

**106<sup>th</sup> Annual Conference of Indian Economic Association**  
**NSE- IEA Lecture Series on Financial Economics**

**India @75 to Bharat @100**  
**– A Roadmap for Indian Stock Market**

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Lecture by:

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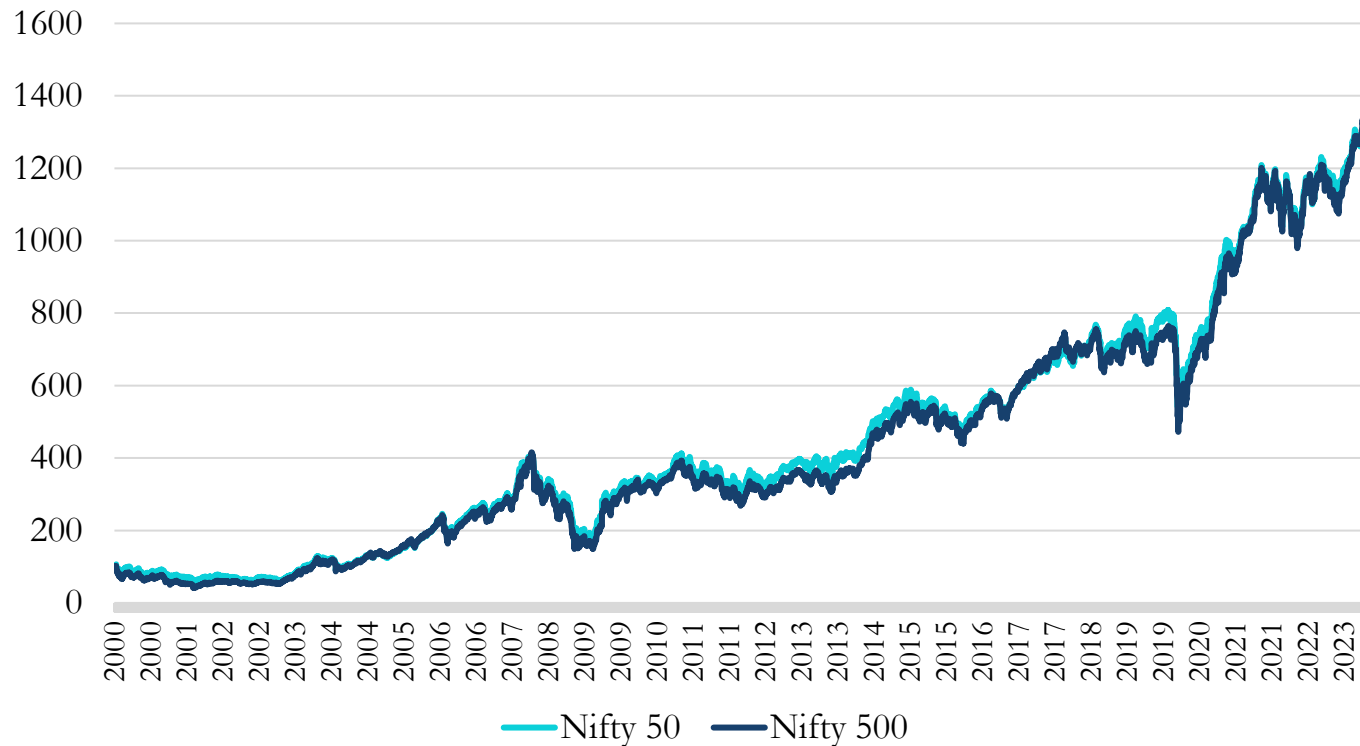
**Dec 28, 2023, Bhubaneswar**

# Demystifying Stock Market

- A place of Speculation
- Second order 'Average Opinion'
- Zero-sum Game
- Tobin's Q – Organic vs. Inorganic
- Hick's Ceiling – Real Sector vs. Financial Sector
- Wealth → Capital → Prowess

