

From Bombay to NSE: A Historical Evolution of Indian Stock Markets from 1850 to 2024

Gurunathreddy¹

¹(Assistant Professor)

¹Department of Commerce and Management, Kishkinda University, Ballari, Karnataka, India

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Abstract: This paper offers an in-depth historical exploration of the Indian stock market, tracing its transformation from informal trading networks in mid-19th century colonial Bombay to the establishment of technologically advanced institutions like the National Stock Exchange (NSE) by 2024. With the formation of the Bombay Stock Exchange (BSE) in 1875—Asia's earliest organized stock exchange—as a pivotal milestone, the study examines how India's capital markets evolved amid changing political landscapes, economic policies, regulatory shifts, and rapid technological advancements. Key stages of this evolution include the contributions of native business communities, the impact of colonial financial structures, post-independence regulatory developments, the liberalization era of the 1990s, and the digital modernization of trading systems in the 21st century. Viewed through this historical framework, the paper highlights the vital role of stock markets in mirroring and influencing India's economic growth. It also emphasizes the enduring strength and flexibility of Indian financial institutions in adapting to both domestic changes and global economic trends.

Keywords: BSE, NSE, SEBI, Indian Stock Market, Capital Market Evolution, Financial Reforms, Stock Market History, Colonial Bombay, Economic Liberalization, Regulatory Framework, Financial Institution, Digital Transformation.

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I. INTRODUCTION

The Indian stock market is far more than a platform for trading securities; it represents a comprehensive narrative of the nation's economic, political, and technological journey spanning nearly two centuries. Its origins can be traced back to informal and trust-driven trading practices in Bombay during the 1850s. Over time, this modest beginning evolved into a complex, technologically advanced financial system, exemplified by the rise of the National Stock Exchange (NSE) in the modern era. A significant milestone in this evolution was the formation of the Bombay Stock Exchange (BSE) in 1875, recognized as the oldest stock exchange in Asia. The growth of Indian capital markets reflects the influence of local entrepreneurship, colonial financial systems, planned economic strategies post-independence, economic liberalization in the 1990s, and rapid technological change.

This study examines the historical development of India's stock markets from 1850 to 2024, focusing on major transformations brought about by regulatory reforms, economic crises, and key policy interventions. It investigates how the stock market has both mirrored and shaped broader shifts in the country's economic framework. The analysis pays close attention to the foundational role played by indigenous business communities, the impact of colonial

governance, and the emergence of BSE and NSE as major institutions in India's financial infrastructure. Additionally, the paper highlights how digital innovation has improved market efficiency, transparency, and global connectivity. By tracing this long and complex evolution, the study illustrates the stock market's critical role in fostering India's economic development and resilience.

II. THEORETICAL FRAMEWORK

➤ *Genesis and Early Development (1850–1914):*

The origins of stock trading in India date back to the 1850s in Bombay (now Mumbai), where brokers conducted informal share transactions beneath banyan trees near the Town Hall. These early gatherings laid the foundation for more structured trading practices, driven largely by the need to fund large infrastructure and industrial projects, such as railways and textile mills. A significant turning point came during the American Civil War (1861–1865), which disrupted U.S. cotton exports and positioned India as a key supplier to European markets. This surge in demand led to rapid wealth accumulation and the creation of several new companies, whose shares became actively traded.

A dominant business class, known as the "merchant princes" of western India, played a central role during this

phase. With strong roots in indigenous trade traditions and the ability to navigate both local and British colonial commercial systems, these entrepreneurs amassed significant economic and social influence. Their investments helped bridge traditional commerce with the emerging modern industrial economy.

In 1875, the informal network of brokers formalized into The Native Share & Stock Brokers' Association, now recognized as the Bombay Stock Exchange (BSE)—the oldest stock exchange in Asia. The establishment of joint-stock companies was supported by legal reforms, including the Joint Stock Companies Act of 1850 and the Companies Act of 1857, which introduced the concept of limited liability. Capital formation during this period was a hybrid process, combining profits from trade and agriculture with investments in new industrial ventures.

Despite these advances, British colonial policies heavily shaped India's financial landscape. The colonial administration prioritized land revenue extraction and external trade control over domestic economic development. India shifted from an exporter of finished goods to a supplier of raw materials, resulting in a decline in its global economic standing. While the stock market offered a growing platform for capital formation, it operated within a framework that served imperial interests, limiting broader national development. This tension between external control and local economic aspirations would later influence India's push for financial independence and reform.

➤ *Navigating Global Turmoil: Wars and Depression (1914–1947):*

World War I (1914–1918) had a mixed impact on the Indian economy and its emerging stock market. The demand for war bonds and Indian goods surged as Britain redirected its production towards the war effort. This boom generated significant profits for Indian enterprises, which laid the financial foundation for several future industrial groups. However, disruptions in trade routes caused shortages of key imports, triggering inflation and skewing the terms of trade against agriculture. Industrial prices rose much faster than agricultural ones, impacting rural economies and exposing the fragility of India's dependency on global supply chains.

The Great Depression (1929–1930s) brought a severe downturn in India. Following a strong bull market in the late 1920s, Indian stocks, especially in steel, jute, and textiles, crashed alongside global markets. The share index plummeted, investor confidence eroded, and liquidity dried up. Despite the widespread economic distress, the British colonial administration refused to devalue the rupee. Instead, it extracted large amounts of gold from India to stabilize the British economy post-gold standard, worsening India's economic contraction. Trade volumes collapsed, and protectionist policies intensified, deepening the impact of the global depression within India. This period demonstrated how colonial financial decisions often prioritized British interests over Indian welfare.

World War II (1939–1945) further strained the Indian economy through high inflation and currency depreciation due to massive wartime expenditures. The British government procured military supplies worth nearly one-third of India's pre-war GDP, injecting large sums into the economy without corresponding production increases. This imbalance led to price surges and necessitated the introduction of exchange controls. Despite these immediate challenges, the war prompted long-term changes: regions involved in war-related production saw significant labour shifts from agriculture to industry and services. This transformation persisted well into the post-war era, laying the groundwork for India's future industrialization. Though driven by colonial needs, the war inadvertently accelerated structural economic changes that would benefit independent India in the decades ahead.

➤ *Post-Independence Era: State Intervention and Market Inefficiencies (1947–1991):*

In the decades following independence, India adopted a protectionist economic model rooted in socialist ideals and shaped by colonial experiences. The government emphasized self-reliance through import substitution and established a strong public sector with extensive regulatory control over industries, labor, and finance. One of the most significant moves during this period was the 1969 nationalization of major commercial banks under Prime Minister Indira Gandhi, aimed at expanding access to banking and reducing economic inequality. This led to a sharp rise in bank branches—particularly in rural areas—along with massive growth in deposits and credit availability, which improved financial inclusion and supported small enterprises and agriculture.

However, this approach also brought challenges. State dominance in key sectors limited private sector participation and stifled competition. Political interference in banking operations affected efficiency and profitability. The stock market, overshadowed by state-driven economic policies, received little attention for modernization. Investor confidence declined due to fears of further nationalization and tight financial controls, which restricted capital market growth.

Meanwhile, the Bombay Stock Exchange (BSE), operating through a manual "open outcry" system, struggled with outdated infrastructure. Trades were conducted verbally, leading to delays in price discovery and information flow. The system lacked transparency, and investors, especially those outside Bombay, faced limited access due to poor telecommunications. Membership restrictions and high brokerage fees added to the inefficiencies, creating an environment vulnerable to manipulation.

Even before the well-known scams of the 1990s, irregularities were present. The market crash of 1865—driven by speculative trading during the American Civil War—demonstrated the long-standing risks of unregulated speculation. By the late 1980s, the financial system was marred by unreliable clearing and settlement processes, overcharging of retail investors, and general opacity. These

flaws revealed the urgent need for structural reforms, which would come in the liberalization era of the 1990s.

➤ *Liberalization, Technological Advancements, and Regulatory Strengthening (1991–2000s):*

• *Economic Reforms of 1991:*

Facing a severe balance of payments crisis, India initiated landmark liberalization measures under Prime Minister P. V. Narasimha Rao and Finance Minister Dr. Manmohan Singh. These included industrial de-licensing, tariff reductions, rupee devaluation, and the opening of capital markets to Foreign Institutional Investors (FIIs). These reforms attracted substantial foreign capital, significantly increasing liquidity and market capitalization, and laid the groundwork for a modern and globally integrated financial market.

• *The 1992 Harshad Mehta Scam:*

The stock market scam led by broker Harshad Mehta exposed major flaws in the Indian banking and trading systems. By exploiting loopholes and using fraudulent bank receipts, Mehta artificially inflated stock prices, most notably ACC, which soared from ₹200 to ₹9,000. The subsequent market crash eroded investor trust and triggered regulatory overhauls. In response, SEBI—established in 1988—was granted statutory powers in 1992, enabling stricter oversight of market practices and limiting risky financial instruments like ready forward deals.

• *Formation and Rise of NSE:*

Established in 1992 based on the Pherwani Committee's recommendations, the National Stock Exchange (NSE) launched operations in 1994. It introduced NEAT, India's first fully automated, screen-based trading platform, making trading more accessible, efficient, and transparent. As a demutualized exchange, the NSE separated ownership from trading rights, ensuring neutrality and fairness. It quickly gained prominence, surpassing the BSE, which adopted electronic trading only in 1995.

• *SEBI's Regulatory Reforms (Late 1990s–2000s):*

With enhanced powers, SEBI implemented several key reforms to improve market integrity. Notably, the shift to dematerialization replaced physical share certificates with electronic records, facilitated by NSDL (1996) and CDSL (1999). This transformation reduced fraud, improved settlement speed, and lowered transaction costs. The transition to T+2 settlement cycles minimized counterparty risks, while updated corporate governance norms—covering board independence, disclosure standards, and shareholder protections—enhanced transparency and investor confidence.

Together, the liberalization of the 1990s, the regulatory response to financial scandals, and the adoption of technology fundamentally reshaped India's capital markets. These changes transitioned the market from a localized, broker-dominated system to a modern, electronically driven, nationally accessible, and globally credible financial ecosystem.

