CAPITAL

3.3 The paid-up share capital of listed companies in 1946 was Rs.270 crores while in 1985, the figure was Rs.6,076 crores. This is estimated to be about 90% of the paid-up capital of all non-Government public limited companies.

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# PRESENT POSITION OF THE STOCK MARKET IN INDIA

**TABLE II**

## GROWTH PATTERN OF LISTED STOCK

As at 31st December	1946	1961	1975	1984	1985	% increase in 1985			
						Over 1946	Over 1961	Over 1975	Over 1984
1. No. of Listed Companies	1,125	1,203	1,852	3,882	4,344	286	261	135	12
2. No. of Stock Issues of Listed Companies	1,506	2,111	3,230	5,485	6,714	346	218	108	22
3. Paid-up Capital of Listed Companies (Cr. Rs.)	2,70	6,75	21,42	50,82	60,76	2150	800	184	20
4. Market Value of Paid-up capital of Listed Companies (Cr. Rs.)	9,71	12,16	28,05	99,84	210,77	2071	1633	651	111
5. Paid-up Capital per Listed Company (Lakh Rs.)	24	56	116	131	140	483	150	21	7
6. Market Value of Paid-up Capital per Listed Company (Lakh Rs.)	86	101	151	257	485	464	380	221	89

\* Includes 149 Debentures issues in 1961, 197 Debenture issues in 1975, 541 Debenture issues in 1984 and 613 Debenture issues in 1985.

### AVERAGE SIZE

3.4 Over 1946-85, the value of the paid-up capital of listed companies increased by more than twenty-one times from Rs.270 crores to Rs.6,076 crores. In 1946, therefore, the average paid-up capital per listed company was Rs.24 lakhs and in 1985 it was about five and a half times as much at Rs.140 lakhs indicating that the old listed companies were rapidly growing bigger and/or that the new companies admitted to the list were of a considerable larger size than before.

### NUMBER OF STOCK ISSUES

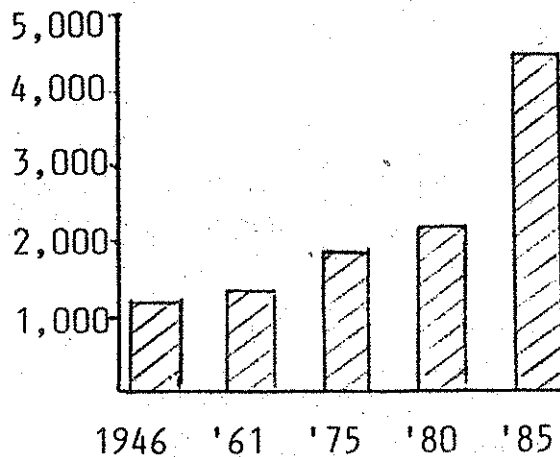
3.5 As the average size of listed companies expanded from 1946 to 1985, the total number of listed stock issues went up from 1,506 to 6,714, that is, by about 346 per cent.

### MARKET VALUE

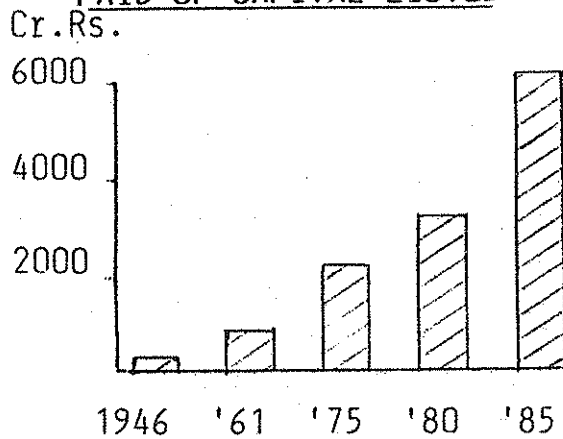
3.6 The market value of listed stock recorded an increase of 2071 per cent from an estimated amount of Rs.971 crores in 1946 to Rs.210,77 crores in 1985.

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

### NUMBER OF LISTED COMPANIES

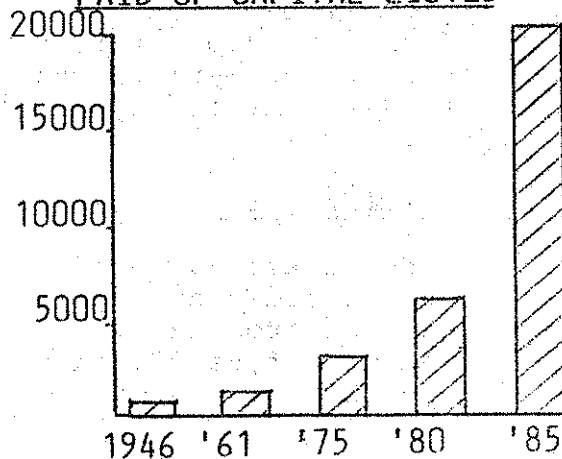


### PAID-UP CAPITAL LISTED



### MARKET VALUE OF

### PAID-UP CAPITAL LISTED



### DEVELOPMENT OF RECOGNISED STOCK EXCHANGES — MARKET PATTERN OF LISTED COMPANIES

4. The growth and development of the recognised Stock Exchanges from 1946 to 1985 is reflected in Table III, which also traces the market pattern of stocks listed on the Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad, Madhya Pradesh, Bangalore, Cochin, Pune, Uttar Pradesh and Ludhiana Stock Exchanges. Over the years from 1946 to 1985, the number of listed companies quoted in Bombay went up by 1,332 and the corresponding number of listed stocks by 2,339. The paid-up value of listed stock simultaneously increased by Rs.6,757 crores. In Calcutta, the number of listed companies increased by 1,379 and the number of listed stocks increased by 1,608, between 1946 and 1985, while their paid-up value appreciated by Rs.2,456 crores. In the case of Delhi, the number of listed companies and listed stock issues moved up by 1,209 and 1,638. The corresponding increase in the paid-up value of listed stock was Rs.3,256 crores. During the same period, the growth in the number listed companies, listed stock issues and listed capital were respectively 259, 443 and Rs.2,137 crores in the case of Madras and 228, 540 and 2,073 crores in the case of Ahmedabad.