# Wealth Creation

Movement of Nifty 50 and Nifty 500

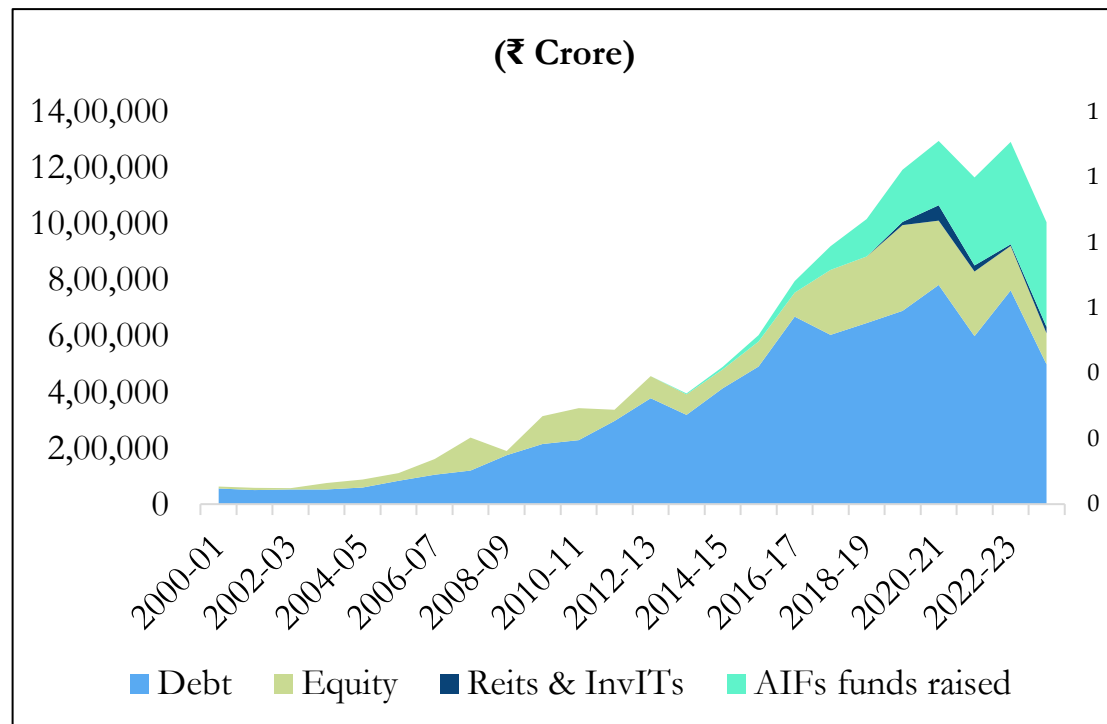


Investment Returns

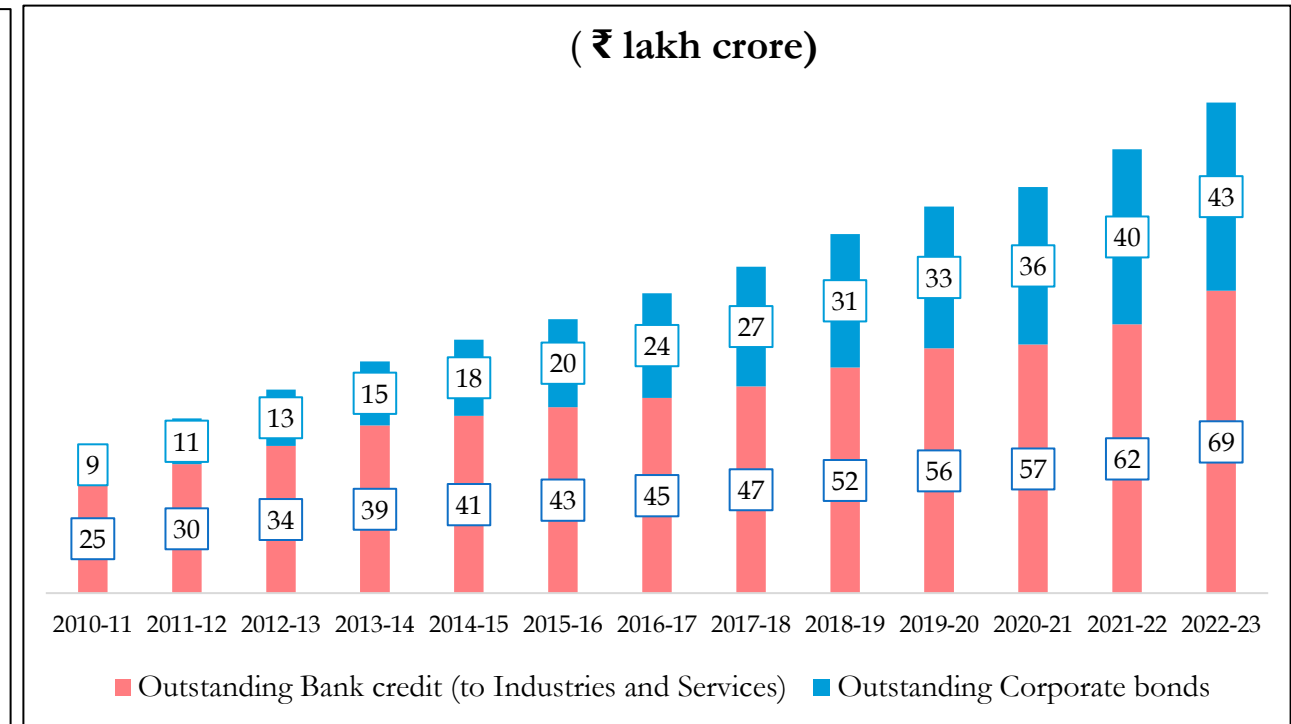
CAGR (%)	Nifty 50	Nifty 500
Apr 2000-Dec 2023	12.3	12.4
Apr 2000-Mar 2010	13.1	12.5
Apr 2010-Mar 2019	9.2	9.4
Apr 2020-Dec 2023*	27.4	30.4
Apr 2021-Dec 2023*	14.3	16.9
*till Dec 20, 2023		

