

Research Article

A Study on the Evolution of Indian Stock Market in the Digital Era

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Abstract

A strong and well-functioning financial sector is an influential engine for the economic growth of a country. Financial sector creates savings that leads to productive investments in business. Stock market is said to be the heart of the financial system of a country. Stock markets offer businesses a forum for raising their capital. Mutual funds, banks, individuals and other investors access the stock market to buy and sell shares/stocks of these businesses. Digitalization is turning out to be persistent across industries. The financial sector, especially the stock market, is crossing the transitional period, as it grabbed the opportunity in adapting digital technologies and innovate itself with new business models and services. The objective of the present study is divided into three components: firstly, to understand the growth progress of stock trading from pre to post digitalization period. Secondly, to evaluate the impact of online stock market growth in the country's economy. And finally, to understand financial communication and its contribution in the steady growth of investment in Indian Stock Market. The findings of the study will have implication on Investors, Academicians, Industries and Policymakers and to all readers of the paper, as this paper attempts to throw light on evolution of the Indian Stock market in the digital era and its significance in the country's economy.

Keywords: Indian Stock Market, Capital Market, Digitalization, Investor's Communication, Indian Economy.

I. Introduction

In Today's world technology has turned out to be an indispensable part of human life, on whatever we would ponder over, there is definitely a touch of technology in some way or the other. This technology has brought in the concept of digitalization decades ago, which has eased the business process and also added value to it by making it easily accessible to customers across the globe. Indian Stock Market has also seen a cutting-edge post digitalization as the trading process of securities has been digitized, consequently leading to improved stock trading process with efficiency and larger data transparency.

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There is an extreme transformation in business operations of financial services due to digitalization, thus resulting in revolution in mode of trading and level of financial literacy of retail

investors. It was digitalization that brought style to trading, wherein the investors are no more required to go physically to stock exchanges or make countless phone calls and emails to stock brokers in order to buy or sell securities. With digitalization investors are introduced to phone trading and trading through various software applications provided by stock brokerage house.

It is rightly said that the Indian Financial System is one of the most significant part for the economic development of our country. Stock Exchanges under this financial sector play a cardinal role in the growth of a national economy and in the progress of industrial sector. It is considered to be the most dynamic and planned element of capital market. Particularly, in evolving countries like India, the stock exchanges show a crucial role in promoting the level of capital formation by way of efficient mobilization of savings from household sector and guarantee investment safety in various shares of companies. To make this process easier and transparent, proper communication is required between investors and companies channeled with stock market.

Communication is of various kinds, one of it is financial communication. Financial communication is part of public relations with a purpose to support and strengthen stock market growth along with active participation of potential shareholders and investors. Financial Communication is considered as a competitive confrontation field, as the companies are in constant effort to make investors to buy the shares of their company rather than the shares of their competitors.

The present study is first of its kind to attempt with triple objectives under the single study in understanding role of digitalization in the evolution life of Indian Stock Market. As it showcases the growth progress witnessed and to evaluate the impact it has created in the country's economy. And finally, to understand financial communication and its contribution in the steady growth of investment in Indian stock market.

II. Literature Review

Technology has had a massive impact in our lives and is generally regarded to have improved our social lives, businesses, governments and education. Unless an individual is a broker or an investor not much thought is given as to the impact technology has had on the productivity of the stock market. (Shallu, 2019) stated in the study that digitalization as a programme was launched on 2nd July 2015 by Government of India with the motto of 'Power to Empower'. The programme focused on providing all people of the country with facilities and services for digital development. Digitalization is a boon and should be utilized properly. And the concept of demonetization in 2016, gave rise to increased uses of mobile wallet and digital payment channel.(Thomas Niemand, 2020) suggested that during this period of technological change financial institutions such as banks, should bring about clear vision on digitalization that is accompanied by innovation and willingness to take risks. (Arsyad Aldyan, 2019) documented that various changes have appeared as part of technological development, which has influenced and brought positive impact on economy of the country, but the law of the country has dramatically lost the pace with this advancement. In addition, the technological development also has crucial impact on the stock trading system in the stock exchanges. A stock exchange is defined as citadel of capital market and a key to structural transformation in an economy from traditional rigid to more flexible and secure economy that is immune to financial shocks and lack of investor's confidence.