➤ *Digital Transformation, Global Integration, and Evolving Market Trends (2000s–2024)*

• *Surge in Foreign Capital Participation:*

Post-1991 liberalization ushered in a new era for India's financial markets. Foreign Institutional Investors (FIIs), allowed entry from 1992, became key players—both in capital flow and market sentiment. FII registrations rose dramatically from just 18 in 1993 to over 1,000 by 2007. Their cumulative net investments swelled from ₹73,037 crore in 2003 to nearly ₹2 lakh crore by 2006, underscoring their growing influence on short-term price dynamics and liquidity.

• *Technological Leap: BSE and NSE Modernization:*

Both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) embraced digital transformation to modernize their platforms. BSE's adoption of the BOLT (BSE Online Trading) system in 1995 marked its shift to electronic trading. The NSE, a pioneer in technology, had already launched its fully automated NEAT system in 1994, which revolutionized the Indian stock market by ensuring transparency, faster execution, and nationwide access. NSE's launch of the NIFTY 50 index in 1996 and its introduction of equity derivatives in 2000 further solidified its leadership in innovation and efficiency.

• *NSE vs. BSE: Trading Volumes and Market Share:*

The NSE's head start in automation allowed it to dominate in terms of trading volumes and market liquidity. By 2024, NSE held nearly 80% of the market share in derivatives trading. Although BSE hosts a larger number of listed companies, including many small-cap firms, NSE's superior liquidity and technology-driven ecosystem positioned it as the preferred exchange for active traders and institutional investors.

• *The Rise of Retail and Online Brokerages:*

The 2010s witnessed a retail revolution in Indian capital markets. Fintech platforms like Zerodha (established 2010) and Groww (2017) democratized access through low-cost, user-friendly interfaces. Zerodha grew into India's largest retail broker by 2019, while Groww surpassed 40 million users by 2022. The number of demat accounts skyrocketed from 4 crore in 2020 to over 15 crore by 2024, with more than 60% of new accounts originating from tier-2 and tier-3 cities. This surge was powered by smartphone penetration, cheap data, Aadhaar-based e-KYC, regional financial literacy, and the influence of influencers on social media.

• *Mutual Fund Boom and SIP Growth:*

Household financialization gained momentum as mutual fund participation soared. Monthly SIP contributions doubled between 2017 and 2019 and surpassed ₹20,000 crore by 2024. Total assets under management (AUM) surged past ₹30 lakh crore, with significant contributions emerging from beyond India's top cities, indicating deeper rural and semi-urban penetration.

- *Market Cycles and Global Shocks:*

Despite structural advances, Indian markets remained vulnerable to global volatility. The 2008 Global Financial Crisis, 2015 China currency turmoil, 2016 demonetization, and the 2020 COVID crash all triggered steep declines. However, swift policy responses enabled quick recoveries—most notably the V-shaped rebound post-2020. These episodes reaffirmed India's integration into global financial flows, where international sentiment plays an increasingly influential role.

- *India's Growing Global Weight:*

India's rising stature was reflected in global indices. Its weight in the MSCI Emerging Markets Index rose from 8% in 2020 to 20% by 2024, overtaking many peers. JPMorgan's inclusion of Indian government bonds in its Global Bond Index (effective mid-2024) is set to draw passive inflows exceeding USD 22 billion, signaling growing global confidence in India's macroeconomic stability and market depth.

- *Innovation in Blockchain and Tokenized Assets:*

India's regulators are embracing cutting-edge technologies. The Reserve Bank of India (RBI) launched pilots for a digital rupee—both wholesale (e₹-W) and retail (e₹-R)—to streamline settlements and enhance efficiency. Meanwhile, SEBI mandated the use of blockchain for debenture tracking and proposed tokenized real estate investments via fractional ownership SPVs, pushing India toward a future-ready financial ecosystem.

- *Social Stock Exchange: Promise and Challenges:*

The Social Stock Exchange (SSE), designed to channel funds to non-profits and impact-driven entities, is still finding its footing. By early 2025, only ₹22 crore had been mobilized across ten issues, largely due to limited investor incentives and low retail awareness. SEBI is exploring reforms—simplifying participation, reducing ticket sizes, and aligning with CSR benefits—to unlock its true potential.

III. LITERATURE REVIEW

The historical development of India's stock markets parallels the nation's economic evolution and growing integration with global finance. Academic discourse has broadly analyzed this journey through four significant eras: the colonial period, the post-independence regulatory phase, the liberalization wave, and the modern digital era. These studies focus on the interplay of government policy, institutional frameworks, investor behavior, and technological advancements in shaping India's capital markets.

- *Colonial Era and Informal Trading Roots (1850s–1947):*

Stock trading in India commenced in the mid-19th century with informal broker meetings under banyan trees in Bombay. These early practices emerged primarily due to the financing needs of the booming textile and railway sectors. Scholars like Mehta (1956) and Choksey (1974) document how the initial transactions were largely driven by

commodity speculation and infrastructure investment, laying the groundwork for a more organized financial system.

The establishment of the Native Share and Stock Brokers' Association in 1875, which later became the Bombay Stock Exchange (BSE), signified the formalization of stock trading in India. Despite operating within a British-dominated colonial framework, Indian merchants played a decisive role in institutionalizing trading activities and fostering indigenous financial networks (Gupta, 2006) [1][2].

- *Post-Independence Phase: Regulation and Regional Expansion (1947–1991):*

Following independence, India adopted a state-controlled economic model. The implementation of the Capital Issues (Control) Act, 1947, and the Securities Contracts (Regulation) Act, 1956 (SCRA) marked the beginning of formal regulatory governance in stock markets. These laws aimed to bring transparency and oversight, although many scholars argue that excessive control discouraged private sector participation and limited capital formation (Kothari, 1987; Patel, 1998) [3][4].

This era also witnessed the emergence of regional exchanges in cities like Calcutta, Ahmedabad, and Madras. These platforms facilitated capital mobilization for local industries, particularly jute and textiles. Ray (1992) highlights the role of these exchanges in developing regional financial ecosystems despite facing technological and governance limitations [5].

- *Economic Liberalization and the Rise of NSE (1991–2000):*

India's economic reforms in 1991 triggered profound changes in capital market structures. The government relaxed controls over capital flows and welcomed foreign institutional investors (FIIs), resulting in increased liquidity and modernization. A key outcome was the formation of the National Stock Exchange (NSE) in 1992, which commenced trading in 1994 using a fully automated, screen-based platform. This was a revolutionary shift from the BSE's open outcry system.

Ahlwalia (2002) discusses the macroeconomic reforms that enabled this transformation, while Shah and Thomas (2001) examine the NSE's impact on market efficiency and transparency. Joshi (2008) notes that the NSE's nationwide electronic access broadened investor inclusion and democratized capital market participation [6][7][8].

The Harshad Mehta scam in 1992 was a critical turning point that led to the statutory empowerment of the Securities and Exchange Board of India (SEBI). Banerjee and Roy (2004) analyze how SEBI's expanded mandate helped restore investor confidence through improved governance and enforcement mechanisms [9].

- *Market Modernization and Global Integration (2000–2010s):*

The first decade of the 21st century saw a surge in technological innovation and global connectivity. The dematerialization of securities, the introduction of online

trading platforms, and the launch of derivatives markets significantly enhanced market depth. Singh and Mehta (2006) explore the role of futures and options in improving hedging opportunities and overall liquidity [10].

Mobile trading, algorithmic systems, and low-cost brokerage services further expanded investor access. Mohan (2010) underscores how these changes accelerated trading speeds, increased volumes, and transformed investor profiles. Meanwhile, foreign institutional capital continued to flow into Indian equities, making the market more sensitive to global cues. Sharma and Kumar (2007) highlight the correlation between FII inflows and market volatility [11][12].

➤ *Contemporary Developments: Digitalization, Retail Growth, and Global Trends (2010–2024)*

The past decade has witnessed dramatic shifts in the Indian stock market ecosystem. Fintech innovations, mobile trading apps, and digital literacy campaigns have fueled a surge in retail investor participation, especially during the post-COVID-19 period. Recent research focuses on how this shift has changed market dynamics, with retail-driven rallies and volatility becoming more common.

SEBI has continued to evolve, issuing regulations to address algorithmic trading, data privacy, and cybersecurity risks in a digitally interconnected environment. Emerging literature is evaluating the regulatory efficiency of these updates amid fast-paced technological growth.

Inclusion in major global indices (such as MSCI Emerging Markets) and increasing co-movement with global benchmarks has also attracted scholarly attention. Moreover, ESG (Environmental, Social, and Governance) investing is gaining traction in India. While still developing, this literature emphasizes the long-term implications of sustainable finance in aligning Indian markets with global ethical standards [13][14].

IV. RESEARCH GAP

Although scholarly work on the Indian stock market spans various historical epochs, much of it remains compartmentalized, focusing either on the colonial era, post-independence regulation, or the liberalization and digital phases. This fragmented approach has led to the absence of an integrated, chronological narrative that captures the market's continuous transformation from informal trading setups in the mid-19th century to its current tech-driven form in 2024. Additionally, the pivotal roles played by indigenous merchant communities and local financial systems during the colonial period are largely underexplored, as existing literature tends to emphasize British institutional influence. The dynamic interconnection between regulatory milestones—such as SEBI's formation and the enforcement of the Securities Contracts (Regulation) Act—and technological advancements like algorithmic trading and mobile-based platforms also warrants a more unified analytical treatment. Furthermore, academic engagement with recent trends post-2010, including the acceleration of

digitalization, the surge in retail investor activity post-COVID, and the rise of ESG-oriented investments, remains minimal. Finally, the lack of comparative studies with other emerging economies restricts the global contextualization of India's unique market trajectory.

➤ *Need for the Study:*

This research addresses existing gaps by undertaking a comprehensive, multi-decade examination of India's stock market, tracing its journey from colonial beginnings to its current global stature. By weaving together analyses of historical turning points, regulatory shifts, institutional developments, and technological innovations, the study constructs an integrated narrative of market evolution. The resulting insights will not only deepen academic understanding of India's financial trajectory but also guide future research, inform policy decisions, and enhance investor education in emerging-market settings.

➤ *Problem Statement:*

The historical development of India's stock markets spans over a century and a half, yet academic research often remains confined to isolated phases—such as the colonial era, post-independence regulatory shifts, or the liberalization period of the 1990s. This compartmentalized approach has resulted in a fragmented understanding of the stock market's transformation into a modern, technology-driven, and globally integrated financial system.

