



National Stock Exchange Vs Bombay Stock Exchange: A Comparative Analysis

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ABSTRACT

India currently has two major stock exchanges. The Bombay Stock Exchange and National Stock Exchange, There are important differences in ownership structure, geographic reach, internal control systems and institutionalised risk management facilities between the Bombay Stock Exchange and the National Stock Exchange. The purpose of this study is to examine if these significant structural differences between these stock exchanges contribute to variations in observed measures of quality of markets. We use a paired comparison approach and document significant differences in liquidity and index price volatility between the two markets. The time period has been used in this study.

INTRODUCTION

Sensex and Nifty

The Sensex or the nifty seem to be much more sensitive and faster than seismograph. Sensex and Nifty these two names are too common to necessitate any detailed explanation or elaborate introduction. Suffice it would be to say that they are indices of two of India's most prestigious and popular stock exchanges. While sensex mirrors the movement of thirty of the most popular stocks traded at the Bombay Stock Exchange (BSE), Nifty measures and reflects the changes in value of shares of 50 leading companies traded at the National Stock Exchange (NSE) It is believed that rise and fall of the index mirrors investors perception of the value of the stock of the companies which constitute the index at any given time and as such could serve as a guide or useful tool in arriving at investment decisions.

Bombay Stock Exchange (BSE)

Bombay Stock Exchange is the ancient securities exchange of the continent, formerly known by the name of 'The Native Share & Stock Brokers

Association' in the year 1875. In 1957, BSE was recognised by the Central Government of India as the premier Stock Exchange of the country, under the Securities Contract Regulation Act, 1956. SENSEX is introduced, as a first equity index in 1986 to provide a base for identifying the top 30 trading companies of the exchange, in more than 10 sectors. In the year 1995, BSE Online Trading System (BOLT) was started. The Association of person is converted into a Separate Legal Entity with the name of Bombay Stock Exchange Limited, in 2005.

On the basis of registered members, it stood first in the list of top stock exchanges across the world. It offers a diversified range of services in various areas like depository services through CDSL (Central Depository Services Limited), risk management, market data services, etc. BSE Institute Limited is one of the owned capital market educational institute of Bombay Stock Exchange.

National Stock Exchange (NSE)

National Stock Exchange is the youngest stock exchange of the country which came into force in the year 1992. At the time of its establishment, it introduced the advanced electronic trading system for the very first time in the country which removed the paper-based settlement system. The promotion of NSE is done by top financial institutions of the country and the world as well, on the recommendation of Indian Government in order to bring transparency and integrity in the securities exchange system on the Stock Market. In 1992, NSE was set up as a tax paying company which later on registered as a Stock Exchange under the Securities Contract Regulation Act, 1956, in the year 1993. In 1995, National Securities Depository Limited (NSDL) was formed to provide depository services to the investors. Nifty is

the popular index, which was introduced by National Stock Exchange in 1995, to act as a basis for measuring the performance of the exchange. It lists out top 50 companies which traded on the exchange.

REVIEW OF LITERATURE

Bandivadekar. S and Ghosh. S (2003) entitled on this paper "Derivatives and volatility on Indian stock markets" This paper objective of this studied the impact of introduction of index futures on spot market volatility on both S&P CNX Nifty and BSE Sensex using ARCH/GARCH technique. Daily data for BSE Sensex and S&P CNX Nifty have been used for the period January 1997 to March 2003 the concluded of turnover in the derivative market of BSE constitutes not only a small part of the total derivative segment but is miniscule as compared to BSE cash turnover thus, while BSE sensex in corporates only the market effects the reduction in volatility due to future effect plays a significant role in the case of S&P CNX Nifty.

OBJECTIVES OF THE STUDY

The present study intends to examine the following objectives:

1. To find out the differences between the NSE and BSE.
2. To find out the volatility and
3. Finally to compare the Exchange performance

PERIOD OF THE STUDY

The data employed in the study are monthly average index prices of NSE and BSE from the latest period of 1st January 2017 to 31st October 2018 i.e. 22 months only.

LIMITATIONS OF THE STUDY

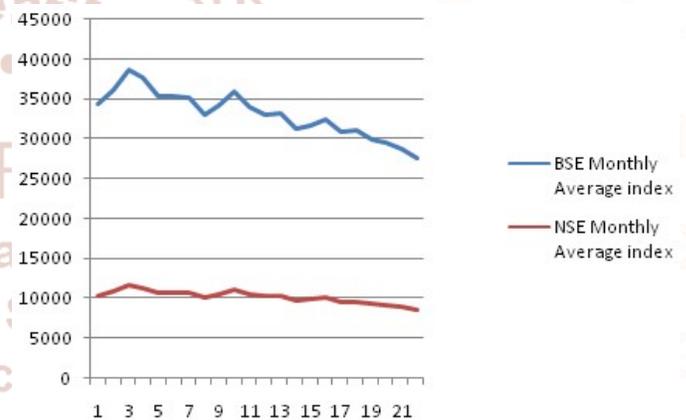
1. There may be some other source of information such as index policy and some other factors which also influence the index price in the same study period.
2. This study covers only National Stock Exchange and the Bombay Stock Exchange. It excludes other stock exchanges.
3. Data availability also is limitation of the study. The period covers only are 31st January 2017 to 31st October 2018.

THE MAJOR DIFFERENCES BETWEEN BSE AND NSE.

1. BSE and NSE are the top securities exchange of India, where BSE is the oldest one while NSE is the youngest one.

2. Globally, BSE stood in the 10th position in the list of top stock exchanges which is followed by NSE.
3. NSE was the first to introduce the modernized trading system in the country in 1992 while BOLT was introduced by BSE in 1995.
4. BSE's index is known by the name SENSEX (Sensitive Index) which shows 30 top trading companies. Nifty (National Fifty) is the index of NSE, displays 50 most traded companies.
5. BSE started as an Association of persons in 1875, which was accredited as a stock exchange in 1957. NSE was founded in 1992, as a tax paying company, but later on, in 1993 it was recognized as a Stock Exchange.

VOLATILITY CHANGES IN BETWEEN THE PERIOD



The above figure plots the index price line of Sensex and Nifty index for the period 01-01-2017 to 31-10-2018. It can be noticed from the figure that, until the 2017 the price movement was below points thereafter there is a rapid increase in the movement by the end of October 2018 it has crossed both index price to change the meager difference. Hereafter the index more volatile because of more number of players the hunted more return up to the period. During the period the index movement is the volatile it means the index reached more the more high levels than the lower level. After that there is immediate sharp fall more high more downs of the index movement. There is a both index was changed.

The Daily Turnover And Trades Are Much Higher In Nse In Comparison To Bse.

1. NSE has a market capitalization of more than \$1.65 trillion. While market capitalization of BSE is \$1.7 trillion.
2. More than 1,700 companies are present on NSE. Meanwhile, BSE has over 5,500 companies on it.

3. NSE is present in all the cities of India. However, BSE is present only in around 400 cities of the country.
4. Sensex consists of 30 companies. On the other hand, Nifty comprises of 50 stocks from 22 sectors of the economy.

CONCLUSION

The both exchanges NSE and BSE there is independent. However that implies the past does not influence the present price. Indian biggest indices both are random during the period 01.01.2017 to 31.10.2018. It means these indices are non stationary comparing to the volatility of both index movement it evolved the volatility of the index. While comparing

the BSE and NSE, Sensex is recommending to the investors for investing among the stock exchange indices in the Indian capital market. The reason is that the volatility of Nifty index is lesser than the Sensex index.

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