# Capital Formation

## Fund Raising From Market



## Outstanding Fund Raising : Bond vs. Bank Credit

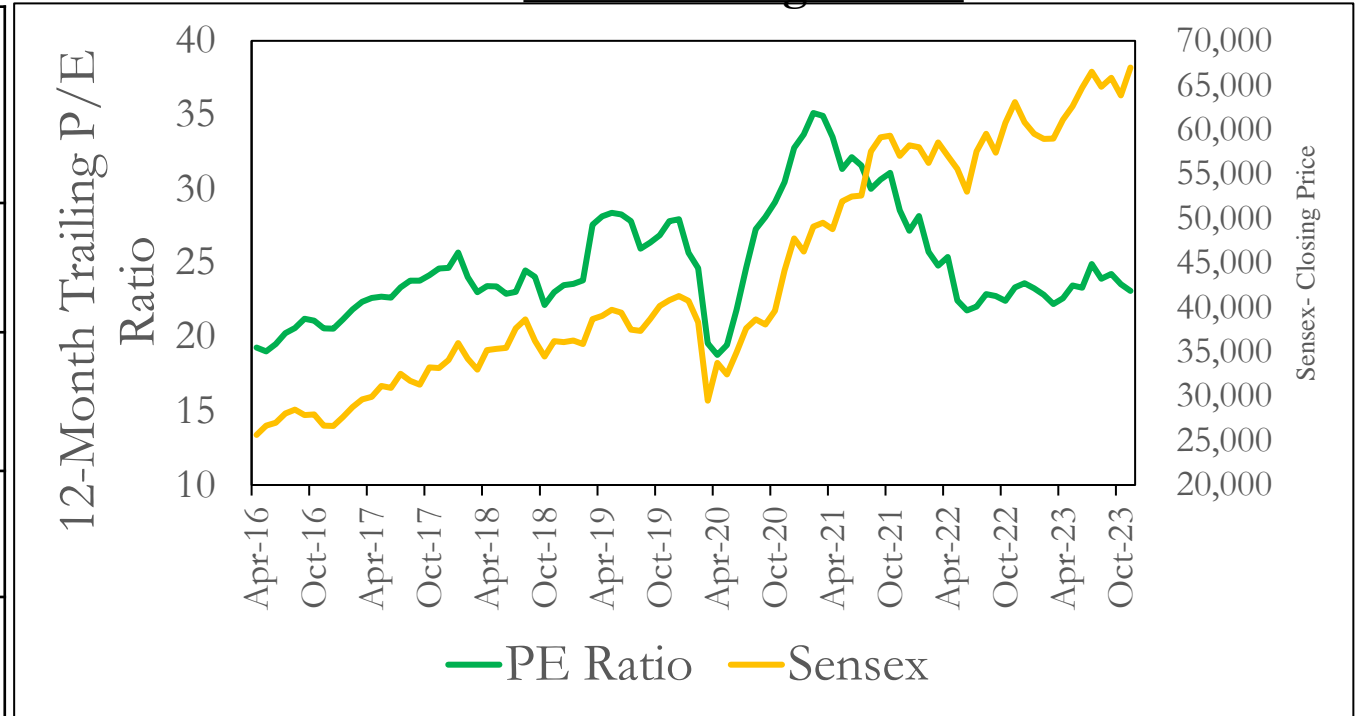


# Economic Prowess – 5<sup>th</sup> Largest with reasonable valuations

## Market Size

Milestones	Month	MCap to GDP
<b>\$1 Trillion</b>	May 2007	95%
<b>\$2 Trillion</b>	July 2017	84%
<b>\$3 Trillion</b>	May 2021	110%
<b>\$4 Trillion</b>	Nov 2023	123%