Key aspects such as indigenous financial practices during colonial rule, the rise of digital platforms and retail investor participation after 2010, and the recent incorporation of Environmental, Social, and Governance (ESG) principles are underexplored in existing literature. Furthermore, few studies attempt to connect the dots across different historical periods, leaving a gap in understanding how regulatory, technological, and institutional changes have collectively shaped market dynamics and investor behavior.

In light of these gaps, there is a critical need for a chronological and integrative study that traces the evolution of Indian stock markets—from the informal trading circles of Bombay in the 1850s to the sophisticated, algorithmic, and dematerialized environment of 2024. Such an analysis would provide deeper insights into the structural shifts and policy interventions that have defined India's financial landscape over time.

V. RESEARCH OBJECTIVES

- **Early Development and Institutionalization** Explore the transformation of informal trading in colonial India into formalized exchanges, focusing on the BSE's emergence and regulatory foundation until 1990.
- **Policy and Regulatory Reform** Assess the influence of legislative frameworks and liberalization on market dynamics, with emphasis on SEBI's role and post-crisis reforms.
- **Technological Modernization and Market Access** Analyze the evolution of trading infrastructure from

physical formats to digital platforms, and its impact on market efficiency and investor inclusion.

- **BSE vs. NSE: Comparative Trajectory and Market Leadership** Evaluate the historical evolution, strategic positioning, and contributions of BSE and NSE in shaping India's capital markets and global financial standing.
- **Market Resilience and Socioeconomic Impact** Investigate the effects of financial crises, the rise of retail investors, and how stock market growth has shaped financial literacy, investment culture, and future trends.

VI. RESEARCH METHODOLOGY

This study adopts a historical, qualitative, and descriptive research design to examine the evolution of Indian stock markets from 1850 to 2024. The research is structured around four major phases—Pre-Independence, Post-Independence Controlled Economy, the Liberalization Era, and the Digital Age—enabling both chronological sequencing and thematic analysis of institutional, regulatory, technological, and socio-economic developments. The study relies entirely on secondary data sources to ensure both historical depth and analytical rigour. These sources include archival records such as annual reports of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), circulars and policy documents from the Securities and Exchange Board of India (SEBI), bulletins and committee reports from the Reserve Bank of India (RBI), colonial-era trade gazettes, and parliamentary debates. In addition, the study draws on academic literature including books, journal articles, doctoral theses, government white papers, and expert committee reports such as those by the Narasimham Committee. Media archives from newspapers such as *The Times of India*, *The Economic Times*, and *Business Standard*, along with digital databases like JSTOR, Google Scholar, and official portals of BSE, NSE, SEBI, RBI, and the Ministry of Finance are also consulted. Data analysis is conducted using qualitative techniques such as content analysis, chronological mapping, thematic categorization, and comparative evaluation. Content analysis helps identify key regulatory shifts through a close examination of legislation such as the Securities Contracts (Regulation) Act of 1956 and the SEBI Act of 1992. Chronological mapping constructs a timeline of more than 50 major market events ranging from the founding of BSE in 1875 to the adoption of algorithmic trading. Thematic analysis explores recurring issues such as investor behavior, market reforms, technological disruptions, and policy transitions. Comparative evaluation is used to analyze operational, structural, and technological differences between BSE and NSE across various phases. To ensure validity and reliability, triangulation is employed by cross-verifying data across multiple independent secondary sources, while source criticism is used to assess the authenticity and potential bias of colonial and historical documents. Ethical considerations include proper attribution of all secondary sources, adherence to academic integrity, and transparency in identifying and acknowledging limitations. The research recognizes key constraints such as the fragmented nature of pre-independence records, potential bias in historical reporting,

and restricted access to proprietary trading datasets. These limitations are addressed through careful interpretation, critical source appraisal, and methodological transparency. The expected outcomes of this study include peer-reviewed academic publications, policy briefs that highlight regulatory lessons, and a curated digital archive of primary and secondary materials tracing the transformation of Indian stock markets from informal colonial trading circles to a sophisticated, digital, and globally integrated financial ecosystem.

VII. DATA ANALYSIS AND INTERPRETATION

➤ *Comparative Analysis: BSE vs. NSE – Legacy Meets Innovation:*

India's capital market is shaped by two financial giants—the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Though they operate in the same space, their origins, philosophies, and trajectories set them apart in striking ways.

• *Legacy vs. Visionary Foundation:*

The BSE, founded in 1875, holds the distinction of being Asia's oldest stock exchange. Its journey began under banyan trees in Mumbai, evolving gradually from a traditional, floor-based system. On the other hand, the NSE, born in 1992, was a visionary response to inefficiencies in the Indian financial system. It was designed from the ground up as a fully electronic, transparent, and nationally accessible platform, setting a new benchmark for market operations.

• *Technology: Tradition Meets Transformation:*

The BSE transitioned to digital with the BOLT system in 1995, modernizing its operations after decades of manual trading. However, the NSE had already taken the lead a year earlier with its NEAT system, enabling seamless, screen-based trading accessible across India. With the capacity to handle over 160,000 orders per second, NSE's infrastructure became synonymous with speed, precision, and accessibility.

• *Market Dynamics: Reach vs. Depth:*

The NSE dominates in terms of liquidity, market capitalization, and derivatives trading, accounting for over 79% of derivative volume as of April 2024. In contrast, the BSE boasts the highest number of listed companies—over 5,000, many of them in the small- and mid-cap space. While the BSE casts a wider net, the NSE dives deeper in terms of investor activity and trade volume.

• *Regulatory Compliance and Investor Appeal:*

Under SEBI's oversight, both exchanges maintain rigorous standards, but cater to different investor segments. The NSE's tighter listing norms attract institutional and high-volume traders, while the BSE's inclusive approach makes it appealing to start-ups, SMEs, and long-term retail investors. The BSE's heritage offers credibility; the NSE's innovation offers agility.

• *Strategic Direction and Modern Relevance:*

While the NSE continues to push boundaries with a cloud-first strategy and tech-driven solutions, the BSE is

revitalizing its role by enhancing digital capabilities and supporting a broader listing base. The surge in retail investors from Tier II and III cities is redefining participation, and both exchanges are adapting to meet this shift—though NSE's technological lead gives it a clear edge.

• *A Tale of Two Philosophies:*

The BSE represents an organic evolution, shaped by historical trading practices and gradual reform. In contrast, the NSE is a product of deliberate, institutional design—built to fix the shortcomings of legacy systems. This foundational contrast continues to define their identities: BSE is the custodian of heritage, NSE the champion of modernization.

Table 1 Impact of Major Crises on Indian Stock Market Indices

| Crisis Name | Period | Index (Sensex/Nifty) | Peak Value (Approx.) | Trough Value (Approx.) | Percentage Decline | Recovery Time (Approx.) |
|-------------------------|---------------------|---------------------------------|----------------------|------------------------|--------------------|-------------------------|
| Great Depression | Sep 1929 – Jun 1932 | Share Price Index (1927-28=100) | 101.2 | 58.1 | 42.60% | ~3 years (by 1935-36) |
| Harshad Mehta Scam | Apr 1992 – Apr 1993 | Sensex | 4,467 | 1,980 | 56% | ~2 years |
| Asian Financial Crisis | Dec-97 | Sensex | 4,600 | 3,300 | 28% | ~1 year |
| Dot-com Bubble Burst | Feb 2000 – Oct 2001 | Sensex | 5,937 | 3,404 | 43% | Gradual |
| Election Shock | May-04 | Sensex | - | - | 15% (intraday) | 2-3 weeks |
| Global Financial Crisis | Jan 2008 – Oct 2008 | Sensex | 21,206 | 8,160 | 61.50% | By 2009 |
| Global Slowdown | Jan 2015 – Feb 2016 | Sensex | 30,000 | 22,951 | 24% | 12-14 months |
| COVID-19 Crash | Jan 2020 – Mar 2020 | Sensex | 42,273 | 25,638 | 39% | By late 2020 (V-shaped) |

Source: livemint.com

➤ *Interpretation:*

The table presents a comparative overview of major financial crises that significantly impacted the Indian stock market, particularly the Sensex, from the Great Depression to the COVID-19 crash. The analysis reveals that the severity of these downturns varied widely, with the Global Financial Crisis of 2008 standing out as the most severe, leading to a sharp 61.5% decline in the Sensex within ten months. The Harshad Mehta scam of 1992 and the Dot-com Bubble Burst of 2000–2001 also had substantial effects, resulting in 56% and 43% declines, respectively. In contrast, the Asian Financial Crisis of 1997 and the Global Slowdown of 2015–2016 caused relatively milder downturns of 28% and 24%.

Recovery patterns were equally diverse. Certain shocks, like the 2004 General Election result, led to a swift intraday drop of 15% but were quickly corrected within a few weeks. Similarly, the COVID-19 crash of early 2020 caused a 39% fall in a short span, but thanks to aggressive monetary and fiscal interventions, the market witnessed a sharp V-shaped

recovery by the end of the same year. On the other hand, historically rooted events like the Great Depression (1929–1932) had a prolonged recovery time of nearly three years, indicating the long-term impact of global economic downturns during periods of weaker financial infrastructure. The Dot-com bubble also experienced a more gradual recovery, suggesting that market corrections rooted in overvaluation take longer to normalize.

The data indicates that while domestic scandals such as the Harshad Mehta scam result in sharp market declines due to a loss of investor trust, global financial events cause broader corrections, often with quicker recoveries due to coordinated policy responses. Over time, with improved regulatory frameworks and technological advancements, the Indian stock market has shown enhanced resilience, as evidenced by shorter recovery periods in recent crises. This underscores a maturing financial ecosystem that is better equipped to absorb shocks, respond to volatility, and regain investor confidence swiftly.