To make the best use of the technology development in stock market financial literacy is vital as suggested by (Jadhav, 2018) in his study as he stated that financial literacy affects financial behaviour of individuals and there is a lack of understanding among Indians about basic principles of household finance and money. Thus, right financial information about products and services is required to take adequate financial decisions of inculcating a habit of savings and protecting money. (C.Navya, 2020) studied the investor's perception of online share market trading and accessed the level of service provided to potential investors by stock broker and thus the study brought into light various areas that needs improvement for its service. (N.Sakthivel, 2018) investigated investor's satisfaction on trading shares online and the technical problems faced by investors associated with their trading activities. In his study he found that majority of the investors, who participated for gathering relevant information for his study, were highly satisfied by the services provided to them by the stock brokerage companies. But there exist technical difficulties faced by the investors during online trading in terms of operational issues, delayed e-mail services, and lack of analytical skills. (Laveena M, 2015) reported that the future of stock market is bright as it is in the hands of its customers, who make the best use of financial institutions of their country, which has made stock market to expand to such an extent, that was never recorded before. So online trading is a world of internet that is being accessed by its consumers who are at their liberty to buy and sell their securities and the businesses grasp the opportunity laid before them. She concludes her study by examining online trading business in stock market having huge impact on the other business with regards to their expansion and development. In the other study of (Hinduja, 2018) brought to light the importance of stock market and its impact on the market capitalization and GDP of our country. They stated clearly through their study that stock market is the most capable sector for levitation of the financial system of Indian Economy. To sustain this accomplishment, financial information/ communication is vital as stated in the study of (Ioana Anghel, 2014) that financial communication is considered as the primary tool of predicting the profitability of companies. In other studies, financial communication is discussed as an instrument that allows economic entity to manage external affairs and create interconnection with external environment by offering information wished by shareholders, potential investors and stakeholders.

Thus, through these literatures it is understood that Indian Stock market has successfully adopted technology of going digital and it has positive impact on the economy. But it is witnessed that there is not a single literature that attempted to study the progress of Indian Stock market that is in pre and post-digitalization era and the impact that online stock market growth has caused to the country's economy. Further there is a need to understand the importance of financial communication between companies and its stakeholders which is cardinal for sustaining the development of stock market. Thus, the present study also attempts to highlight the significance of financial communication and the contribution made for the steady growth of investment in Indian Stock Market.

III. Objectives of the Study

The objectives of this study are framed as follows:

- To understand the growth progress of stock trading from pre to post digitalization era.
- To evaluate the impact of online stock market growth on the country's economy.

- To understand the significance of financial communication and its contribution in the steady growth of investment in Indian Stock Market.

IV. Methodology of the Study

This is a descriptive study based on the secondary data collection. The relevant required data from the official website of RBI, SEBI and NSE for the study were collected for the period 1995 to 2021. As this research paper is an attempt to understand the growth progress that Indian stock market has attained pre- and post-digitalization period and its significant contribution towards the country's economy. The study also aims at understanding the significance of financial communication and its contributions to the growth process of Indian Stock Market. Journals, conference proceedings, articles and e-book articles within this field were used to get better understanding of the topic.

V. Growth of Stock Trading During the Digitalization Era

India was acquainted with Internet in the early 90's and its utilization started to rise rapidly. Now India stands 5th position in the list of countries having maximum number of internet users. The technological progress has influenced a lot procedures of businesses, governments, social lives, and education. Presently, individuals have easy access to unlimited resources and information that is required for maintaining and running a business. One of the avenues that have been significantly influenced by technology in India, by way of digitalization, is the stock market. The Indian Stock markets announced Internet trading/ online-trading in February 2002 among all the major stock exchanges in the country, which has brought a tremendous change in trading. To be a successful investor/ trader in stock market one has to embrace technology changes that have taken place.

Here are the ways to state the influence created by technology on stock market: Pre- digitalization, traders used to shout out orders at the stock exchange. There used to be gatherings around the stock trading forum and start shouting matches in order to trade (buy or sell securities). Luckily, thank to digitalization brought by technological innovation this is no longer the case, as trading can be done a lot easier. These days, traders do not have to shout orders in front of stock markets, as they can easily get the best stocks by researching online and trade using their mobile applications. There has also been great improvement in terms of research about the market. Earlier, public had to get information by contacting companies, look into libraries and/or read financial literature. But now, they can get the information they need about different companies easily online.

Post- digitalization has witnessed the changes in the trading behavior of people. For instance, digitalization has brought in high-frequency trading, also known as Day Trading. It is a practice wherein traders purchase and sell securities within a short span of time. This has definitely made a huge impact on their lives, as it is simple to do investment in securities with minimal risk. In reality, inter-day traders earn a lot of money within a single day.

In India, National Stock Exchange started the first form of digital trading in the beginning of 2000, where the trader of stocks can buy and sell in a day without much paper work. Previously, there were a lot of paper work formalities to be completed and it used to take about 60days to buy and sell stocks in stock markets. But thanks to technology, internet and digitalization development that took place the Indian capital markets, there has been an incredible percentage of advancement in exchange. According to daily trading website nearly 20 million active trading accounts are existing

in India in the beginning of the year 2021, but this had earlier been counted in crores, as active trading account prior to digitalization.