### STRUCTURAL & MARKET-WISE PATTERN

#### LISTED SECURITIES

5. The structural and

**PRESENT POSITION OF THE STOCK MARKET IN INDIA**

**TABLE III**  
**DEVELOPMENT PATTERN OF STOCK EXCHANGES**

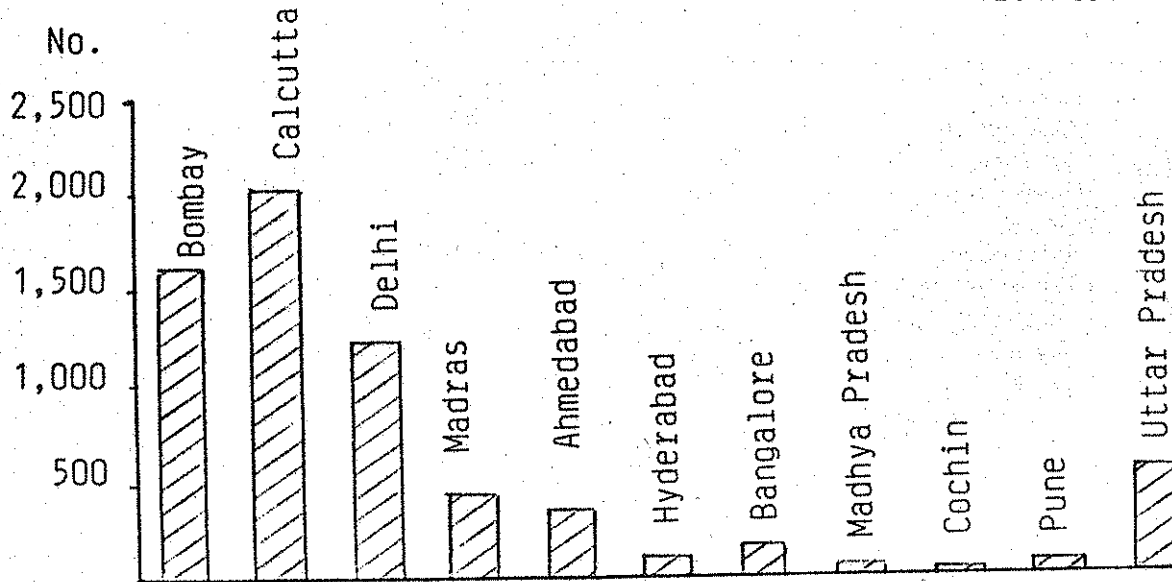
As at 31st Dec.	Name of Stock Exchange	No. of Listed Cos.	No. of Stock Issues Listed	Paid-up Value (Cr. Rs.)				Market Value of Capital (Cr. Rs.)
				Equity	Pref.	Deb.	Total	
1985	Bombay	1529	2610	3764	108	3008	6880	20378
	Calcutta	1955	2415	1888	135	580	2603	7211
	Madras	451	741	1204	111	763	2178	7114
	Ahmedabad	309	592	1115	24	929	2068	8308
	Delhi	1282	1730	2068	94	1167	3329	11162
	Hyderabad	135	218	330	17	189	536	1593
	Madhya Pradesh	57	88	152	5	164	321	1076
	Bangalore	216	367	652	102	413	1167	4361
	Cochin	53	115	404	15	454	873	4341
	Pune	70	76	452	..	2	454	4195
	Uttar Pradesh	570	598	478	..	381	1159	4417
	Ludhiana	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	Guwahati	19	19	14	..	..	14	52
Mangalore	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
1980	Bombay	992	1674	2114	145	671	2930	5421
	Calcutta	891	1393	1232	105	136	1472	2797
	Madras	398	644	635	37	117	788	1311
	Ahmedabad	169	328	439	34	128	601	1352
	Delhi	452	727	788	90	..	883	1943
	Hyderabad	81	133	148	10	5	162	248
	Madhya Pradesh	26	41	54	26	4	84	153
Bangalore	163	266	319	23	60	402	759	
1970	Bombay	580	1060	852	123	141	1116	1751
	Calcutta	637	1075	556	75	90	721	1067
	Madras	363	689	255	31	109	395	459
	Ahmedabad	126	267	146	32	20	198	340
	Delhi	174	332	178	40	28	246	386
	Hyderabad	40	72	43	6	2	51	64
	Madhya Pradesh	16	22	16	2	..	18	42
Bangalore	68	109	46	5	2	53	70	
1961	Bombay	297	538	295	56	31	381	645
	Calcutta	576	924	236	55	35	326	548
	Madras	249	451	82	12	13	112	180
	Ahmedabad	96	203	68	16	..	84	215
	Delhi	103	198	68	16	1	85	127
	Hyderabad	19	27	60	3	..	63	121
	Madhya Pradesh	8	9	3	..	..	3	5
1946	Bombay	197	271	..	..	..	123	..
	Calcutta	576	807	..	..	..	147	..
	Madras	192	298	..	..	..	41	..
	Ahmedabad	81	82	..	..	..	15	..
	Delhi	73	92	..	..	..	73	..

N.A. - Not Available

# PRESENT POSITION OF THE STOCK MARKET IN INDIA

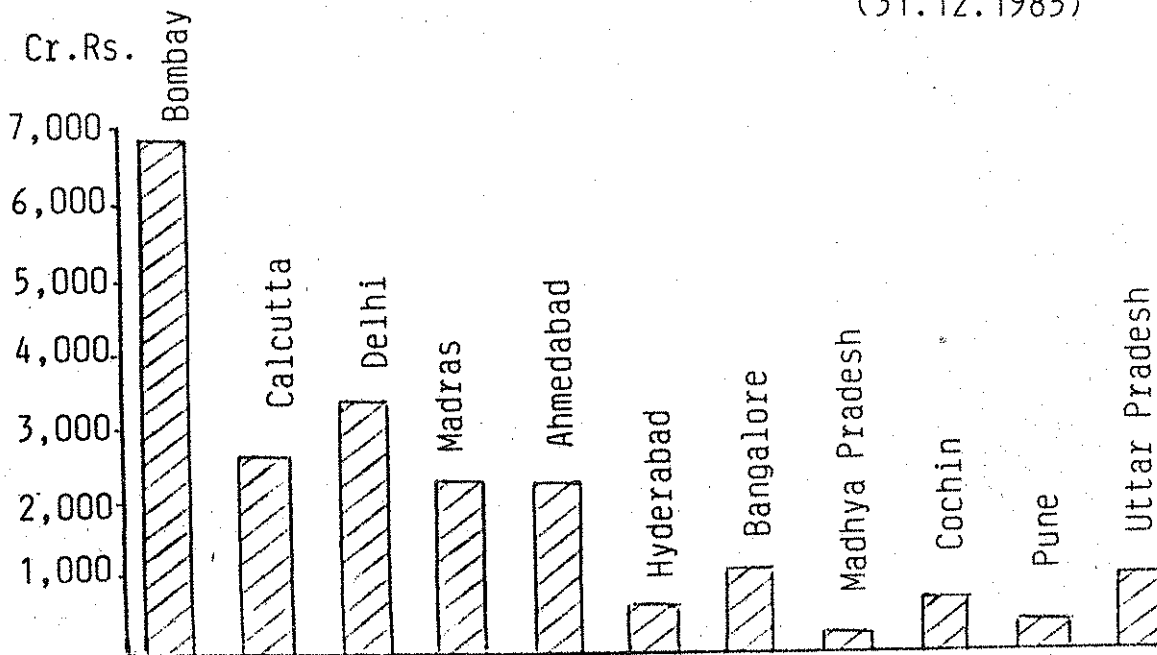
## NUMBER OF COMPANIES LISTED - EXCHANGE-WISE

(31.12.1985)



## CAPITAL LISTED - EXCHANGE-WISE

(31.12.1985)