## Price Earnings Ratio

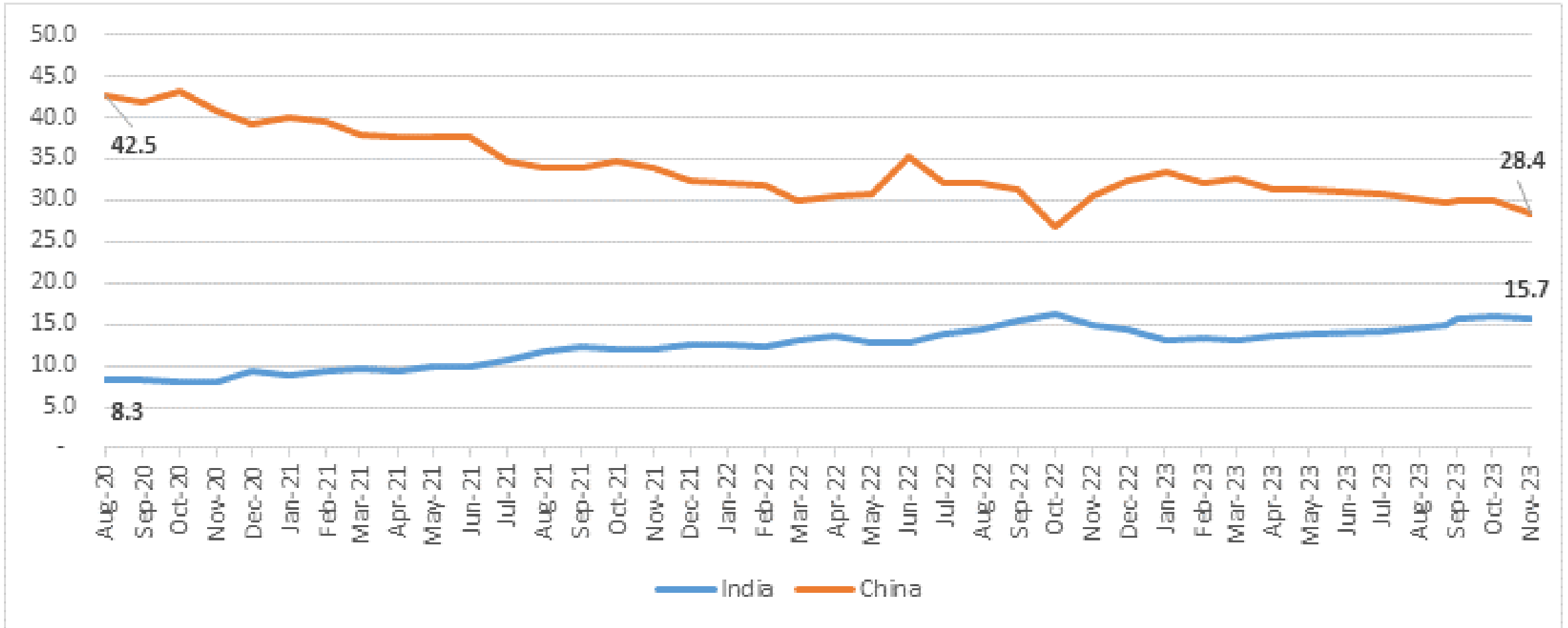


Source: BSE, MOSPI

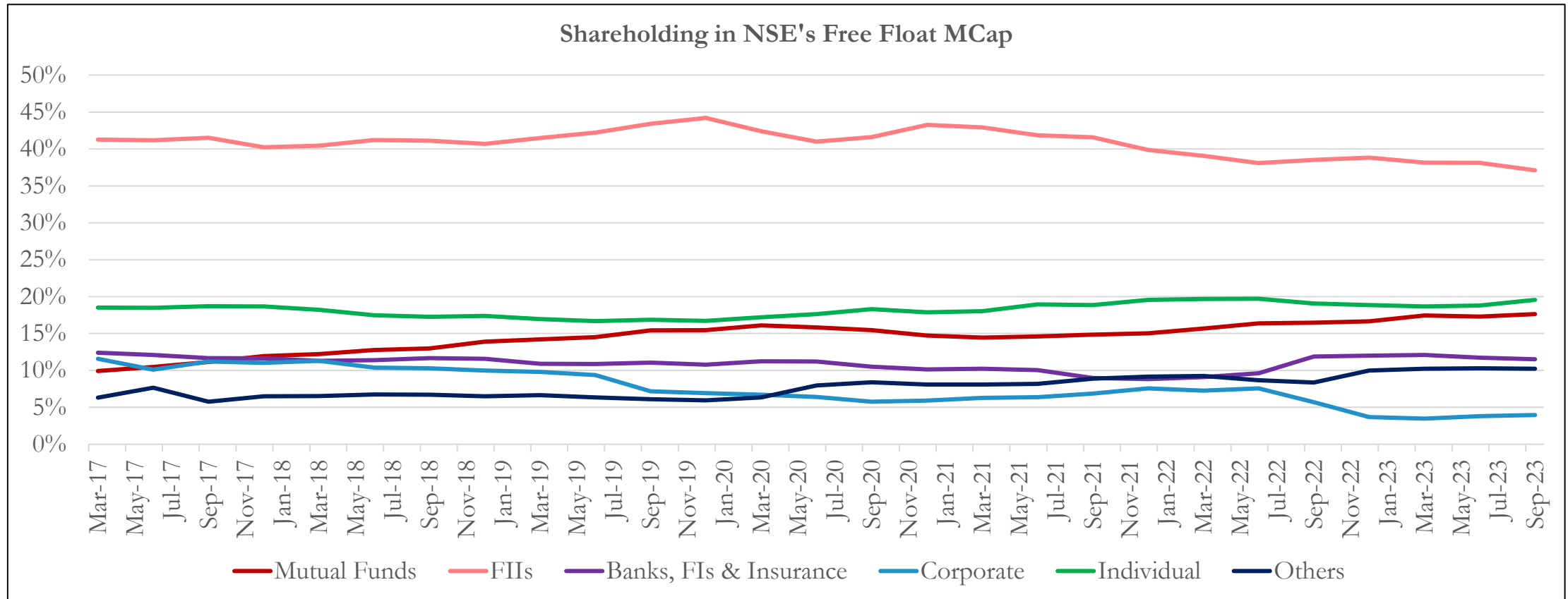
# Economic Prowess



Weights of India and China in MSCI EM Index

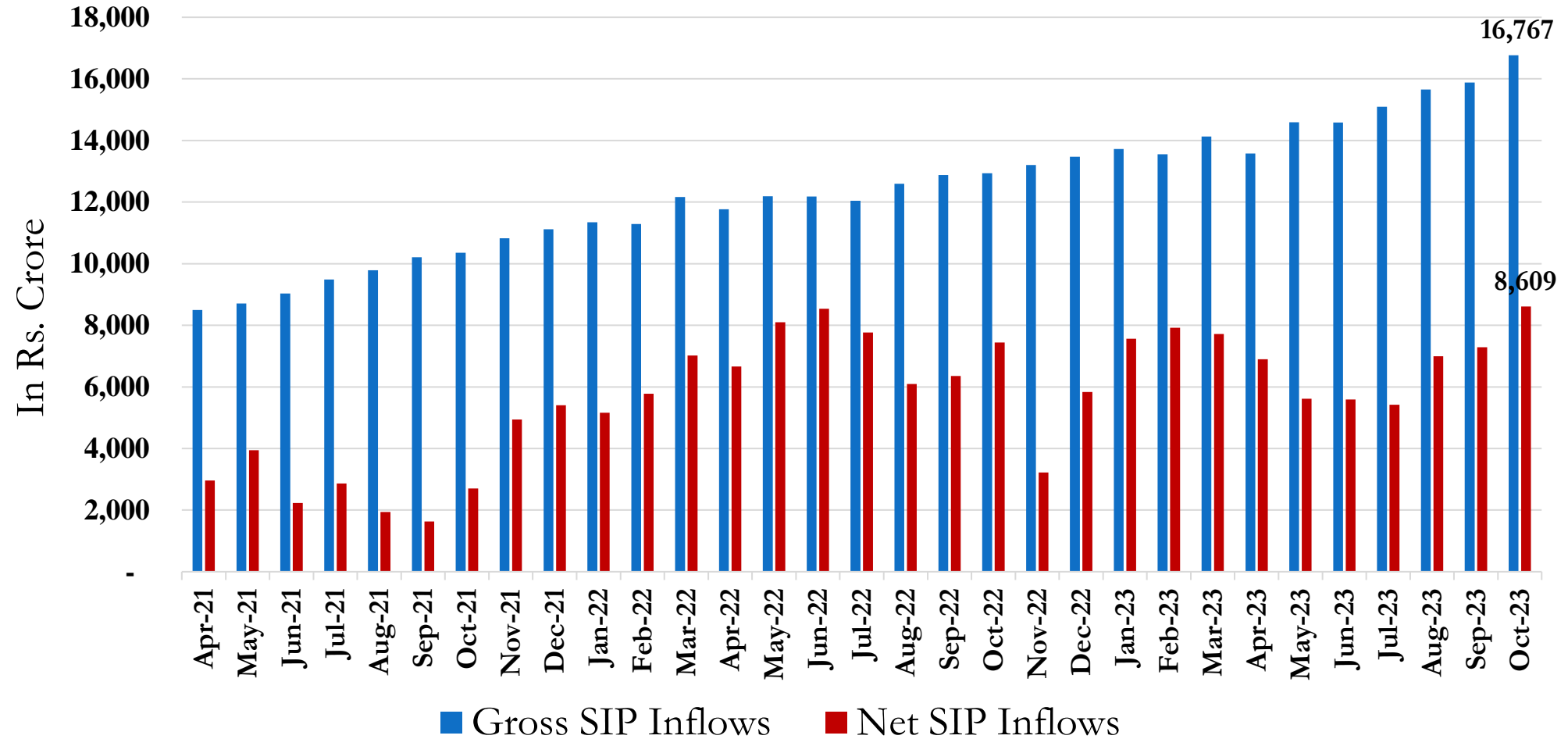