Table 2 Comparative Overview: BSE vs. NSE (Key Metrics)

| Difference | Bombay Stock Exchange (BSE) | National Stock Exchange (NSE) |
|----------------------|--|---|
| Foundation & History | Established 1875, Asia's oldest exchange | Founded 1992, quickly rose to prominence |
| Electronic Trading | Transitioned in 1995 with BOLT | Fully electronic since inception (NEAT system) |
| Index Dominance | Sensex (30 large, well-established companies) | Nifty 50 (50 large-cap stocks across sectors) |
| Product Offerings | Equities, derivatives, debt, mutual funds; innovative products | Equities, derivatives, debt, mutual funds; pioneered electronic trading |
| Regulatory Framework | Regulated by SEBI, ensures fair practices, investor protection | Regulated by SEBI, adheres to fair practices, investor protection |

| Trading Volume | Lower compared to NSE | Higher compared to BSE |
|----------------------------|---|---|
| Derivatives Contracts | Lower trading volumes | Leads with liquid indices like NIFTY 50, Bank NIFTY |
| Number of Listed Companies | Over 5000 listed companies | Over 1600 listed companies |
| Market Access | Historically localized, limited by telecommunications | National, democratized access via screen-based system |

Source: medium.com

Table 3 Key Milestones in Indian Stock Market History (1850-2024)

| Year | Event/Milestone | Significance/Impact |
|------------|---|--|
| 1850s | Informal trading under banyan trees in Bombay | Genesis of organized stock trading, driven by commercial needs and "Merchant Princes" |
| 1850 | Joint Stock Companies Act | First legislation for company incorporation in India |
| 1857 | Companies Act (Limited Liability) | Introduced concept of limited liability for companies |
| 1861-1865 | American Civil War | Boosted Indian cotton trade, led to new company formation and speculative boom |
| 1875 | Establishment of "The Native Share & Stock Brokers Association" (BSE) | Formalized India's first stock exchange, Asia's oldest |
| 1914-1918 | World War I | Increased demand for Indian goods, industrial profits, inflation; unintended catalyst for indigenous industrial capital |
| 1929-1932 | Great Depression Impact | Crash in commodity prices, stock market plummet (index fell 42.6%); exacerbated by colonial financial policies prioritizing British interests |
| 1939-1945 | World War II | High inflation, currency devaluation; economic mobilization led to long-run structural transformation from agriculture to industry/services |
| 1969 | Bank Nationalization | 14 major commercial banks nationalized; significant increase in deposits, advances, and rural branch expansion; crippled big business finances |
| 1988 | Establishment of SEBI | Initial formation of a financial market regulator |
| 1991 | Economic Reforms (Liberalization) | De-licensing, tariff reduction, opening to FIIs; increased market capitalization and liquidity |
| 1992 | Harshad Mehta Scam | Exposed systemic loopholes, led to market crash; catalysed SEBI's empowerment and NSE's establishment |
| 1992 | National Stock Exchange (NSE) Incorporated | Conceived as modern, transparent, efficient alternative to traditional systems |
| 1994 | NSE introduces NEAT (electronic trading) | Replaced open outcry, democratized market access nationwide |
| 1995 | BSE introduces BOLT (electronic trading) | BSE's transition to digital trading |
| 1996 | NSE launches NIFTY 50 index | Became a premier benchmark for Indian equity market |
| 2000s | SEBI implements Dematerialization, T+2 settlement, Corporate Governance | Enhanced efficiency, speed, security, and transparency |
| 2000s-2024 | Growth of FII/FDI & Online Trading Platforms | Substantial foreign capital inflows; rise of discount brokers (Zerodha, Groww); exponential growth in demat accounts and retail participation |
| 2010s-2024 | SIP & Mutual Fund Growth | Significant increase in monthly SIP contributions and AUM, reflecting financialization of household savings |
| 2020-2024 | India's Increasing Weight in Global Indices | MSCI EM weight increased from 8% to 20%; inclusion of Indian bonds in GBI-EM |
| 2022 | RBI launches Digital Rupee (e₹) pilots | Exploration of blockchain/DLT for wholesale and retail transactions |
| 2022 | Social Stock Exchange (SSE) launched | Innovative platform for social impact investing, still in nascent stages of fundraising |

Source: medium.com

Table 4 Number of Listed Companies

| Exchange | Total Listed Companies | Notes |
|-------------------------------|------------------------|--|
| BSE (Bombay Stock Exchange) | 5,595 | Excludes DVRs, REITs, InVITs, ETFs, and partly paid shares |
| NSE (National Stock Exchange) | 2,629 | Includes 2,084 on the Mainboard and 587 on the SME platform (NSE Emerge) |

Source: bing.com

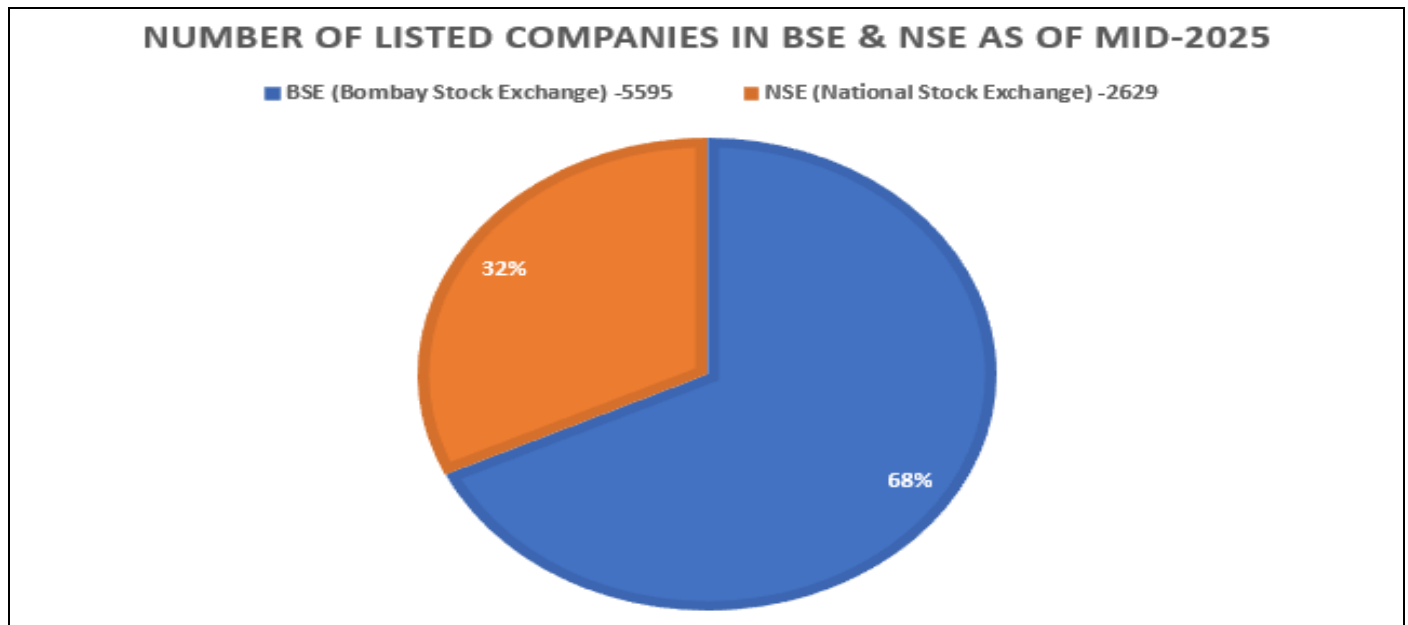


Fig 1 Number of Listed Companies in BSE & NSE as of Mid-2025

➤ *Interpretation: The Pulse of India's Capital Markets:*

India's equity markets, led by the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), are a reflection of the country's evolving corporate and economic landscape. As of mid-2025, the BSE, with 5,595 listed companies, holds the distinction of being Asia's largest exchange in terms of listings. Its vast array of companies—from long-established industrial firms to emerging regional players—illustrates the inclusive nature of India's capital market, where enterprises of all sizes can access funding and gain market exposure.

Meanwhile, the NSE, with 2,629 listed companies, including 587 SMEs on its Emerge platform, showcases a more focused and structured approach. It emphasizes transparency, scalability, and investor protection, highlighting the exchange's commitment to building a resilient and investor-friendly ecosystem.

The practice of dual listings—where many companies are listed on both exchanges—enhances market liquidity, improves price discovery, and boosts investor confidence. The growing number of SME listings on NSE Emerge highlights the increasing participation of entrepreneurs from Tier-II and Tier-III cities, indicating a broader shift in India's entrepreneurial ecosystem.

Additionally, the reduction in dormant or inactive listings points to stricter regulatory oversight, emphasizing a shift toward quality over quantity. Rather than being a mere count of companies, the listing trends at BSE and NSE offer insights into India's broader financial transformation. These stock exchanges are not just trading hubs—they are engines of economic progress, enabling businesses to scale and contribute to the country's growth narrative.

Table 5 Categorize Data by Time Periods

| Period | Focus Area |
|-----------|--|
| 1850–1947 | Informal trading, Native share brokers, BSE establishment |
| 1947–1991 | Regulation, SCRA 1956, Capital control, Monopoly of BSE |
| 1991–2000 | Liberalization, SEBI formation, NSE launch, Screen-based trading |
| 2000–2010 | Demat system, FII entry, market automation |
| 2010–2024 | Digital boom, mobile trading, ESG investing, COVID-era changes |

Source: moneycontrol.com

The historical evolution of the Indian stock market can be distinctly categorized into five major time periods, each marked by unique structural, regulatory, and technological changes. These transitions have not only transformed market functioning but also reshaped investor behavior, institutional frameworks, and global integration. The data categorized by these time periods is interpreted below:

- *1850–1947: Informal Trading and BSE Establishment:*

This era represents the foundation phase of the Indian capital markets. Trading was largely informal and

community-driven, conducted primarily by native share brokers in cities like Bombay and Calcutta. The establishment of the Bombay Stock Exchange (BSE) in 1875 formalized trading practices and created a centralized market platform. However, market operations remained manual, unregulated, and heavily reliant on trust-based mechanisms.

- *1947–1991: Regulation, Monopoly, and State Control:*

Post-independence, the Indian government adopted a socialist approach to economic governance, which was reflected in the capital markets through strict regulatory

oversight and capital controls. The Securities Contracts (Regulation) Act (SCRA) of 1956 was a major step toward formalizing market operations. The BSE maintained a monopolistic position during this time, and the market lacked competition and transparency. Investor protection remained a concern due to the absence of electronic trading and real-time information dissemination.