PRESENT POSITION OF THE STOCK MARKET IN INDIA

TABLE IV  
STRUCTURAL AND MARKET-WISE PATTERN OF LISTED STOCK

Exchange	No. of Cos. Listed	No. of Stock Issues Listed			Capital Listed (Cr. Rs.)			'Market Value of Capital Listed (Cr. Rs.)					
		Equity	Pref.	Deb./ Bonds	Equity	Pref.	Deb./ Bonds	Equity	Pref.	Deb./ Bonds	Total		
												Total	Total
Bombay	1,529	1,794	315	501	2,610	3,764	108	3,008	6,880	17,475	90	2,813	20,378
Calcutta	1,955	1,980	308	127	2,415	1,888	135	580	2,603	6,544	85	582	7,211
Delhi	1,282	1,335	207	188	1,730	2,068	94	1,167	3,329	9,849	67	1,246	11,162
Madras	451	490	147	104	741	1,204	111	763	2,178	6,213	103	798	7,114
Ahmedabad	309	329	109	154	592	1,115	24	929	2,068	7,263	17	1,028	8,308
Hyderabad	135	144	40	34	218	330	17	189	536	1,347	16	230	1,593
Bangalore	216	235	68	64	367	652	102	413	1,167	3,903	99	459	4,361
Madhya Pradesh	57	57	23	8	88	152	5	164	321	882	5	189	1,076
Cochin	53	53	18	44	115	404	15	454	873	3,801	13	527	4,341
Pune	70	73	..	3	76	452	..	..	454	4,193	..	2	4,195
Uttar Pradesh	570	570	..	28	598	478	..	381	1,159	3,968	..	449	4,417
Ludhiana	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Guwahati	19	19	..	..	19	14	..	..	14	52	..	..	52
Mangalore	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
ALL EXCHANGES (excluding Common)	4,344	5,282	819	613	6,174	5,709	367	3,647	9,723	20,783	294	3,225	25,302

Source: Daily Lists published by the Exchanges

N.A. - Not Available

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TABLE IV A

PRESENT POSITION OF THE STOCK MARKET IN INDIA

(As on 31.12.1984)

Exchange	No. of Cos. Listed		No. of Stock Issues Listed				Capital Listed Cr. Rs.)				Market Value of Capital Listed (Cr. Rs.)			
	No. of Cos. Listed	Equity	Pref.	Deb./ Bonds	Total	Equity	Pref.	Deb./ Bonds	Total	Equity	Pref.	Deb./ Bonds	Total	
Bombay	1,295	1,445	332	377	2,154	3,331	113	2,370	5,814	7,931	85	2,203	10,219	
Calcutta	1,862	1,890	303	121	2,314	1,850	101	623	2,574	4,784	65	543	5,392	
Delhi	952	1,015	161	155	1,331	1,577	74	924	2,575	4,085	59	847	4,991	
Madras	441	478	162	80	720	1,187	38	746	1,971	2,545	29	667	3,241	
Ahmedabad	265	280	109	133	522	865	24	733	1,622	2,540	18	688	3,246	
Hyderabad	120	124	41	29	194	295	11	217	523	630	7	210	847	
Bangalore	203	221	68	32	321	806	38	385	1,229	1,683	30	339	2,052	
Madhya Pradesh	43	43	11	8	62	128	5	117	250	310	4	118	432	
Cochin	49	49	..	..	49	473	..	..	473	1,444	..	..	1,444	
Pune	65	65	N.A.	4	69	599	N.A.	141	740	1,556	N.A.	139	1,695	
Uttar Pradesh	436	435	..	24	459	408	..	192	600	1,429	..	198	1,627	
Ludhiana	20	20	..	5	25	128	..	93	221	425	..	94	519	
Gauhati	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
All Exchanges (excluding Common)	3,883	4,094	850	541	5,485	4,849	233	3,621	8,703	9,798	186	3,397	13,381	

Compiled from the Daily Official Lists of the Stock Exchanges. N.A. - Not Available

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market-wise pattern of listed stock is outlined in Table IV. The table shows that, in the aggregate paid-up share capital of listed companies amounting to Rs.6,076 crores, as of December 1985, equity capital is predominant, accounting for Rs.5,709 crores or 94 per cent of the total, whereas preference capital of Rs.367 crores represents the remaining 6 per cent. The debenture amount outstanding is Rs.3,647 crores. In terms of the total capital employed, the relative proportion of equity, preference and debenture capital work out at 59 per cent., 3 per cent and 38 per cent. respectively. The total capital employed of Rs.9.723 crores of 4,344 listed companies is covered by 6,714 stock issues, of which equity issues comprise 5,282, preference issues 819 and debenture issues 613.

### MARKET-WISE DISTRIBUTION PATTERN OF LISTED COMPANIES

6. The market-wise distribution pattern of listed companies as on 31st December, 1985, is given in Table V. According to the Table, out of the 4,344 listed companies, 2,982 are listed on only one Stock Exchange, 909 on two Stock Exchanges, 307 on three Stock Exchanges, 94 on four Stock Exchanges, 27 on five Stock Exchanges, 16 on six Stock Exchanges, 4 on seven Stock Exchanges and 2 each on eight and ten Stock Exchanges and one on eleven Stock Exchanges.

**TABLE V**  
**MARKET-WISE DISTRIBUTION**  
**PATTERN OF LISTED COMPANIES**

Listed on	No. of Cos. Listed	
	As at 31st Dec. 1984	As at 31st Dec. 1985
1 Exchange	2,482	2,982
2 Exchanges	1,099	909
3 Exchanges	203	307
4 Exchanges	63	94
5 Exchanges	14	27
7 Exchanges	4	4
8 Exchanges	2	2
9 Exchanges	2	..
10 Exchanges	..	2
11 Exchanges	2	1
TOTAL	3,882	4,344

### OWNERSHIP PATTERN OF LISTED COMPANIES

7.1 Tables VI to X summarise the principal findings of a survey of ownership of shares in joint stock companies carried out by Reserve Bank of India of 361 companies listed on the Bombay, Calcutta, Madras, Ahmedabad, Delhi, Bangalore, Hyderabad and Madhya Pradesh Stock Exchanges as at the end of 1978. The total equity paid-up capital of these companies amounted to Rs.13.90.85 crores and was owned by 30,36,371 shareholders (accounts).