# FPI Interest High, Still Domestic Ownership Inching up



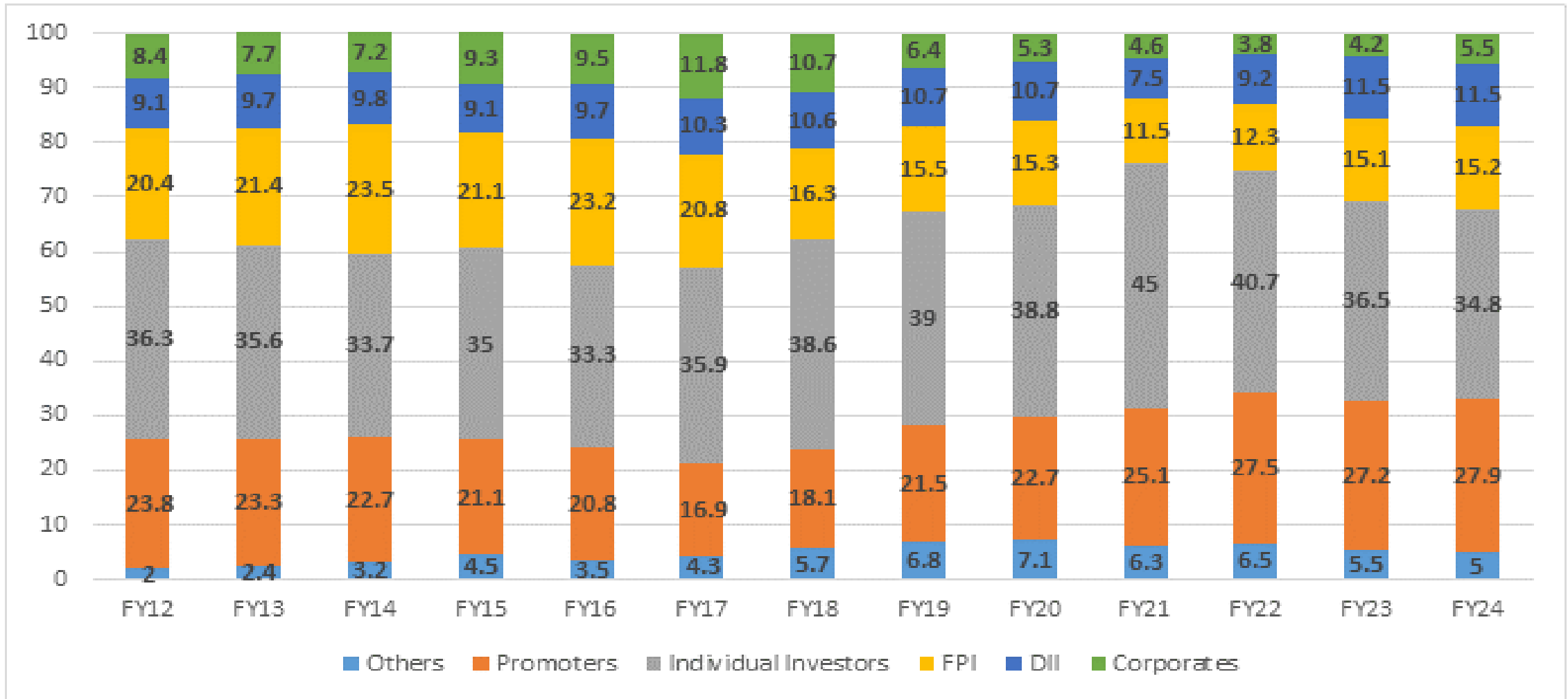
- Holdings of Individuals + MFs has increased from 29% to 38% of free float
- Holdings of FPIs has declined from 41% to 37% of free float