- **1991–2000: Liberalization and Technological Transition:**

The 1991 economic reforms marked the beginning of liberalization and globalization of the Indian economy. The establishment of the Securities and Exchange Board of India (SEBI) in 1992 enhanced investor protection and regulatory enforcement. The launch of the National Stock Exchange (NSE) in 1994 introduced screen-based electronic trading, thereby reducing information asymmetry, enhancing liquidity, and fostering market efficiency. This period marked a critical shift from monopolistic and manual operations to competitive and technologically driven markets.

- **2000–2010: Automation, Demat System, and Global Integration:**

This decade witnessed the implementation of the Dematerialization (Demat) system, eliminating the risks associated with physical share certificates. The entry of Foreign Institutional Investors (FIIs) further internationalized the market and deepened capital inflows. Market automation

through electronic settlement systems and the adoption of algorithmic trading increased efficiency, accuracy, and trading volumes. These developments brought the Indian stock markets in alignment with global standards.

- **2010–2024: Digital Boom, ESG Focus, and Pandemic Response:**

The most recent phase is characterized by a digital revolution in stock trading. The emergence of mobile trading platforms, fintech applications, and UPI-enabled investing tools has democratized access to capital markets. Environmental, Social, and Governance (ESG) investing gained momentum as investors increasingly prioritize sustainability. The COVID-19 pandemic further accelerated digital adoption, altering investor sentiment and prompting regulatory bodies to adapt rapidly to volatile market dynamics.

This phased interpretation provides a comprehensive understanding of how the Indian stock market evolved from informal trading floors to a highly digitalized and globally integrated system. Each period has contributed uniquely to the institutional maturity, investor participation, and technological advancement of the market.

➤ **Growth of Nifty 50 Index (1995–2024):**

Table 6 Growth of Nifty 50 Index (1995–2024)

| Year | Nifty 50 Index (Year-end) |
|------|---------------------------|
| 1995 | 900 |
| 2000 | 1,200 |
| 2005 | 2,900 |
| 2010 | 6,200 |
| 2015 | 8,000 |
| 2020 | 14,000 |
| 2022 | 18,500 |
| 2024 | 22,200 |

Source: nseindia.com

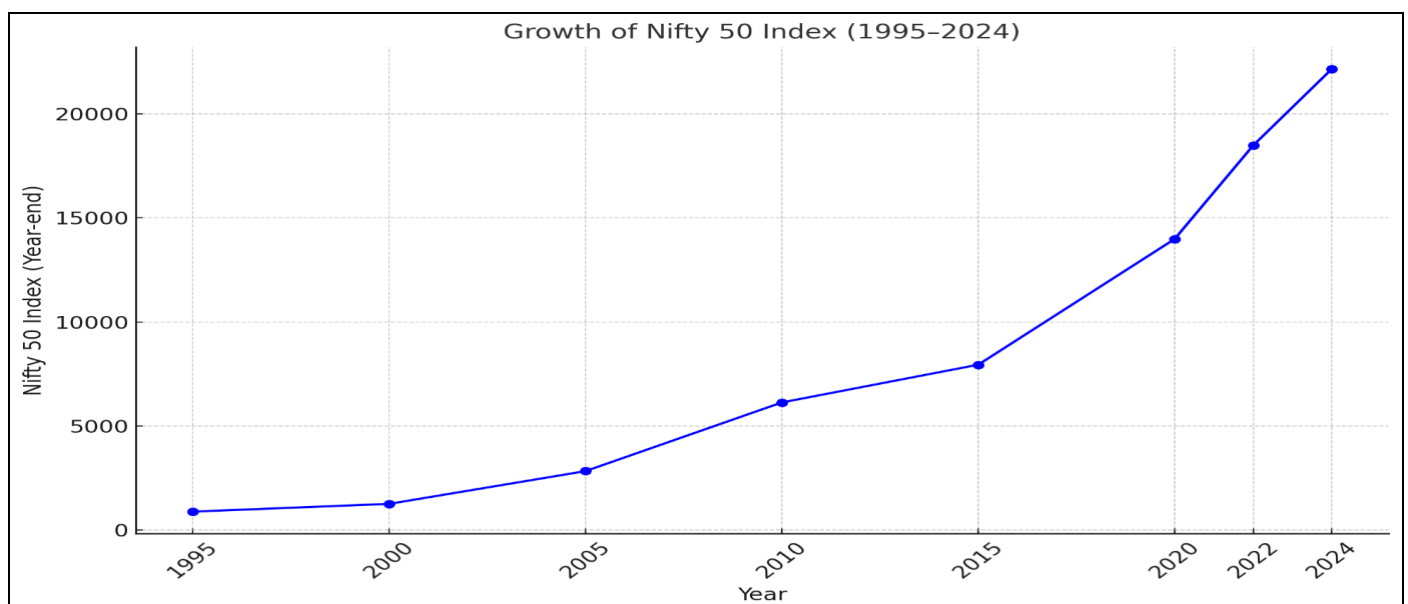


Fig 2 Growth of Nifty 50 Index (1995–2024)

➤ *Interpretation:*

The Nifty 50 Index has demonstrated a strong upward trajectory from 1995 to 2024, reflecting the robust growth of India's capital markets. Beginning at around 900 in 1995, the index saw steady progress, reaching approximately 2,900 by 2005—an era shaped by economic liberalization and growing investor interest. From 2005 to 2015, the index continued its upward movement, crossing the 8,000 mark as a result of strong economic performance, market reforms, and increased foreign investment. The most notable acceleration occurred

between 2015 and 2024, with the index rising sharply from 8,000 to nearly 22,200. This period was marked by rapid digital transformation, policy support, and a resilient post-pandemic recovery. Overall, the consistent growth of the Nifty 50 Index over three decades signifies investor confidence, economic stability, and the evolving strength of India's financial ecosystem.

➤ *Growth of BSE Sensex from 1990 to 2024.*

Table 7 Growth of BSE Sensex from 1990 to 2024.

| Year | BSE Sensex Index (Year-end) |
|------|-----------------------------|
| 1990 | 1,000 |
| 1995 | 3,400 |
| 2000 | 4,000 |
| 2005 | 9,500 |
| 2010 | 20,500 |
| 2015 | 26,000 |
| 2020 | 48,000 |
| 2022 | 61,000 |
| 2024 | 73,500 |

Source: bseindia.com

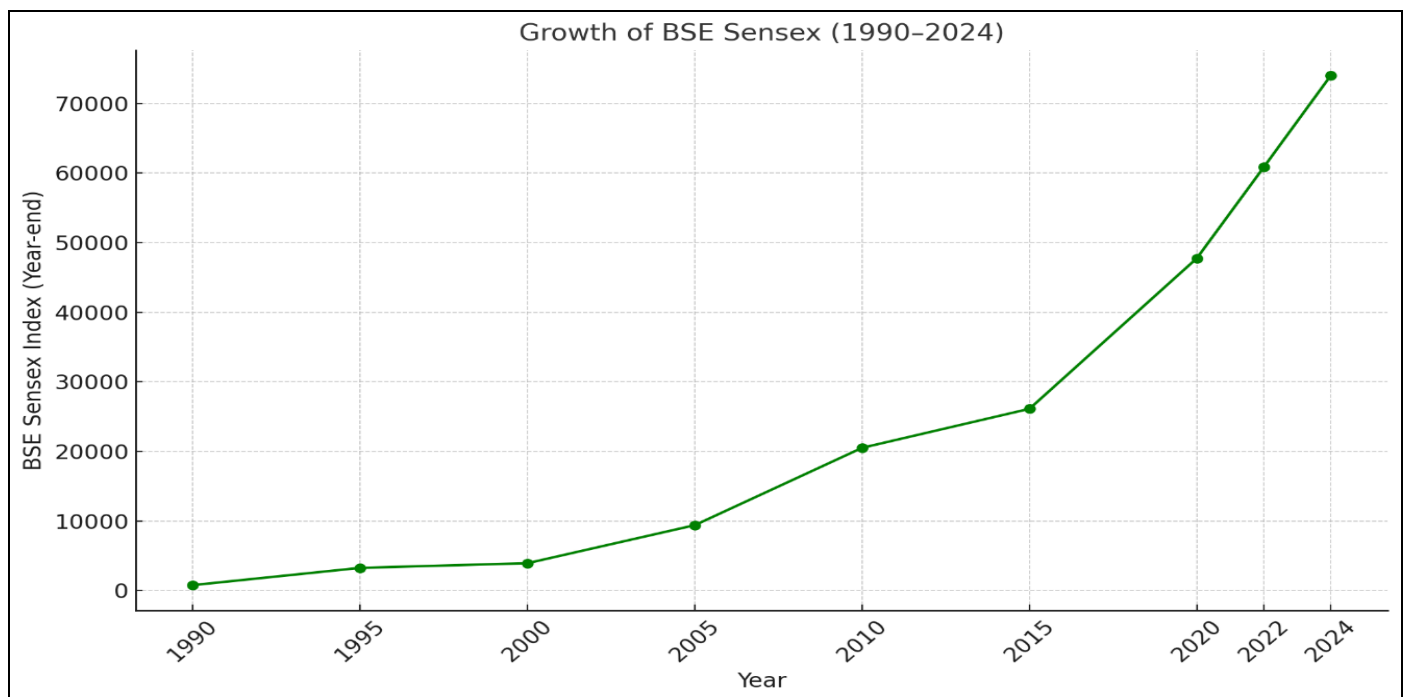


Fig 3 Growth of BSE Sensex from 1990 to 2024.

➤ *Interpretation*

The BSE Sensex has shown impressive long-term growth from 1990 to 2024, reflecting the resilience and expansion of India's equity markets. In 1990, the index stood at around 1,000, and by 1995, it had climbed to approximately 3,400, driven by early economic reforms and liberalization efforts. This growth momentum continued into the early 2000s, with the index reaching about 9,500 by 2005, signaling increased investor confidence and enhanced market participation.

A significant surge occurred between 2005 and 2010, as the Sensex more than doubled to nearly 20,500, despite the global financial crisis. This rise was supported by strong macroeconomic fundamentals, corporate earnings, and policy initiatives. From 2010 to 2020, the index maintained a steady upward trajectory, touching 48,000, driven by digital innovation, reforms, and a favorable investment climate. Post-2020, the market gained even more momentum, reaching around 73,500 by 2024, reflecting a robust recovery from the COVID-19 pandemic and growing optimism in the Indian economy.