7.2 Table VI gives the pattern of share ownership by size of holdings of the 361 companies covered by the survey. The largest number of accounts (30.16 lakhs) was held by individuals, accounting for 99.3 per cent of the total. In terms

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TABLE VI  
PATTERN OF SHARE OWNERSHIP BY SIZE OF HOLDING

	SIZE OF HOLDING IN RUPEES												Category Total								
	1 - 5,000				5,001 - 25,000				25,001 - 50,000				50,001 & above				No. of Accts.	% to Total	Value of Holding (Cr. Rs.)	% to Total	
	No. of Accts.	% to Total	Value of Holding (Cr. Rs.)	% to Total	No. of Accts.	% to Total	Value of Holding (Cr. Rs.)	% to Total	No. of Accts.	% to Total	Value of Holding (Cr. Rs.)	% to Total	No. of Accts.	% to Total	Value of Holding (Cr. Rs.)	% to Total					
Individuals	28,59,979	95.60	242.58	95.35	1,38,865	97.51	133.06	96.64	19,468	90.37	35.20	89.77	6,400	58.79	111.20	11.47	30,15,712	99.32	532.64	37.58	
Joint Stock Companies	5,980	0.20	0.82	0.34	1,903	1.34	2.61	1.90	578	4.56	1.92	4.81	1,962	18.03	464.26	47.90	10,374	0.34	469.62	33.77	
Financial Institutions	1,443	0.05	0.24	0.10	956	0.64	1.14	0.83	333	2.87	1.20	3.01	2,039	18.45	354.61	36.55	4,691	0.15	357.19	25.68	
of which																					
ICICI			0.00				0.00								14.81		47		14.81	1.06	
IFCI			0.00				0.01								6.79		79		6.81	0.49	
UTI			0.00				0.01								6.99		59		7.00	0.50	
LIC			0.00				0.01								66.78		244		66.81	4.80	
GIC			0.00				0.01								107.92		273		107.95	7.76	
Trusts & Charitable Institutions Govt. & Semi-Govt. Bodies	1,310	0.04	0.21	0.10	449	0.32	0.55	0.40	207	1.79	0.79	1.92	355	3.26	15.42	1.59	2,321	0.08	16.97	1.22	
Others	33	0.00	0.01	0.00	25	0.01	0.33	0.02	7	0.06	0.02	0.05	78	0.71	20.71	2.14	143	0.01	20.78	1.49	
	2,752	0.10	0.31	0.12	256	0.18	0.23	0.21	40	0.34	0.15	0.38	82	0.75	2.91	0.30	3,130	0.10	3.66	0.26	
TOTAL	28,71,497	100.00	244.17	100.00	1,42,434	100.00	137.69	100.00	11,553	100.00	39.58	100.00	13,227	100.00	469.72	100.00	30,36,211	100.00	1,396.95	100.00	
(All Categories)	(94,571)		(17.56)		(4,65)		(9.90)		(0.26)		(2.87)		(0.36)		(49.67)		(102.03)		(109.09)		
of which																					
(i) Foreign Nationals																		4,065	0.13	4.04	0.29
(ii) Foreign Institutions (Banks, II Stock Companies etc.)																		247	0.01	277.97	19.99
TOTAL (i + ii)																		4,312	0.14	282.01	20.28

\* No. of accounts not available  
Figures in brackets relate to percentage to horizontal total

Source: Reserve Bank of India Bulletin (February 1983)

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TABLE VII  
DISTRIBUTION OF 361 COMPANIES ACCORDING TO THE PERCENTAGE-RANGE OF SHAREHOLDINGS BY INVESTOR CATEGORIES

Percentage-range of Shareholdings	CATEGORY OF OWNERS												
	Individuals	Govt. & Semi-Govt. Bodies	Financial Institutions						Non-Financial Institutions				Others
			I.B.B.I	I.C.I.C.I.L.	I.F.C.I	U.T.I.	L.I.C.	G.I.C.	Public Sector Commercial Banks	State level Financial Institutions	Other Financial Institutions	All Financial Institutions	
All	293 (81.16)	314 (86.98)	282 (78.12)	302 (83.66)	88 (24.38)	75 (20.77)	52 (14.41)	286 (79.23)	129 (35.73)	9 (2.49)	27 (7.48)	131 (36.29)	263 (72.85)
Upto 10	14 (3.88)	29 (8.03)	73 (20.22)	49 (13.57)	197 (51.80)	245 (67.87)	273 (75.62)	40 (11.08)	224 (62.05)	78 (21.61)	82 (22.71)	213 (59.00)	93 (25.76)
Over 10 to 25	70 (19.39)	17 (4.71)	6 (1.66)	10 (2.77)	80 (22.16)	40 (11.08)	33 (9.14)	22 (6.09)	7 (1.94)	126 (34.90)	58 (16.07)	14 (3.89)	4 (1.11)
Over 25 to 50	146 (40.44)	5 (1.39)	-	-	5 (1.66)	1 (0.28)	3 (0.83)	12 (3.32)	1 (0.28)	122 (33.90)	106 (29.36)	3 (0.83)	1 (0.28)
Over 50 to 75	96 (26.59)	2 (0.55)	-	-	-	-	-	1 (0.28)	-	26 (7.20)	75 (20.78)	-	-
Over 75	35 (9.70)	-	-	-	-	-	-	-	-	-	13 (3.60)	-	-
Total Number of Companies	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)	361 (100.00)

Note: Figures in brackets indicate percentages to total

Source: Reserve Bank of India Bulletin (February 1983)

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

of the value of shareholding, individuals held Rs.522.64 crores or 37.6 per cent of the paid-up value of total shareholding, individuals held Rs.522.64 crores or 37.6 per cent of the paid-up value of total shareholdings. The joint stock companies formed the next important category of shareholders which accounted for Rs.469.62 crores or 33.8 per cent of the total equity paid-up capital. The financial institutions together held Rs.357.19 crores or 25.7 per cent. Of the various financial institutions, LIC held 7.8 per cent of total paid-up value, followed by GIC (5.5 per cent.). The balance was held by Government and semi-Government bodies (1.5 per cent), trusts and charitable institutions (1.2 per cent.) and 'others' (0.3 per cent.). Thus, the public sector bodies together held as much as 26 per cent of the paid-up capital of the companies.

7.3 The paid-up value of shareholdings held by foreign shareholders amounted to Rs.282.0 crores and accounted for 20.3 per cent of the total paid-up capital. The bulk of the foreign shareholding was held by foreign institutions such as joint stock companies, banks, etc.

7.4 The size of holdings of various categories of shareholders indicates the degree of concentration of ownership among the shareholders. For the purpose of analysis, shareholdings upto Rs.5,000 are regarded as 'small', those

exceeding Rs. 5,000 and upto 25,000 and also those exceeding Rs. 25,000 and upto Rs. 50,000 as 'medium' and those above Rs. 50,000 as 'large'. The Table brings out the high degree of concentration of shareholdings in the hands of few shareholders who invest large amounts in equities of the corporate sector. While 11 thousand shareholders under the large size holdings accounted for Rs. 969.12 crores or 69.7 per cent of the total paid-up value of shareholdings, 28.7 lakh shareholders under small size holdings accounted for only Rs. 244.17 crores of 17.6 per cent of the total paid-up capital of shareholdings. The spread-up of the large size shareholdings among different categories of shareholders shows a highly skewed distribution. While joint stock companies and the financial institutions held as much as 47.9 per cent and 36.6 per cent respectively, individuals constituted 11.5 per cent of the total holdings under this size-range. Among the financial institutions, LIC held 11.1 per cent, GIC 7.9 per cent and UTI 6.9 per cent.