# Domestic Investors with Longer Commitments



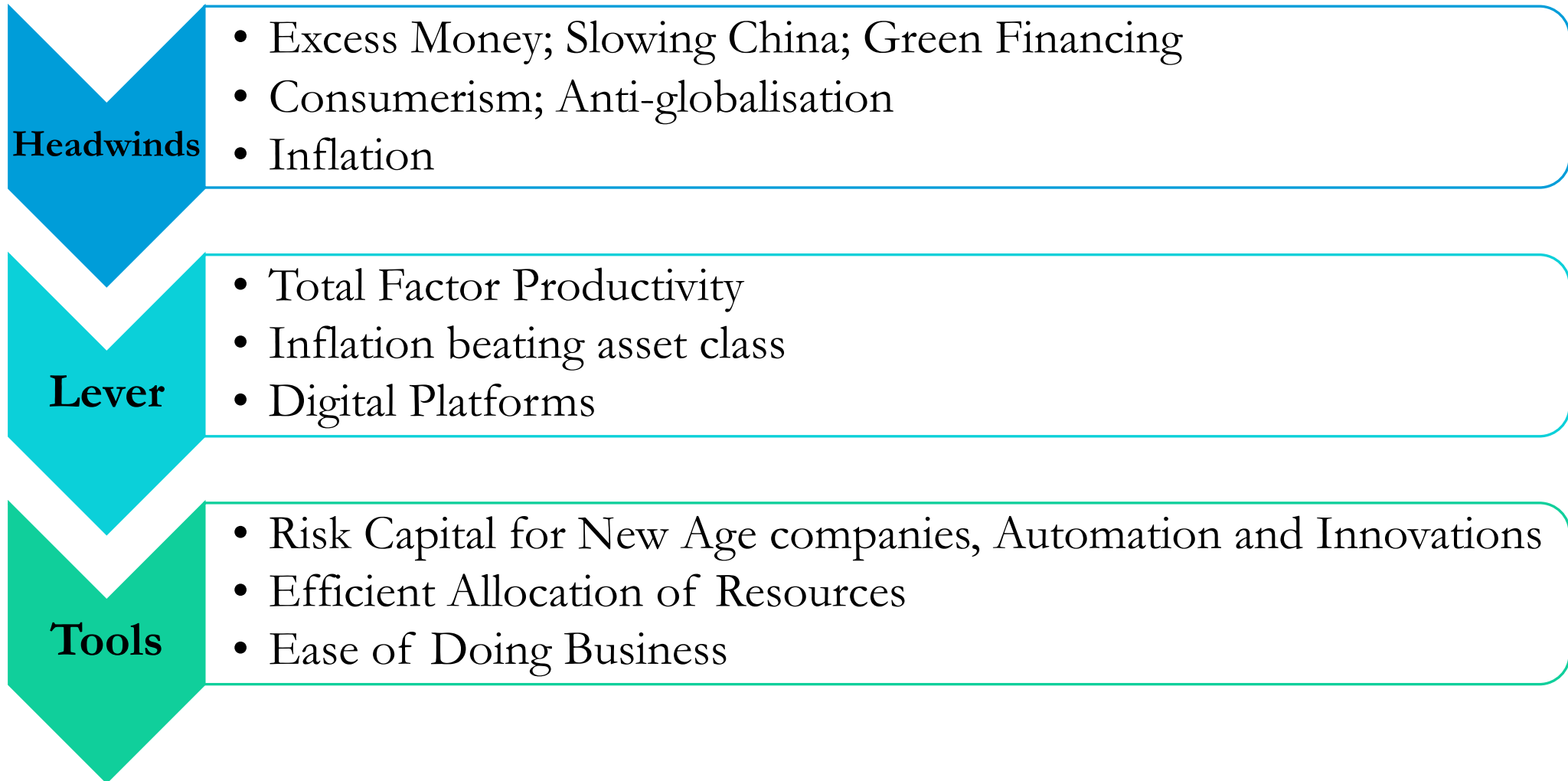


# Domestic Investors Countervailing FPIs



- Share of FPIs in total turnover has declined due to increased participation by domestic investors