In summary, the Sensex has multiplied over 70 times in 34 years, highlighting India's transformation into a dynamic and globally recognized financial market. The consistent rise

in the index underscores strong investor trust, economic progress, and the increasing integration of Indian capital markets with the global economy.

Table 8 Comparative Analysis of BSE Sensex Index and Nifty 50 Index Analysis

| Year | BSE Sensex Index (Year-end) | Nifty 50 Index (Year-end) |
|------|-----------------------------|---------------------------|
| 1990 | 1,000 | |
| 1995 | 3,400 | 900 |
| 2000 | 4,000 | 1,200 |
| 2005 | 9,500 | 2,900 |
| 2010 | 20,500 | 6,200 |
| 2015 | 26,000 | 8,000 |
| 2020 | 48,000 | 14,000 |
| 2022 | 61,000 | 18,500 |
| 2024 | 73,500 | 22,200 |

Source: bseindia.com and nseindia.com

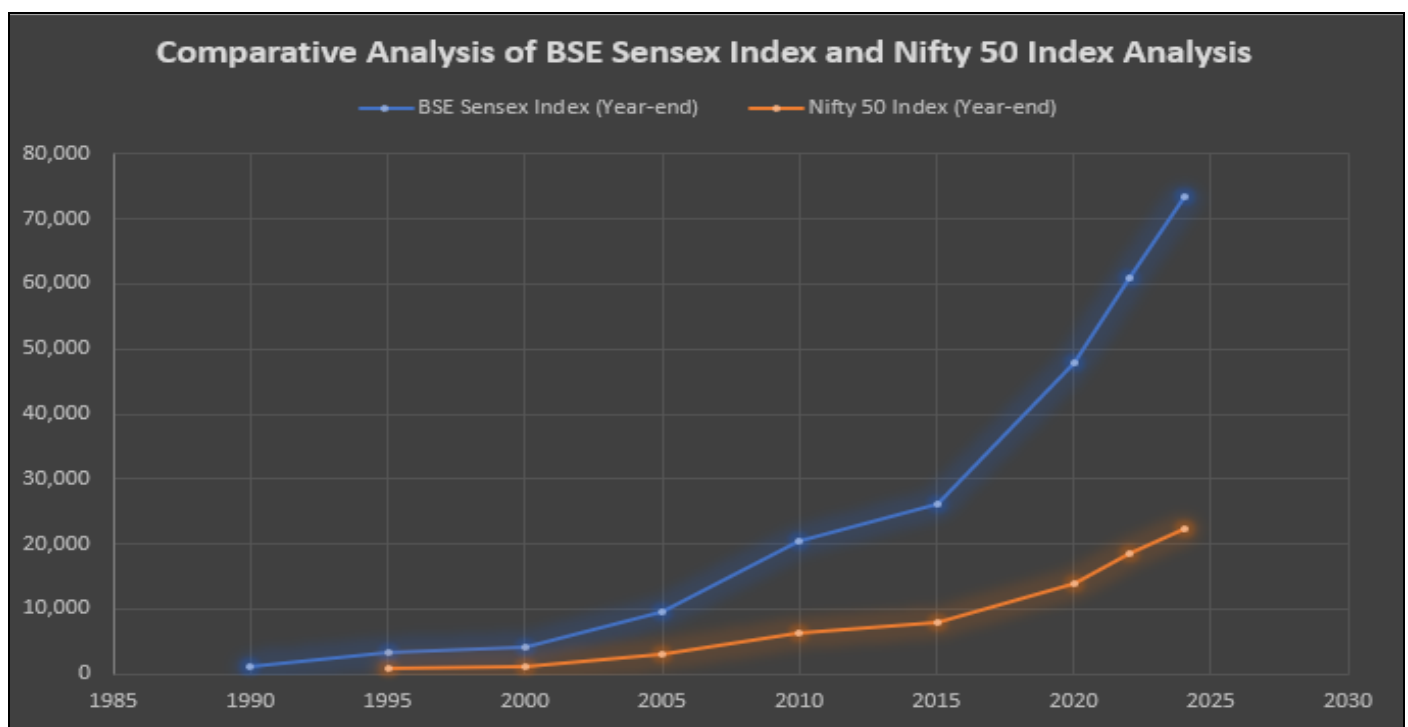


Fig 4 Comparative Analysis of BSE Sensex Index and Nifty 50 Index Analysis

This section presents a comparative analysis of the Nifty 50 and BSE Sensex indices over multiple decades, reflecting the evolution of India's stock market performance. The analysis is based on year-end index values from 1990 to 2024, showing overall market trends, growth phases, and investor confidence patterns.

- Performance of Nifty 50 Index (1995–2024):**

The Nifty 50 index, representing the performance of 50 major companies listed on the National Stock Exchange (NSE), has witnessed robust growth since its inception. Starting at approximately 900 points in 1995, the index gradually climbed to nearly 2,900 by 2005. The pace of growth accelerated in the subsequent years, with the index reaching around 8,000 in 2015 and crossing 22,000 by 2024. This consistent rise highlights the impact of financial sector reforms, digital trading infrastructure, and rising institutional and retail participation in the capital market.

- Performance of BSE Sensex (1990–2024):**

The BSE Sensex, which tracks the movement of 30 well-established companies listed on the Bombay Stock Exchange (BSE), also reflects a strong upward trend. From a base level of approximately 1,000 in 1990, the index increased to about 9,400 by 2005. It continued its upward momentum, crossing 26,000 in 2015 and surging past 73,000 by the end of 2024. The remarkable growth reflects macroeconomic stability, corporate earnings growth, regulatory improvements, and investor optimism over the long term.

- Comparative Growth Analysis:**

Both indices exhibit a broadly similar trajectory of sustained growth, particularly after 2005. The period from 2015 to 2024 marks a phase of rapid expansion for both indices. While the Nifty 50 more than doubled during this time, the Sensex nearly tripled in value. This indicates

strengthened investor sentiment, improved market infrastructure, and the increasing integration of India's financial markets with the global economy.

• *Key Observations and Implications:*

- ✓ The long-term trend of both indices is upward, reflecting the resilience and maturity of Indian financial markets.
- ✓ Periods of volatility, such as the global financial crisis and the COVID-19 pandemic, were followed by swift recoveries.

- ✓ Reforms in corporate governance, increased foreign investments, and the democratization of stock market access have played a vital role in shaping this growth.
- ✓ The stock market serves as a barometer of India's economic health and has consistently mirrored the country's economic transformation.

This analysis underscores that the Indian stock market, as reflected in the Nifty 50 and Sensex indices, has evolved into a dynamic and growth-oriented ecosystem, offering substantial long-term returns to investors.

Table 9 Factors Influencing BSE and NSE: Major Events & Impact (1850–2024)

| Sl. No. | Factor | Major Events / Milestones | Impact Level | Impact Description with Data |
|---------|--|--|--------------|---|
| 1 | Colonial Trade & BSE Formation | • Cotton boom during U.S. Civil War (1861–1865) • BSE established in 1875 | ● Moderate | Informal trading led to the formation of BSE with 318 brokers; laid foundation for equity culture. |
| 2 | Independence & State Control (1947–91) | • License Raj • Limited private sector participation | ● Moderate | Market remained shallow; BSE listed companies grew slowly — 503 in 1950 to ~2,500 by 1985. |
| 3 | Stock Market Scams | • Harshad Mehta Scam (1992) • Ketan Parekh Scam (2001) | ● High | BSE Sensex crashed from ~4,467 to 2,529 (1992); SEBI's power increased; triggered reforms and rise of NSE. |
| 4 | Economic Liberalization (1991) | • De-licensing, FDI allowed, PSU disinvestment started | ● High | Sensex rose from 1,200 in 1991 to 4,500 by 1994. FII participation began in Indian markets. |
| 5 | Establishment of NSE | • NSE operational in 1994 • Introduced screen-based trading | ● Very High | NSE overtook BSE in turnover by 1996; more efficient, transparent, and accessible trading model. |
| 6 | Technological Advancements | • BSE's BOLT (1995) • Algo & HFT introduced in 2008 onwards | ● High | BSE/NSE trading volumes surged: NSE daily turnover increased from ₹15,000 Cr (2000) to ₹8.5 lakh Cr (2024). |
| 7 | Regulatory Strengthening (SEBI) | • SEBI Act 1992 • Reforms in IPO, disclosure, insider trading laws | ● High | Improved investor confidence; ~7,800 companies listed across BSE & NSE by 2024. |
| 8 | Dematerialization | • NSDL (1996), CDSL (1999) • Paperless trading introduced | ● High | Over 15 crore Demat accounts by 2024 (up from 2 crore in 2015); curbed frauds and delays. |
| 9 | Globalization & FII Flows | • FIIs allowed (1992) • India's inclusion in MSCI Index | ● High | FII net inflows (1993–2023): ~\$300 billion; market cap grew 10x between 2003–2023. |
| 10 | Market Crashes | • 2008 GFC: Sensex fell from 21,000 to 8,000 • COVID Crash (2020): fell 40% in 1 month | ● Very High | NSE market cap dropped ₹35 lakh crore in March 2020; recovered sharply due to fiscal & monetary stimulus. |
| 11 | Rise of Retail Participation | • Discount brokers (Zerodha, Groww) • UPI, mobile trading | □ Very High | Retail ownership in NSE firms: 9.3% in 2023 (up from 4.5% in 2015); over 14 crore retail accounts by 2024. |
| 12 | Government Policies & Budgets | • GST (2017), Demonetization (2016), Union Budgets | ● Moderate | Nifty and Sensex highly responsive: e.g., Nifty rose 300 pts post Budget 2021. |
| 13 | Financial Instruments | • Derivatives (2000) • ETFs, REITs, InvITs | ● Moderate | NSE derivatives segment contributes ~95% of trading volume (2024); ETFs AUM crossed ₹7 lakh crore. |

| | | | | |
|----|---|---|----------------|--|
| 14 | Inclusion in Global Benchmarks | • JP Morgan, FTSE, MSCI inclusion | ● Moderate | Led to passive inflows; India's weight in MSCI EM Index ~13.5% (2024), boosting institutional buying. |
| 15 | SME Listings & Start-up Platforms | • BSE SME (2012) • NSE Emerge (2012) | □ Low–Moderate | Over 800 SMEs listed as of 2024; improved access to capital for small businesses. |
| 16 | Investor Education & Financial Literacy | • SEBI's Investor Awareness Programs • Online education | □ Moderate | Rise in retail investors, SIPs (~₹20,000 Cr monthly in 2024), and increased long-term investing behaviour. |

Source: SEBI, BSE and NSE

➤ *Interpretation:*

The evolution of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) from 1850 to 2024 reflects the dynamic and multifaceted development of India's capital markets. The early foundations were laid during the colonial era, particularly during the American Civil War (1861–65), when a surge in cotton trade led to informal securities trading in Bombay. This momentum culminated in the formal establishment of BSE in 1875. However, in the post-independence period, the Indian economy operated under a heavily regulated framework known as the License Raj, which restricted private enterprise and slowed the growth of the stock market. By the mid-1980s, the number of companies listed on BSE had grown modestly, indicating limited investor participation and capital formation.