7.5 The major proportion of shareholding of joint stock companies (98.9 per cent) and financial institutions (99.3 per cent) in the share capital of companies was held in the form of large holdings exceeding Rs.50,000 each. As against this, the proportion of large size holdings of individuals was only 21.3 per cent. On the other hand, 46.4 per cent of total holdings

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

of individual shareholders were small size holdings and 32.3 per cent medium size which showed the dispersal of ownership of shares among the individuals.

### CONCENTRATION OF SHAREHOLDINGS

8.1 Table VII reveals the controlling interest in companies through ownership of shares either for reasons of retaining control or for long-term investment prospects. Individuals held shares in all the companies but their importance varied from less than 10 in 146 companies; in 35 companies, individuals held more than 75 per cent of the paid-up capital.

8.2 The shareholdings of all the financial institutions together were observed in 352 companies or in more than 97 per cent of the Companies. In 204 companies (56.5 per cent), holdings of financial institutions formed 25 per cent or below. But in 122 companies it is a significant holding for control and management purposes, particularly in large companies whose share ownership is widely dispersed among a large number of shareholders. There were 26 companies in which the institutional shareholdings formed 50 to 75 per cent of the paid-up capital. Among the financial institutions, the investment institutions, viz., LIC, GIC and UTI had shareholdings in 75.6 per cent, 79.2 per cent and 67.6 per cent of companies respectively. LIC, GIC and UTI held shares in the range of 10 to 25 per cent of paid-up capital in 80, 40 and 28 companies respectively. The term-lending

institutions, viz., IDBI, IFCI, ICICI, on the other hand, reported shareholdings comparatively in a smaller number of companies. However, the holdings of state-level financial institutions formed 10 to 25 per cent in 22 companies, 25 to 50 per cent in 12 companies and more than 50 per cent in one company.

8.3 As in the case of 'Individual' holdings, joint stock companies also had shareholding in most of the companies, i.e., 334 (93 per cent) companies. It is worthwhile noting that apart from direct shareholdings, inter-corporate investment is a method of spreading controlling interest in the modern corporate sector. The pattern of percentage holdings by joint stock companies varied from that observed in case of other categories of shareholders. Joint stock companies were holding more than 50 per cent paid-up value of shareholdings in as many as 88 (24 per cent) companies. Shareholdings of joint stock companies ranged between 25 to 50 per cent in 106 companies and 10 to 25 per cent in 58 companies.

8.4 The Central or State Governments had no direct shareholding in a majority of companies (293) but in 5 companies their holding was as high as to be in the range of 25 to 50 per cent and in 2 companies in the range of 50 to 75 per cent of the paid-up capital of companies.

# PRESENT POSITION OF THE STOCK MARKET IN INDIA

TABLE VIII

PATTERN OF INDIVIDUAL SHAREHOLDINGS IN 336 SELECTED COMPANIES BY CATEGORY OF OCCUPATIONS

Category of Occupations	Number of Accounts	Percentage to Total	Paid-up Value of Holdings (Cr.Rs.)	Percentage to Total	Value per Account (Rs.)
Professionals & Self-employed Persons	6,47,661	24.52	1,50.53	32.27	2,324
Salaried Persons (Wage and Salary Earners)	7,74,741	29.33	90.84	19.48	1,173
Persons Engaged in Household Work	5,61,190	21.25	90.14	19.32	1,606
Farmers	77,058	2.92	11.72	2.51	1,521
Pensioners & Retired Persons	72,305	2.74	10.95	2.35	1,514
Others	5,08,034	19.24	1,12.26	24.07	2,210
<b>TOTAL</b>	<b>26,40,989</b>	<b>100.00</b>	<b>4,66.45</b>	<b>100.00</b>	<b>1,766</b>

Source: Reserve Bank of India Bulletin (February 1983)

SHARE OWNERSHIP BY INDIVIDUALS

OCCUPATIONAL PATTERN

9. Table VIII gives data on occupation-wise break-up of paid-up value of shareholdings of individuals in 336 companies which furnished data on occupation of individual shareholders. In these 336 companies, individuals held paid-up capital of the value of Rs. 466.45 crores under 26.41 lakh accounts. These accounted for 89.3 per cent of the total paid-up capital held by individuals in the 361 companies included in the survey. The Table shows that professional and self-employed persons with 6.48 lakh accounts (24.5 per cent) held Rs. 150.53 crores, about one-third (32.3 per cent) of the total value of shareholdings of individuals. Individuals with miscellaneous occupations grouped under 'others' ranked second and held 24.1 per cent share capital. The salaried persons held the largest number of accounts (29.3 per cent or 7.75 lakh accounts) but accounted for 19.5 per cent

of the individual shareholdings. Persons engaged in household work accounted for 21.3 per cent of accounts (5.61 lakhs) and held a little less than one-fifth of the value of individual holdings. The number of accounts and value of shareholdings of farmers, as may be expected, were rather insignificant. This may perhaps be attributed to the sophisticated nature of the equity market and lack of awareness of its functioning among them.

GROWTH IN THE NUMBER OF SHAREHOLDERS

10.1 Table IX compares the pattern of share ownership in companies covered by the 1978 RBI survey with an earlier survey carried out by the Bank in 1965. The Table shows that shareholders (accounts) in 121 common companies covered by both the surveys registered an increase of 46.68 per cent and the value of shareholding increased by 115.48 per cent. Though the increase in the holdings of



## PRESENT POSITION OF THE STOCK MARKET IN INDIA

TABLE IX						
GROWTH IN NUMBER AND HOLDINGS OF INDIVIDUAL SHAREHOLDERS IN 121 COMMON COMPANIES IN 1965 AND 1978 SURVEYS						
Category of Owners	No. of Shareholders (Number of Accounts)			Value of Shareholdings (Rs. Crores)		
	1965	1978	% increase 1978 over 1965	1965	1978	% increase 1978 over 1965
Size of Holding of Individuals: (Rs.)						
1 - 5,000	7,97,286	11,50,608	44.32	74.73	114.36	53.04
5,001 - 25,000	41,176	79,917	94.09	39.93	75.01	87.84
25,001 - 50,000	2,833	5,662	99.86	9.76	18.87	93.33
Above 50,000	1,724	2,931	70.01	26.64	48.93	83.69
Individuals Total	8,43,019	12,39,118	46.99	151.07	257.18	70.25
Financial Institutions	2,272	2,077	-8.58	60.77	190.46	213.42
of which L.I.C.	100	102	2.00	27.88	68.27	144.88
U.T.I.	63	95	50.79	2.82	38.68	1271.36
Joint Stock Companies	3,545	5,035	42.03	102.33	228.54	123.34
Trusts & Charitable Institutions	1,527	1,108	-27.44	4.18	8.78	109.95
Govt. & Semi-Govt. Institutions	52	84	61.54	4.21	9.69	130.31
Others	336	481	43.15	0.37	1.19	217.90
TOTAL	8,50,751	12,47,903	46.68	322.93	694.84	115.48
Source: Reserve Bank of India Bulletin (February 1983)						
<p>individuals in terms of number was more or less the same as the overall increase, the value of individual holdings increased by only 70.25 per cent as against the overall increase of 115.48 per cent.</p>				<p>10.2 The Table further shows the growing importance of joint stock companies and financial institutions in corporate holdings during the period 1965 to 1978. In terms of paid-up capital, the increase in the case of joint stock companies was</p>		