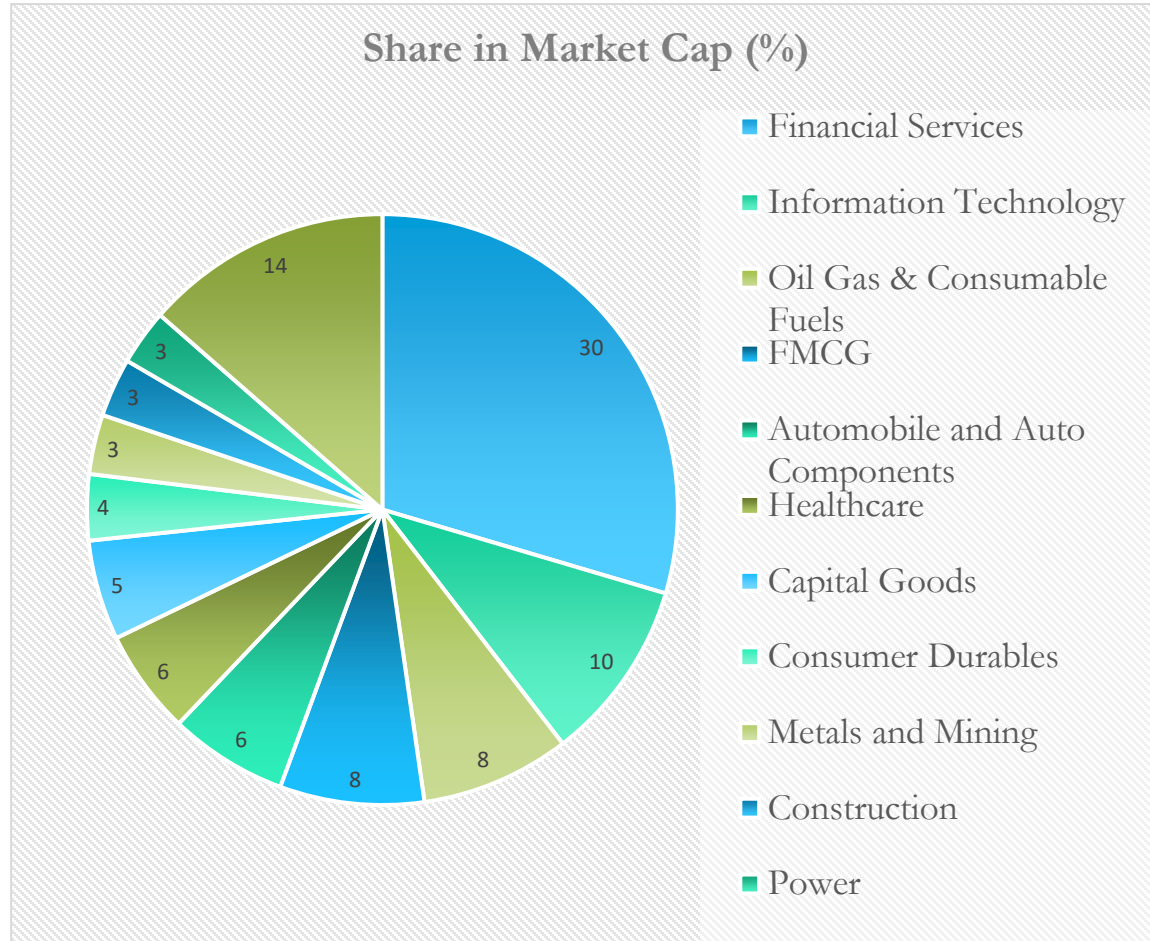
# Headwinds



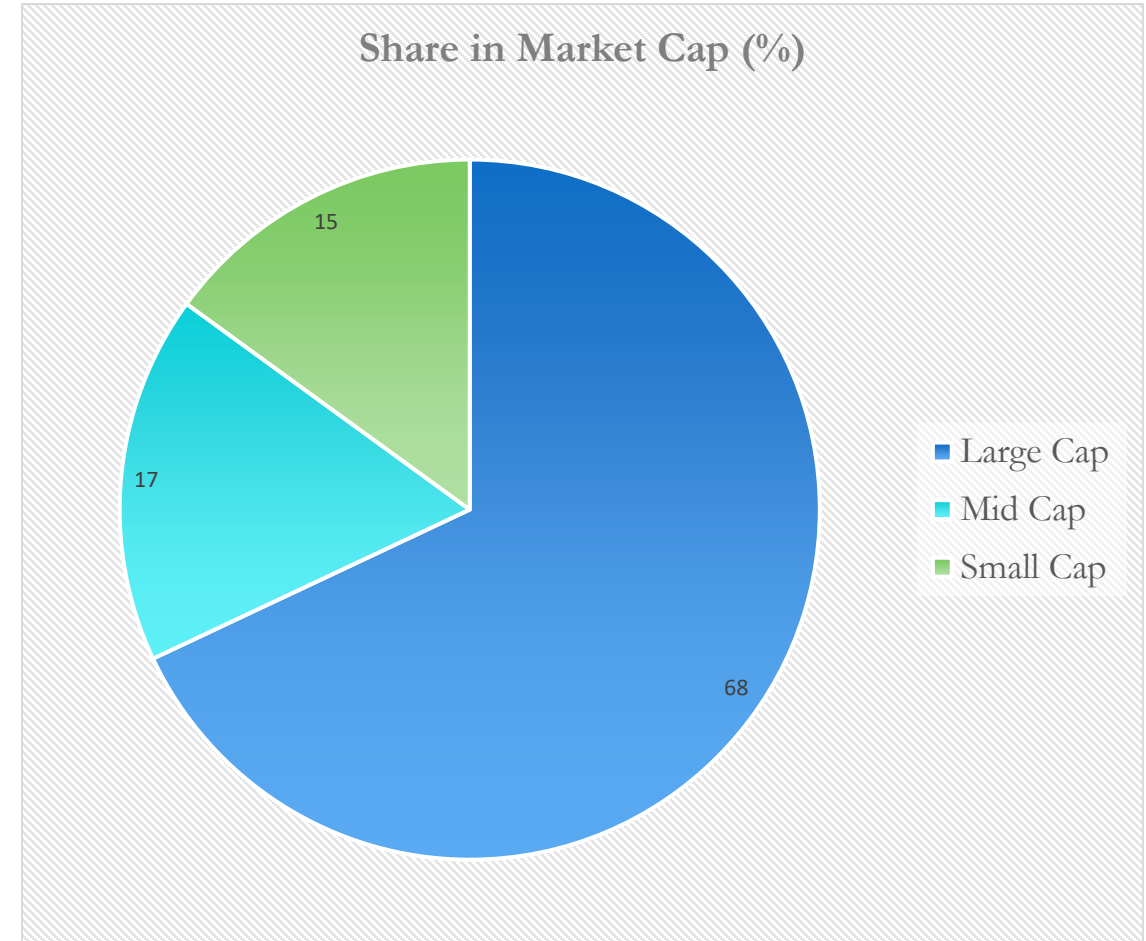
## Indian Stock Market@75 to Bharat@100

Key Indicator	Current	Projected @ 1947	Benchmarks
<b>Market Cap to GDP</b>	120% (USD 4T)	125% (USD 40T)	USA: 200%, UK: 100%, China: 80%, Japan:125%
<b>#SME Listing</b>	~750	>3,000	UK: 3600 (AIM), ChinNext: 1277
<b>Bond Market to GDP</b>	50%	175%	USA: 190%, UK: 129%, China: 120%, Japan:260%
<b>Outstanding bonds as % of bank credit</b>	45%	75%	USA: 103%; S. Korea: 48%; Malaysia: 35%
<b>MF AUM as a % of GDP</b>	18%	140%	USA: 140%, Japan: 48%, China: 18%, UK:75%
<b>% of population holding shares</b>	3%	30%	USA: 55%, UK: 33%, China: 13%, Japan:30%
<b>% of population holding mutual funds</b>	3%	40%	USA: 46%, Japan: 20%, China: 44%, UK:20%

# Composition of Equity Market



Based on top 750 listed companies accounting for ~97% of market cap



#23 of Nifty 50 companies from services sector

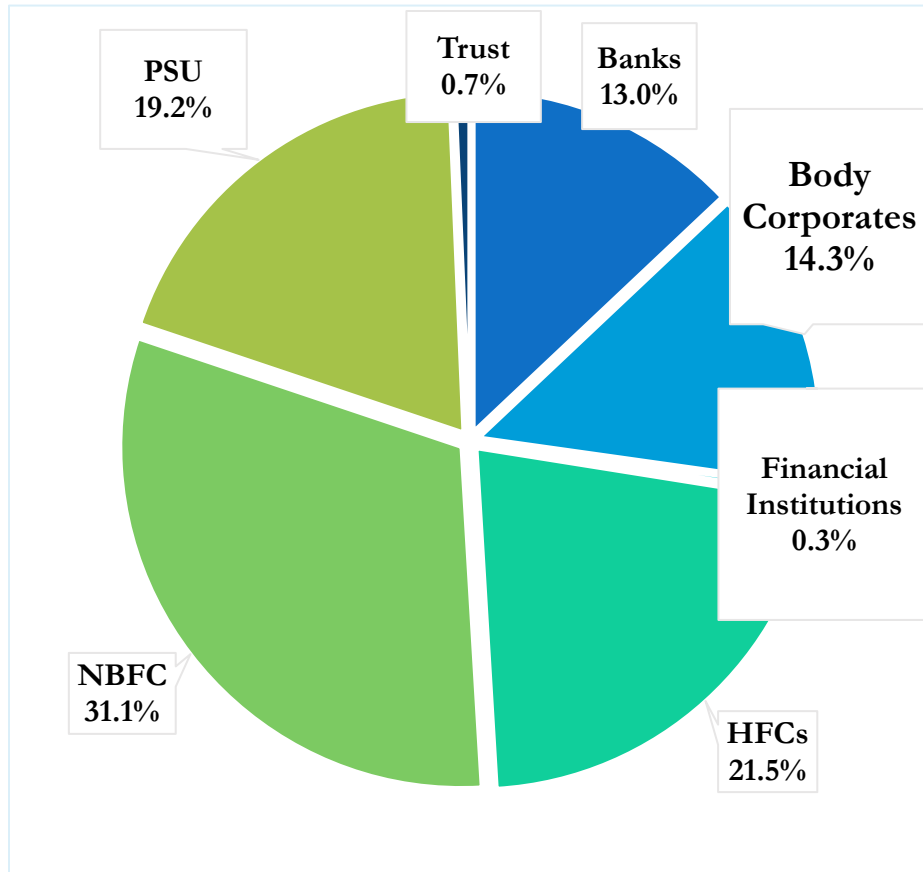
## Next Steps –Equity

- Mobilisation through MFs from B30 –18% of AUM
- Equity from beyond Tier II Cities – 20%
- Listing of more Manufacturing Companies
- Listing of more SMEs
- Disinvestments of PSUs
- Minimum Public Shareholdings
- Financing of innovative new age companies - AIFs
- Monetisation of Assets - REITs and InVITs