A significant shift occurred in the early 1990s, triggered by financial scandals such as the Harshad Mehta scam in 1992. These events exposed serious flaws in the regulatory system and led to the empowerment of the Securities and Exchange Board of India (SEBI) as the primary market regulator. Simultaneously, India embarked on a path of economic liberalization, marked by deregulation, the opening of markets to foreign investors, and disinvestment of public sector units. These reforms boosted investor confidence, and the Sensex rose sharply from around 1,200 in 1991 to approximately 4,500 by 1994. The launch of NSE in 1994, with its advanced, screen-based trading platform, marked a revolutionary shift towards greater transparency, efficiency, and accessibility in the Indian stock market. By 1996, NSE had surpassed BSE in trading volume, setting new standards in market operations.

Technological advancements further transformed the trading landscape. BSE's introduction of BOLT in 1995 and the shift to dematerialized (paperless) trading through NSDL and CDSL in the late 1990s significantly reduced fraud, improved transaction speed, and enhanced investor trust. These innovations helped expand market depth and scale. By 2024, NSE's daily turnover had risen to over ₹8.5 lakh crore, underscoring the exponential growth in trading activity.

The process of globalization also had a profound impact on Indian stock markets. With the entry of Foreign Institutional Investors (FIIs) in the early 1990s and India's subsequent inclusion in major global indices such as MSCI

and FTSE, capital inflows surged. Between 1993 and 2023, India attracted approximately \$300 billion in FII investments, and market capitalization grew nearly tenfold between 2003 and 2023. This not only deepened the market but also increased its integration with the global financial system.

Despite facing multiple crises—such as the global financial meltdown in 2008 and the COVID-19 pandemic in 2020—Indian stock markets demonstrated remarkable resilience. The Sensex plunged from 21,000 to 8,000 during the 2008 crisis, and NSE lost over ₹35 lakh crore in market capitalization in March 2020. However, both exchanges rebounded strongly, driven by timely government interventions and sustained investor confidence.

A transformative trend in recent years has been the growing participation of retail investors. The rise of mobile-based platforms and discount brokerages like Zerodha and Groww, combined with seamless UPI integration, has made investing more accessible than ever. By 2024, the number of Demat accounts had surpassed 14 crore, and retail shareholding in NSE-listed companies increased from 4.5% in 2015 to 9.3% in 2023. This trend has been further supported by SEBI's investor education initiatives and the growing popularity of systematic investment plans (SIPs), which reached a monthly inflow of ₹20,000 crore.

Policy decisions such as the implementation of GST, demonetization, and key Union Budget announcements have also influenced market sentiment and sectoral performance. Additionally, the introduction of new financial instruments like derivatives, exchange-traded funds (ETFs), REITs, and SME-focused platforms (BSE SME and NSE Emerge) have diversified investment opportunities and expanded capital access for smaller businesses.

In conclusion, the journey of BSE and NSE reflects a broader narrative of India's transition from a tightly controlled, colonial-era financial system to a globally integrated, investor-driven capital market. The combination of regulatory reform, technological innovation, globalization, and retail participation has made Indian stock markets more robust, inclusive, and efficient. Today, BSE and NSE stand not only as pillars of India's financial infrastructure but also as powerful engines of economic growth and investor empowerment.

Evolution of Indian Equity Markets

1 Colonial Trade & BSE Formation

- Cotton boom during U.S. Civil War (1861-1963)
- BSE established in 1975

2 Independence & State Control (1947 -91)

- License Raj
 - Limited private sector participation
- Market remained shallow: BSE listed companies grew slowly – 503 in 1950 to ~3,000 by 1983

3 Stock Market Scams

- Harshad Mehta Scam (1992) **High**
 - Katan Parekh Scam (2001)
- BSE Sensex crashed from ~4,467 to 2,573 (1992), SEBI's power increased triggered reforms and rise of NSE

4 Economic Liberalization (1991)

- De-licensing, FDI allowed
 - PSU disinvestment started
- High Sensex rose from 1200 in 1991 to 4,500 by 1984
- FII participation began in Indian markets,

5 Establishment of NSE

- NSE operational in 1994 **Very High**
 - Introduced screen-based trading
- NSE overtook BSE in turnover by 1996: more efficient, transparent, and accessible trading model

6 Regulatory Strengthening (SEBI)

- SEBI Act 1992
- Reforms in IPO, disclosure, insider trading laws

8 Dematerialization

- NSDL (1993), CDSL (1999)
- Paperless trading introduced

2 Government Policies & Budgets

- GST (2017), Demonetization (2016) Union Budgets
- Nifty and Sensex highly responsive: e.g. Nifty rose 300 pts post Budget-2021

9 Financial Instruments

- Derivatives (2000)
 - ETFs, REITs, invITs
- NSE derivatives segment contributed (3% of trading volume (2024)- ETFs AUM crossed ₹7 lakh crore

10 Market Crashes

- 2003 GPC: Sensex fell from 21,000 to 8,000
 - COVID Crash (2020) fell 40% in 1 month
- NSE market cap "dropped" ₹35 lakh crore in March 2020; recovered sharply due to fiscal monetary stimulus

11 Rise of Retail Participation

- Discount brokers (Zerodha, Groww)
 - UPI, mobile trading
- Retail ownership in NSE firms: ~9.3% (2023) (up from 4.5%) over 14 crore by 2024

12 Rise of Retail Participation

- Discount brokers (Zerodha, Groww)
 - UPI: mobile trading
- Rise in retail investor, SEBI responsive: e.g. Nifty rose 300 pts post-Budget 2024

14 Inclusion in Global Benchmarks

- JP Morgan, FTSE, MSCI Inclusion
- Led to passive inflows, India's weight in MSCI EM Index ~13.5% (2024), boosting institutional buying

15 SME Listings & Start-up Platforms

- BSE SME (2012) NSE Emerge (2012)
- Over 800 SMEs listed as of 2024, improved access to capital for small businesses

Source: SEBI

Table 10 Impact Summary of Key Market Crises

| Event | Year | BSE Sensex Fall | NSE Nifty Fall | Recovery Time |
|--------------------------------|------|----------------------|---------------------|---------------|
| Harshad Mehta Scam (1992) | 1992 | 4467 → 2529 (↓43%) | 1300 → 850 (↓35%) | By 1994 |
| Global Financial Crisis (2008) | 2008 | 20873 → 8967 (↓57%) | 6300 → 2750 (↓56%) | By 2010 |
| COVID-19 Crash (2020) | 2020 | 41680 → 27590 (↓34%) | 12300 → 8000 (↓35%) | By late 2021 |

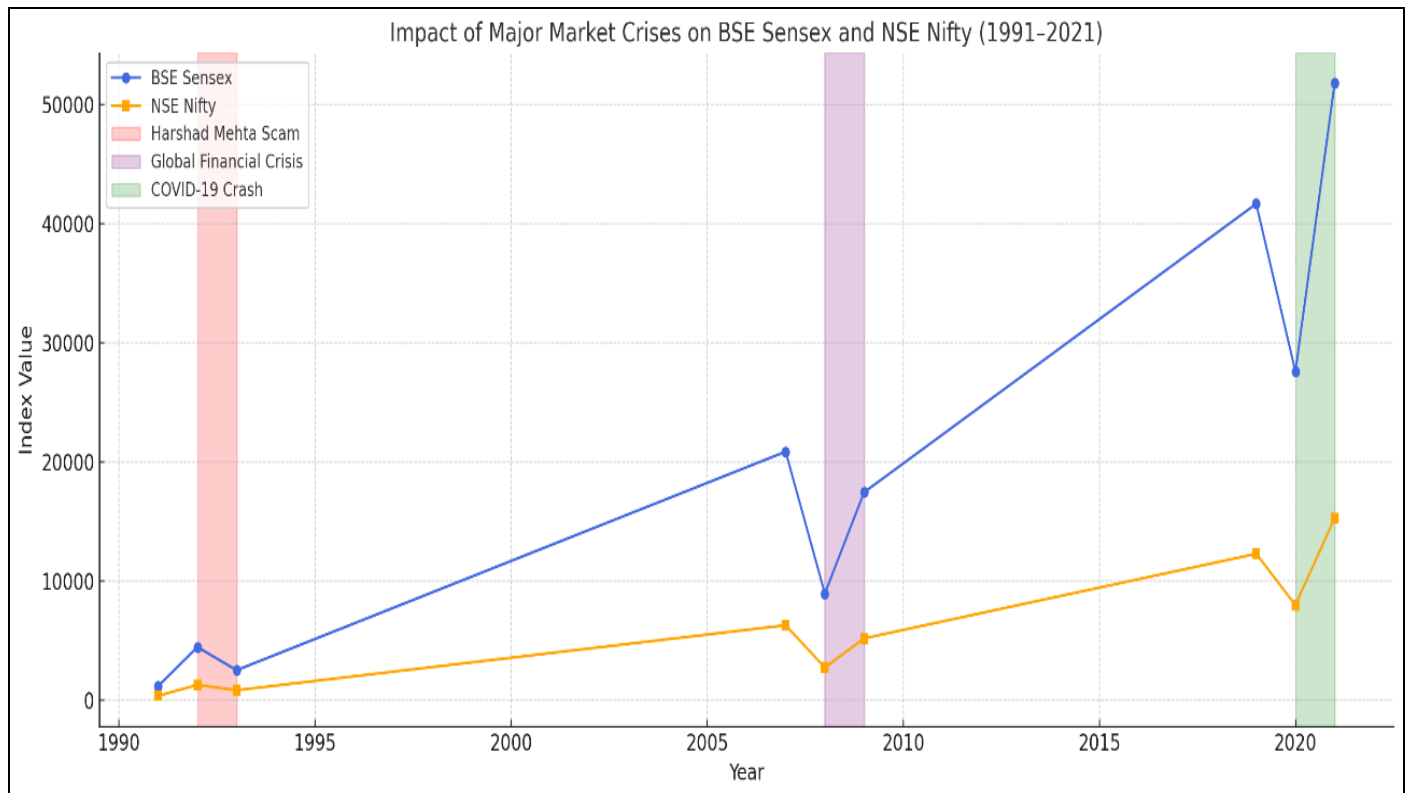


Fig 5 Impact Summary of Key Market Crises

➤ *Interpretation:*

The Indian stock markets have gone through significant disruptions during major financial events, but have consistently shown strong recovery patterns, reinforcing their long-term resilience and maturity.