VI. Significant Contribution of Indian Stock Market to Indian Economy

Stock markets act as a blanket to a country's economy, as it creates liquidity in the market and influence economic activities. Liquid financial market is a significant qualifying factor behind majority of the early modernizations that branded the early stages of the Industrial Revolution. Long term commitment of capital is necessary for many profitable investments, but the investors in India are reluctant to surrender control of their savings for a longer duration, here is where the liquidity equity market makes the investment of these investors less risky and more attractive by giving them an option to hold the share by investing in a company till the duration it pleases them. This creates more savings and investment. And similarly, companies enjoy having permanent access to capital raised through equity issues to general public. By offering more profitable and long-term investments, these liquid stock markets improve allocation of capital (the idle funds of individuals) and improve prospects for long term economic growth.

The Indian Stock Market hasn't remained steady but grew over the years. It contributes to nation's growth by offering several routes for companies to raise funds, as mentioned earlier, for profitability. An increase in profitability indicates increase in tax revenue for the government and increase in tax revenue leads to growth and development of the country.

The other ways stock markets have contributed to economic growth are by offering employment opportunities to lakhs of youth as employees in stock exchanges, stock brokerage house, custodians, sub-brokers, clearing house members and so on. Furthermore, stock market is rightly considered to be the major indicator of country's future growth. Whenever an upcoming event occurs in future, whether good or bad, stock market is the first to react because of its sensitive nature.

VII. Financial Communication and Its Contributions to Investment Growth in Indian Stock Market

Financial communication is a communication process that connects financial markets and investing community with various organizations that borrow funds from the markets. Financial communication emerged in India with economic liberalization of 1990s, as the liberalization brought in unexpected growth in media and tremendous increase in financial newspapers and magazines. Financial communication handles financial advertisement and issues related with public or investors. Effective financial communication is crucial to confirm shareholder commitment and sustaining investor interest. Financial communication is the main pillar that ensures transparency and assists businesses to gain credibility among its stakeholders. This form of communication aims at supporting and strengthening market value of company's shares and its credibility to shareholders and investors. Credibility plays a vital role in light of information given to investors, this information falls in the scope of fairness, relevance, consistency and reality. As of this viewpoint, financial communication is a competitive battle field, where a company tries its best to convince its potential investors to buy the share of its company rather than its competitors.

As part of this communication process the listed and publicly traded companies need to regularly disclose their financial status/ reports. These data and information are passed to the general public through various financial advertising channels and help companies to attract new investors and

thus helping the stock exchanges to have an increasing trend of investment count. It also helps to have an increase count of accounts open for active day-trading in the stock markets. Financial communication helps stock markets to create a healthy environment for free flow of not only information but also funds. The investors know it for certain where their money is being used. Especially investors who are more interested in making sure that their savings are been invested in company's who work for social and good cause and produce healthy products and services to help the society.

Thus, there are many individuals who have idle money with them and want to use it for a good cause, financial communication helps companies to reach out to these people and attract them with the activities and operation of the companies. So, a good financial image increases the public's confidence in the company's share and subsequently obtain the funding sources. All of this is possible because of effective financial communication with its external environment. Financial communication not only has the role to play for increasing the company's value but also offers protection to identify, educate, satisfy and retain perception of target audience. Thus, in this way financial communication helps the stock market to have a steady growth of individuals turning to be active investors in the stock market.

VIII. Conclusion and Suggestions

The Indian Stock Market, like any other realms or market, has been greatly influenced by technology and digitalization. The kind of efficiency it has brought has not only made the market efficient but also helped it to grow through a lot of hurdles. Before the advent of computers, the only electronic instruments found in the market were calculators and telephones. But now all kinds of transactions, data analysis and communication are done with computers. It has also given conception to algorithm-based trading which is the result of greater integration of electronic processes in stock market. Other ways in which digitalization has changed stock market is through introduction of high frequency trading and making the market a much more credible place to trade. The stock trading today is one hundred times faster than it was three decades ago. Thus, the obvious impact of it is that a larger number of people are trading on day-to-day basis called as the day traders.

Indian Stock Market has continued to play cardinal role in making the market liquid place for the money to be invested and get higher returns, which otherwise would be stuck in static bank for lower returns. Thus, it is important for the government and people in power to understand the significance of stock market and take action to make its facilities accessible to all individuals, including those staying in the remotest corner of the country. The people living in such places cannot be considered as individuals with no savings. The mentality of Indians has always been to spend less and increase their savings. But these people do not know the ways by which they can use their idle money and make their money work give them better returns. This is where the importance of financial communication comes into the picture. Various companies, through stock markets, get to channelize their share and increase their capital through increase in the number of first-time investors. As more and more individuals are ready to invest there is an increased flow of capital in the market, which means more new entrepreneurs can start their own business and go public. Increase in the number of businesses would mean increase in employment opportunities, which would lead to increase in the standard of living of people of our country and eventually increase in consumption capacity and thus leading to the growth and development of our economy. Thus, stock markets play a vital role in the development of the nation. The sooner and deeper we

understand it and work for the growth of stock market, in the financial sector, the faster will be the growth of economy of our country.

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