# PRESENT POSITION OF THE STOCK MARKET IN INDIA

**TABLE X**  
**OWNERSHIP OF SHARES — INTERNATIONAL COMPARISON**

Category of Owners	India			U.K.			U.S.A.			Japan	
	1959	1965	1978	1963	1975	1980	1965	1970	1975	1950	1978
Individuals	52.1	44.1*	37.3*	54.0	37.5	35.0 <sup>o</sup>	51.7	64.1	52.7	61.0	31.1
Corporate Trustees	1.2	1.3	1.2	2.1	6.1	15.0	3.5	-	-	4.6	2.1
Nominee Companies	39.6	13.0*	13.8*	15.1	24.0	19.0	20.7	21.3	30.0	10.2	26.3
Brokers and Dealers	-	-	-	1.4	-	-	7.1	1.1	0.3	10.2	1.8
Institutions and Others	7.1	20.3	27.4	20.4	26.8	31.0	15.0	11.9	14.7	12.5	36.5
Overseas (Individuals and Institutions)	-	21.3	20.3	7.0	5.6	-	2.0	1.6	2.3	1.5	2.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>o</sup> Includes Unit Trust — Shows that data were not collected separately  
\* Excludes holdings of foreign shareholders which are included in Overseas

Source: Reserve Bank of India Bulletin (February 1983)

123.34 per cent and that of financial institutions 213.42 per cent. Amongst the financial institutions, UTI increased its holdings by about 13 times and LIC by about one-and-half times during this period.

10.3 On a simple projection of the data contained in the Reserve Bank of India Survey, it would appear that in 1978 the total number of book shareholders of non-Government public limited companies was about 6 million.

### PATTERN OF SHARE OWNERSHIP — INTERNATIONAL COMPARISON

11.1 Table X compares the ownership pattern of shares in U.S.A., U.K., Japan and India. Such comparison suffers from

some limitations due to differences in coverages, concepts and technique. In U.S.A., U.K. and Japan, market value of shares is the basis of ownership analysis while for India the analysis of ownership pattern has been made on the basis of paid-up value of shares.

11.2 The pattern of ownership of shares among various categories of shareholders shows more or less similar trend in India, U.K., U.S.A. and Japan. In U.K. and Japan, the pattern of ownership of shares shows significant structural changes over the years. The striking feature of ownership of shares was the continuous increase in the proportion of shareholdings of financial institutions (such as insurance companies, pension

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

funds, investment trusts) and continuous decline in the proportion of shareholdings of individuals. In U.K., the share of financial institutions increased from 20.4 per cent in 1963 to 31.0 per cent in 1980. During the same period, the share of individuals declined from 54.0 per cent to 35.0 per cent. In the case of India, the share of individuals declined from 52.1 per cent in 1959 to 37.3 per cent in 1978 while that of institutions increased from 7.1 per cent to 27.4 per cent during the same period. Similarly, in Japan while the share of individuals declined from 61.0 per cent in 1950 to 31.1 per cent in 1978, that of institutions nearly tripled from 12.5 per cent to 36.5 per cent. It shows that in U.K. and India as well as in Japan direct financing of equity capital by individuals is being replaced by indirect financing through savings institutions. The pattern of shareholdings in U.S.A. showed a somewhat different trend. The share of individuals increased from 51.7 per cent in 1965 to 64.1 per cent in 1975, while that of nominee companies increased from 20.7 per cent to 30.0 per cent. The share of holdings of financial institutions declined from 15.0 per cent in 1965 to 11.9 per cent in 1970 and then increased to 14.7 per cent in 1975. It will be seen that the importance of direct individual shareholdings as source of share capital was significantly higher in U.S.A. than in Japan, U.K. and India. Again, foreign shareholdings formed a very small proportion in U.K. and U.S.A. as well as Japan as

compared to their share in Indian companies in spite of the fact that in U.S.A., U.K. and Japan not many restrictions are placed on holdings on shares by foreign nationals.

11.3 Though similar comparative data is not available for India, the characteristics of share ownership in the U.S.A. for selected years from 1959 to 1983 as given in Table XI make interesting reading. The table shows that during the period 1959 to 1983, the total shareholding population in the U.S.A. increased by 239% from about 12.5 million to about 42.4 million.

### SHARE OWNERSHIP -

#### PRESENT POSITION

12.1 All the available evidence shows that the shareholding population in India has been increasing year after year at a rate never witnessed before. During the period 1978 to 1984, there has been tremendous public response to new issues of capital by FERA and other companies. The guidelines issued by Government stipulate a wider dispersal of shareholding in the case of issues which are heavily over-subscribed. More and more new shareholders are added to the shareholding population every year because of the conversion into equity shares of convertible debentures which have proved very popular in recent years. A study conducted by the Bombay Stock Exchange about the number of book shareholders as of 1984 has confirmed these trends.

# PRESENT POSITION OF THE STOCK MARKET IN INDIA

**TABLE XI**

**STOCK OWNERSHIP IN U.S.A. - CHARACTERISTICS OF SHAREOWNERS: 1959 to 1983.**

	('000s)				
Characteristic	1959	1970	1975	1980	1983
<b>TOTAL (1)</b>	12,490	30,850	25,270	30,200	42,360
Male	5,740	15,689	12,698	15,666	20,864
Female	6,347	15,161	12,508	14,534	21,496
<b>Age:</b>					
Under 21 years	197	2,221	1,818	2,308	2,749
21-44 years	4,508	10,301	6,814	12,332	18,898
45-64 years	5,466	13,640	10,774	10,600	13,436
65 years and over	2,113	4,330	5,800	4,589	7,277
<b>Education:</b>					
<b>Highschool:</b>					
3 years or less	2,804	3,566	1,621	1,746	2,356
4 years	3,130	8,697	6,580	5,737	8,788
<b>College: (2)</b>					
1-3 years	2,587	5,867	5,301	9,353	13,529
4 years or more	3,566	9,999	9,886	10,613	14,375
<b>Minors: (3)</b>	197	2,221	1,818	2,308	2,749
<b>Income: (4)</b>					
Under \$ 5,000	3,518	2,389	780	1,742	1,460
\$ 5,000 - \$ 9,999	5,826	5,779	2,636	3,180	2,596
\$ 10,000 - \$ 14,999	1,741	8,346	4,552	6,930	8,579
\$ 15,000 - \$ 24,999	689	7,670	8,778	11,623	17,168
\$ 25,000 - \$ 49,999	314	4,114	5,426	3,982	7,918
\$ 50,000 and above	314	4,114	1,216	3,982	7,918
<b>Residence by SMSA Size: (5)</b>					
Under 100,000	N.A.	175	328	204	262
100,000 - 249,000	N.A.	2,245	2,059	1,883	3,060
250,000 - 499,999	N.A.	2,686	2,691	2,921	3,962
500,000 - 999,999	N.A.	3,712	3,257	4,345	6,555
1,000,000 and over	N.A.	14,881	11,853	15,447	21,730
<b>Non-Metropolitan Areas</b>	N.A.	6,913	4,978	5,400	6,791

N.A. - Not Available. (1) Includes small number of shareowners not distributed by breakdown. (2) Persons 21 years old and over. (3) Shareowners whose stockholdings are registered in accordance with the Gifts to Minors Statutes. (4) Adult shareowners only. (5) SMSA - Standard Metropolitan Statistical Area II.