➤ *Harshad Mehta Scam (1992):*

The early 1990s witnessed a major shock when the Harshad Mehta scam came to light, exposing systemic flaws in banking and securities regulation. This led to a sharp fall in market indices—the Sensex plunged by nearly 43%, and the Nifty declined around 35%. Investor confidence took a hit, prompting urgent regulatory reforms. As a result, the Securities and Exchange Board of India (SEBI) was empowered, and measures such as dematerialization and the introduction of screen-based trading were eventually implemented. These steps laid the foundation for more transparent and secure markets.

➤ *Global Financial Crisis (2008):*

The worldwide financial meltdown originating in the U.S. led to one of the steepest declines in Indian market history. The BSE Sensex fell from over 20,000 to below 9,000, while the NSE Nifty dropped by more than 50%. The Indian markets, though strongly impacted, benefited from

India's relatively sound banking system and timely policy responses. Recovery began within a year, with markets regaining pre-crisis levels by 2010, showcasing the growing resilience and global integration of Indian exchanges.

➤ *COVID-19 Market Crash (2020):*

The onset of the COVID-19 pandemic caused unprecedented volatility. Within weeks of the nationwide lockdown in March 2020, the Sensex dropped over 34%, and the Nifty fell by around 35%. Despite the panic, strong fiscal measures, global monetary easing, and a surge in retail participation—facilitated by digital platforms and mobile trading—helped Indian markets rebound quickly. By the end of 2021, both indices not only recovered but also achieved new all-time highs.

Each of these events—whether a domestic scam, a global financial downturn, or a health crisis—acted as a turning point in the evolution of Indian capital markets. While the short-term impact was often severe, they led to long-term structural improvements. Reforms in regulation, digitization of trading, and broader investor participation helped transform the BSE and NSE into robust, transparent, and inclusive exchanges. These historical lessons continue to shape the Indian financial ecosystem today.

VIII. CHALLENGES AND OPPORTUNITIES FOR THE FUTURE OF THE INDIAN STOCK MARKET

The Indian stock market is entering a crucial phase in its development, where technological innovation, financial inclusion, and regulatory advancement must progress hand in hand. Its continued growth hinges on how well it addresses emerging challenges while seizing new opportunities in an increasingly interconnected global economy.

➤ Major Challenges:

One of the most pressing concerns is the market's exposure to global economic shifts. International factors such as geopolitical conflicts, rising oil prices, and monetary policy changes in developed countries—especially interest rate hikes in the U.S.—can trigger capital outflows and sharp volatility in Indian equities. The heavy reliance on foreign institutional investment heightens this sensitivity, making it essential for domestic markets to build resilience.

Another significant challenge lies in keeping pace with technological advancement. The rapid evolution of algorithmic trading, blockchain technologies, and artificial intelligence has transformed how markets operate. While these innovations enhance speed and efficiency, they also raise concerns around fairness, transparency, and systemic risk. The Securities and Exchange Board of India (SEBI) must continually upgrade its regulatory tools to oversee such developments effectively.

Regulatory complexity and compliance burdens also pose obstacles. Frequent changes in taxation policies, such as capital gains taxes or securities transaction taxes, and evolving compliance norms may deter smaller investors and businesses from fully engaging with the markets. Simplifying processes without compromising regulatory rigor is critical for improving participation.

Investor education remains a key area of concern. Although the number of retail investors is growing, particularly in non-metro regions, many lack fundamental financial literacy. This knowledge gap increases the risk of misinformation, fraud, and poor investment decisions—often influenced by unverified sources like social media. Strengthening investor awareness and protective mechanisms is essential to safeguard these new participants.

Furthermore, the adoption of Environmental, Social, and Governance (ESG) principles in Indian markets is still in its infancy. Limited availability of standardized ESG disclosures and inadequate awareness among investors hinder broader adoption. For India to align with global sustainability goals, its regulatory bodies must enhance guidelines around green finance, social impact investing, and responsible corporate behavior.

Lastly, while the Social Stock Exchange (SSE) is a pioneering concept aimed at funding non-profits and social enterprises, it has yet to gain substantial traction. The lack of incentives and limited awareness among investors have restricted its growth. Strengthening the SSE's framework

could transform it into a powerful vehicle for inclusive and impact-oriented finance.

➤ Promising Opportunities:

Despite these challenges, several positive trends suggest a strong future for India's capital markets. The country's demographic advantage—a young population with growing disposable income—is leading to a shift in household financial behavior. More individuals are now investing in financial instruments like stocks, mutual funds, and systematic investment plans (SIPs) instead of relying solely on traditional assets such as gold or real estate.

Digital platforms and fintech innovations have made investing more accessible. With smartphones and mobile apps lowering entry barriers, even first-time investors in smaller cities can now participate in the stock market. This wave of digital democratization is likely to boost financial inclusion and capital formation in the long run.

India's increasing representation in global indices, such as the MSCI Emerging Markets Index and upcoming inclusion in global bond indices like JPMorgan's GBI-EM, is expected to attract significant foreign investment. These passive inflows can provide greater liquidity and stability, making Indian markets more attractive to institutional investors.

On the technology front, regulatory bodies are taking a forward-looking approach. Projects such as blockchain-based debenture tracking and the Reserve Bank of India's pilot of a digital currency show how regulators are embracing innovation. Concepts like tokenization and fractional ownership are emerging and could reshape traditional investment models by offering more flexibility and lower entry costs.

Moreover, the market has an excellent opportunity to grow through ESG and impact investing. As global demand for sustainable finance increases, India can attract long-term, socially responsible capital by strengthening its ESG ecosystem. Encouraging transparent reporting and offering incentives for green projects will further align Indian markets with global trends.

The Social Stock Exchange, though still in its early stages, can become a transformative tool for channeling investments into social causes. With better investor education and regulatory reforms, it could attract capital to sectors that directly impact social development.

To sum up, the Indian stock market stands at a pivotal juncture. Its future success depends on its ability to navigate challenges like global uncertainty, regulatory complexity, technological disruption, and investor protection. At the same time, the country is well-positioned to leverage demographic trends, digital innovation, ESG finance, and global integration. With the right policy support and institutional foresight, India's stock market can evolve into a more inclusive, resilient, and globally competitive financial system.

IX. CONCLUSION

The evolution of the Indian stock market represents a compelling narrative of transformation, resilience, and modernization. From its informal beginnings in colonial Bombay to its current status as a globally integrated and technologically advanced marketplace, the Indian capital market has undergone significant institutional, structural, and regulatory changes. Landmark developments such as the establishment of the Bombay Stock Exchange (BSE) in 1875, the post-independence period of tight state control, the sweeping economic reforms of 1991, and the formation of the National Stock Exchange (NSE) in the aftermath of the Harshad Mehta scam have collectively shaped its trajectory. These turning points have not only transformed the market's infrastructure but also strengthened the regulatory framework, particularly through the enhanced role of the Securities and Exchange Board of India (SEBI).

The coexistence of BSE and NSE reflects a balance between legacy and innovation—where BSE embodies historical continuity, and NSE symbolizes cutting-edge technological progress. The expansion of digital trading platforms and fintech innovations has significantly widened market access, especially for retail investors across Tier-II and Tier-III cities. The surge in demat accounts, mutual fund investments, and Systematic Investment Plans (SIPs) underscores a structural shift in savings behavior and the increasing financialization of the Indian economy.

Importantly, the market has demonstrated remarkable resilience through multiple global and domestic shocks, emerging stronger each time due to responsive policy interventions, institutional reforms, and growing investor awareness.

However, the journey is not without challenges. Market volatility due to global economic uncertainties, regulatory complexity, low financial literacy in certain regions, and nascent ESG integration remain pressing concerns. Yet, these challenges coexist with enormous opportunities. India's demographic dividend, rising middle class, rapid digital adoption, and increasing presence in global indices position the country as a major emerging market leader. Additionally, platforms like the Social Stock Exchange (SSE) and the growing interest in sustainable and impact investing represent a shift towards inclusive and responsible finance.

The Indian stock market has not only mirrored the country's broader economic journey but has also played a central role in driving capital formation, wealth creation, and economic development. Its story offers valuable insights for other emerging economies aiming to build transparent, inclusive, and technology-driven financial systems. With continued policy support, regulatory vigilance, and innovation, India's capital market is well-positioned to become a model for resilient and inclusive financial market development in the 21st century.

ABBREVIATIONS

| Abbreviations | Full Form |
|---------------|--|
| BSE | Bombay Stock Exchange |
| NSE | National Stock Exchange |
| SEBI | Securities and Exchange Board of India |
| FII | Foreign Institutional Investor |
| IPO | Initial Public Offering |
| AUM | Assets Under Management |
| SIP | Systematic Investment Plan |
| NSDL | National Securities Depository Limited |
| CDSL | Central Depository Services Limited |
| ESG | Environmental, Social, and Governance |
| SSE | Social Stock Exchange |
| REIT | Real Estate Investment Trust |
| InVIT | Infrastructure Investment Trust |
| SME | Small and Medium Enterprises |
| UPI | Unified Payments Interface |
| ₹ | Digital Rupee (RBI's CBDC initiative) |

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