Source: New York Stock Exchange, "Share Ownership" 1959, 1970, 1975, 1980 & 1983.

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

12.2 The Stock Exchange study covered 1147 out of the 1295 companies listed on the Exchange as at the end of 1984. These 1147 companies had in the aggregate 9.67 million book shareholders. On the basis of this data it can reasonably be estimated that, in 1984, the total number of book shareholders in India was about 18 million. However, it is not possible to give any precise information about the actual shareholding population in India because of the multiplicity of shareholdings by an individual.

12.3 Table XII gives the frequency distribution of the 1147 companies covered by the Stock Exchange study according to the number of shareholders.

TABLE XII

FREQUENCY DISTRIBUTION OF 1147 COMPANIES LISTED ON THE STOCK EXCHANGE, BOMBAY, ACCORDING TO NUMBER OF SHAREHOLDERS

(1984)

No. of Shareholders	No. of Companies
Upto - 500	204
501 - 1,000	122
1,001 - 2,000	157
2,001 - 3,000	105
3,001 - 4,000	74
4,001 - 5,000	53
5,001 - 7,500	127
7,501 - 10,000	54
10,001 - 20,000	150
20,001 - 30,000	44
30,001 - 40,000	25
40,001 - 50,000	8
50,001 - 75,000	11
75,001 - 1,00,000	3
1,00,001 & above.	10
<b>TOTAL</b>	<b>1147</b>

12.4 As of 31st December, 1984, the 377 debenture issues listed on the Bombay Stock Exchange were held by 18.79 lakh holders. The number of preference shareholders as on that date was 1.93 lakhs. Table XIII give the names of companies with a large number of debentureholders.

TABLE XIII

COMPANIES WITH A LARGE NUMBER OF DEBENTUREHOLDERS

(1984)

Sl. No.	Name of Company	No. of Debenture-holders
1.	Reliance Textiles	8,00,300
2.	Lohia Machines	1,90,994
3.	Tata Iron & Steel	1,58,669
4.	Indian Rayon	1,57,100
5.	ITC	1,28,000
6.	Gwalior Rayon	1,17,500
7.	Ambalal Sarabhai	61,012
8.	Kesoram Industries	60,902
9.	Straw Products	50,985
10.	Indian Hotels	36,292

12.5 Table XIV gives the names of companies with a large number of shareholders as of 1985. It can be seen from the table that 12 of these companies had more than one lakh shareholders each and further 22 companies had more than 50,000 shareholders each.

SHARE OWNERSHIP - GEOGRAPHICAL DISTRIBUTION

13.1 A sample survey was conducted recently by Dr. L.C. Gupta of the Management

# PRESENT POSITION OF THE STOCK MARKET IN INDIA

TABLE XIV

COMPANIES WITH OVER 25,000 SHAREHOLDERS

Sl. No.	Name of Company	No. of Share-holders	Sl. No.	Name of Company	No. of Share-holders
1	Reliance Industries	5,51,162	42	Essar Shipping	46,493
2	Gujarat Narmada	4,18,032	43	Gujarat Steel Tube	43,995
3	Lohia Machines	2,25,105	44	Bharat Vijay Mills	42,347
4	Gwalior Rayon	1,81,917	45	Nagarjuna Inv.	42,086
5	Modi Cement	1,52,756	46	Tata Eng. & Loco	42,008
6	J.K. Synthetics	1,47,861	47	Ipitata Sponge	41,408
7	Ambalal Sarabhai	1,43,981	48	Standard Mills	41,253
8	ITC	1,40,530	49	Nippondeuro Ispat	41,213
9	Lipton	1,17,122	50	Century Spg.	40,825
10	Indian Rayon	1,11,428	51	Ind-Suzuki	40,040
11	Glaxo	1,03,588	52	Guj. State Fert.	39,918
12	Hindustan Lever	1,00,802	53	Garware Shipping	39,913
13	DCM Toyota	95,889	54	Tata Oil	38,917
14	Orkay Silk	91,069	55	Shree Chamundi Moped	38,111
15	Hero Honda	90,870	56	Deepak Fertiliser	36,965
16	Tata Steel	87,516	57	Ferro Alloys	36,771
17	Narmada Cement	87,298	58	Southern Petro	36,702
18	Kesoram Industries	72,037	59	Mafatlal Fine	36,184
19	Gujarat Alkalies	71,087	60	Elecon Engineering	35,508
20	IEL (Indian Explosives)	70,007	61	Modi Alkalies	35,199
21	Mafatlal Industries	69,960	62	Kothari Electronics	34,046
22	GKW	68,677	63	Baroda Rayon	33,919
23	Allwyn Nissan	67,523	64	Sesa Goa	33,871
24	Tata Chemicals	67,124	65	Punjab Alkalies	33,637
25	Kothari Industrial	63,653	66	Nirlon	33,634
26	ACC	62,390	67	Tata Hydro	33,555
27	Mid West Leasing	60,345	68	Shree Ram Fibre	33,009
28	Samrat Bicycles	60,273	69	Ceat Tyres	32,990
29	Mukand Iron	59,803	70	Atash Leasing	31,062
30	Peico	58,452	71	Great Eastern Shipping	30,972
31	Tata Power	58,066	72	GTC Industries	30,873
32	Straw Products	55,790	73	Harrisons Malayalam	30,813
33	Garware Plastics	55,142	74	Jyoti	30,350
34	Modern Insulators	53,749	75	Chowgule Steamship	30,320
35	Indu Nissan	49,912	76	Andhra Valley	30,348
36	Tamilnadu Flourine	49,803	77	Hoechst	30,022
37	Scindia Steam	49,710	78	Deccan Fibre	29,990
38	East India Hotel	49,506	79	Eicher Motors	29,901
39	Larsen & Toubro	49,243	80	Tuticorin Alkali	29,487
40	Voltas	47,825	81	Asian Paints	29,074
41	Hind.-Ciba Geigy	47,212	82	National Organic	28,773

## PRESENT POSITION OF THE STOCK MARKET IN INDIA

TABLE XIV

COMPANIES WITH OVER 25,000 SHAREHOLDERS (CONTD.)

Sl. No.	Name of Company	No. of Shareholders	Sl. No.	Name of Company	No. of Shareholders
83	Parke Davis	28,351	93	Premier Vinyl Flooring	26,527
84	Mahindra & Mahindra	28,344	94	Premier Auto	26,331
85	Bombay Tyres	28,324	95	CP Tools	26,070
86	Mac Charles	27,702	96	Hindustan Motors	25,777
87	Wimco	27,599	97	Gujarat Petrosynthese	25,714
88	Indian Organic	27,518	98	Andhra Cement	25,554
89	Burroughs Wellcome	27,396	99	Pfizer	25,316
90	Tata Tea	27,164	100	Birla Yamaha	25,296
91	Punjab National Fert.	26,918	101	Modi Xerox	25,236
92	Automotive Axles	26,863			

Note: This list may not be exhaustive

Development Institute, New Delhi, on behalf of the Industrial Credit & Investment Corporation of India Ltd. to throw light on the geographic distribution of share ownership in India. The data relate to 1983-84.

13.2 The findings of the study show that the metropolitan cities had the dominant share of the country's share ownership and within such cities Bombay stood far ahead of the rest. The respective percentage shares of each of the four metropolitan cities in the country's shareholding population were:

Bombay	35.3
Calcutta	10.0
Delhi	9.5
Madras	3.9
<u>Total</u>	<u>58.7</u>

Ahmedabad, not included in the above had a 7.4% share, higher than that of

Madras. Table XV gives the geographical distribution of India's shareholding population.

13.3 The shareholding density (number of shareholders per 100 people) was again the highest in Bombay being 12.9 shareholders per 100 people. Vadodara (Baroda) with a density of 10.9 and Ahmedabad with a density of 8.6 came second and third respectively. The ranking of 12 cities according to shareholding density is given in Table XVI.

13.4 Some of the other important findings of the study were:

(i) The shareholding in the rural areas was found to be negligible. Thus the impression that the equity cult has spread in a significant measure to semi-urban and rural areas

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**TABLE XV**  
**GEOGRAPHICAL DISTRIBUTION OF**  
**INDIA'S SHAREHOLDING POPULATION 1983-84**

City	% of Shareholding Population Accounted for by the City	City	% of Shareholding Population Accounted for by the City
Bombay	35.33	Surat	1.42
Calcutta	10.03	Hyderabad	1.30
Delhi	9.50	Jaipur	1.10
Ahmedabad	7.44	Kanpur	1.05
Madras	3.90	Total	78.56
Vadodara	2.53	Rest of the Country	21.44
Pune	2.51		
Bangalore	2.45		100.00

**TABLE XVI**  
**RANKING OF 12 CITIES ACCORDING**  
**TO SHAREHOLDERS DENSITY (1983-84)**

City	Population as per 1981 Census (Lakhs)	Estimated Number of Shareholding Individuals (Lakhs)	Shareholder Density (No. of Shareholders per 100 People)	Rank
Bombay	82	10.60	12.9	1
Vadodara	7	0.76	10.9	2
Ahmedabad	26	2.23	8.6	3
Delhi	57	2.85	5.0	4
Surat	9	0.42	4.7	5
Pune	17	0.75	4.4	6
Jaipur	10	0.33	3.3	7
Calcutta	92	3.01	3.3	8
Madras	43	1.17	2.7	9
Bangalore	29	0.73	2.5	10
Kanpur	17	0.31	1.8	11
Hyderabad	25	0.39	1.6	12
12 Cities Combined	414	23.55	5.7	
Rest Urban India	1177	6.45	0.5	
Total Urban India	1591	30.00	1.9	



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was not borne out by the analysis.

(ii) State-wise, Maharashtra accounted for 40.36% of the country's shareholding population, followed by Gujarat 16.9%, West Bengal 10.41%, Delhi 9.50% and Tamilnadu 6.19%. The two most populous States of U.P. and Bihar accounted for 3.67% and 0.73% of the country's shareholding population respectively.

(iii) The number of shareholders in India as of 1983-84 was estimated at around 3 million.

### RECOGNISED STOCK EXCHANGES -

#### FUNCTIONS AND SCOPE OF OPERATIONS

14.1 The foregoing description outlines the scope of the operations of the recognised Stock Exchanges in the national economy. Listed stocks cover about 90 per cent of the joint stock sector in which public limited liability companies are at work in this country. The shares of only a few Government joint stock companies are quoted on the recognised Stock Exchanges. Some years ago, a Government Committee considered whether 25 per cent of the capital of selected Government owned companies should be offered for subscription to the general investing public, but no firm decision was taken.

14.2 The Unit Trust of India has been directing the savings

of the middle and low-income groups into productive investment. Investment in stocks and shares is no longer the monopoly of any particular class or of a small group of people. It attracts the interest of a large number of small and middle class individuals. People in general are now more inclined to invest in shares and have shown a distinct preference for equities offering growth prospects and a remunerative return on capital invested. Those who accumulate savings do not necessarily or always invest them in new issues. Probably, a large proportion of savings goes in the first instance into purchase of securities already issued. However, to the extent the flow of savings into old securities releases old savings which are invested in new issues, it is the same as if the savings had been channelled into the new issue market. It is the function of the stock market to mobilise these savings and channel them either directly into new issues of capital or indirectly through acquisition of existing capital stocks thereby accelerating the economic development of the country. The stock market in India has performed this important function of collecting and directing the flow of savings into investment.

14.3 The recognised Stock Exchanges have played a further more direct part by participating in the preliminary distribution of new securities. In respect of new issues of capital offered through a prospectus and offers for sale of existing securities, the members of the recognised

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Stock Exchanges have frequently acted as underwriters and in almost all cases they have been the principal agents for canvassing subscriptions from investors spread all over the country. Again, in respect of further issues of capital by existing companies, the recognised Stock Exchanges have provided a forum for trading in 'rights' and thereby they have enabled new investors to take up a part of the issue in place of the companies' shareholders. The Stock Market has further promoted large scale preliminary distribution of new securities because it has assured negotiability through creation of a secondary market beyond the new issue stage.

14.4 And finally, the recognised Stock Exchanges have served as the principal market for purchase and sale of securities after they are issued as they pass through many successive stages from the original subscriber to the never ending stream of buyers. In this manner, the recognised Stock Exchanges have not only assisted in the primary distribution but also facilitated the absorption of new issues and provided a market place where secondary distribution and the seasoning of such issues have

taken place. The recognised Stock Exchanges have thus performed the vital function of acting as an organised capital market for stocks, shares and Government Securities. As the tempo of industrialisation further increases and new issues of securities are made from year to year, the volume of outstanding securities and the volume of transactions will go on rising more or less simultaneously. The market mechanism will have to be adapted and improved in response to the growing demands. The mobilisation of the savings of the small man for investment in joint stock enterprise and the broader spread of share ownership are factors which in the course of time are likely to exert a significant influence on the stock market in India. The recognised Stock Exchanges must therefore so organise themselves and develop their activities as to ensure reasonable service, safety and security to all those who utilise their facilities; and, basically, they must continue to provide an orderly market, price continuity and free negotiability of shares and securities which are of paramount significance if investment interest is to grow and expand throughout the country.