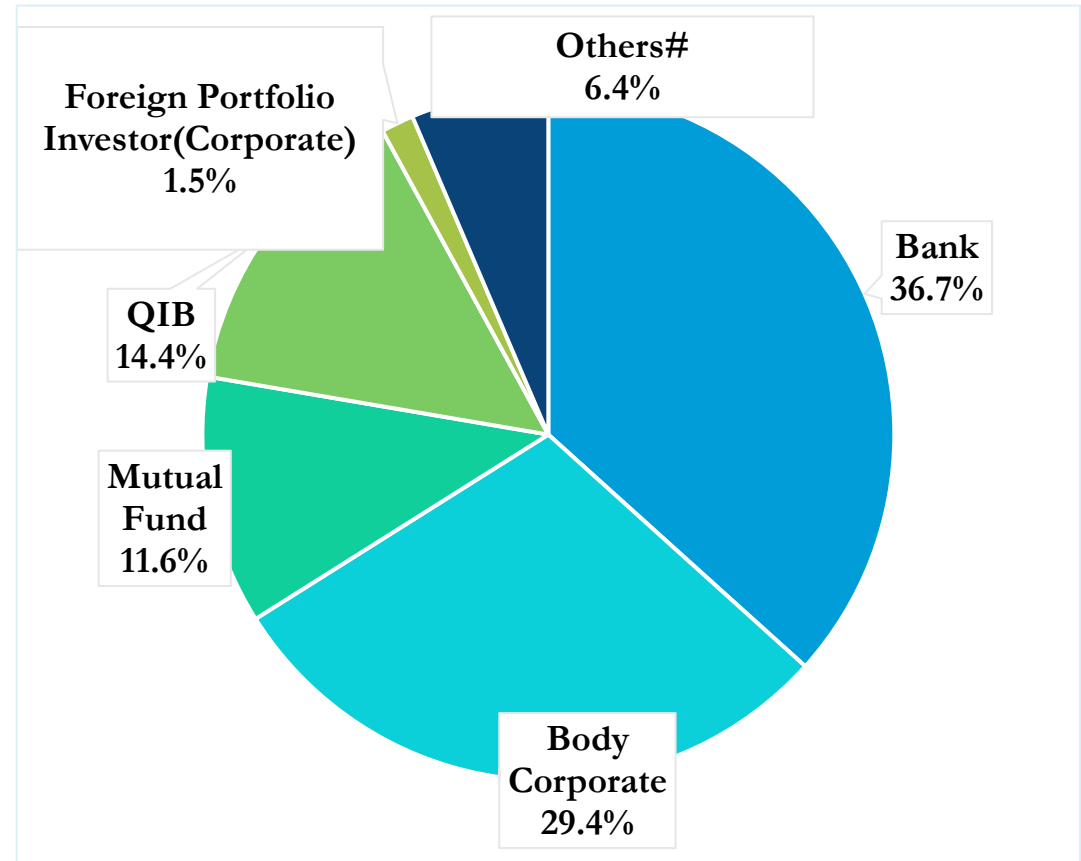
# Next Steps - Corporate Bond Market



## Issuers



## Investors



## Next Steps - Corporate Bond Market

- Going Down the Yield Curve
  - Credit Default Swap
  - Liberalized Institutional Investments
  - Direct fund raising by real sector
- Infrastructure & Green Bonds – Credit Enhancement- Govt. Support
- Liberalization of Gsec Market – Gsec 97T vs SDB 49T vs. Corp Bond 44T vs. 15T (USD176 B)
- Inclusion in Global Bond Index
- Retaliation of Corporate Bonds - Repo - LPCC, Backstop

# Next Steps - Digitalization, Financialisation & Inclusion

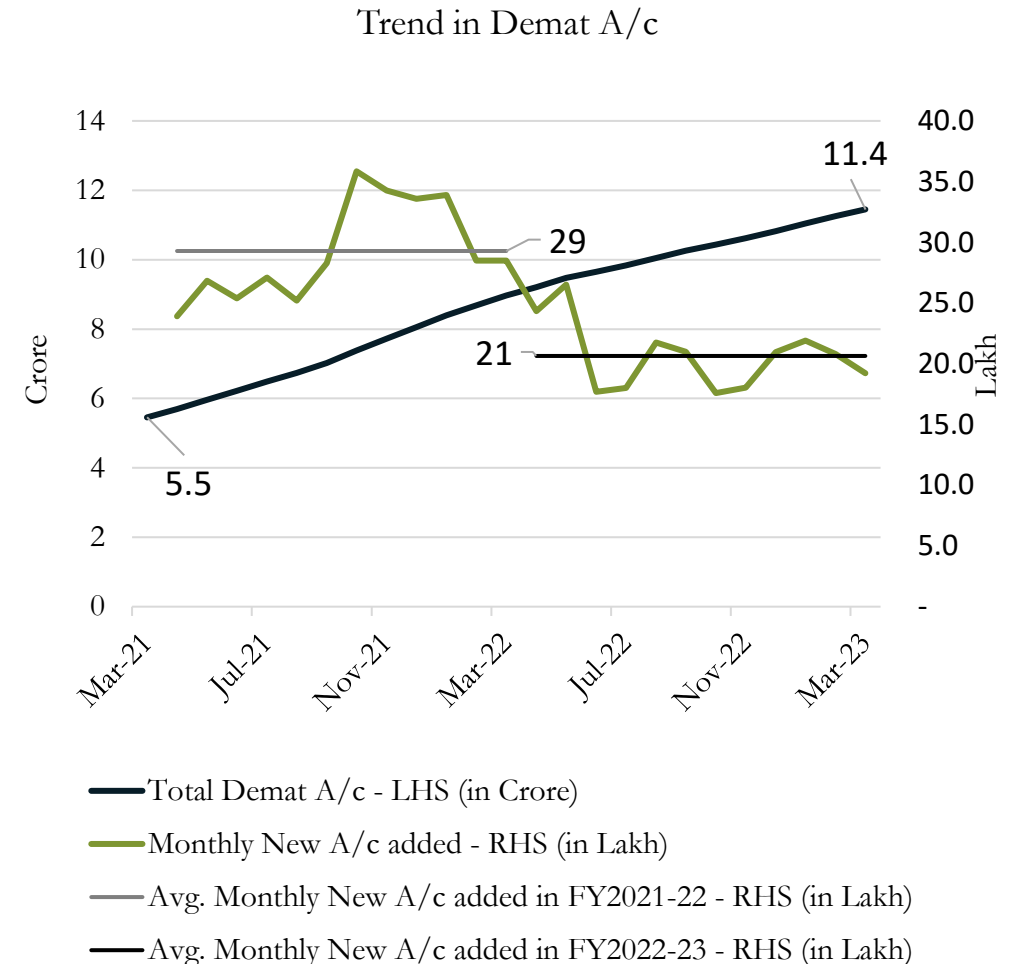


Country	Population			Med. Age (Year)	Internet Penetration (%)	Social Media User	Mobile Connections
	Total (mn.)	Urban (%)	Rural (%)			% of Population	% of Population
<b>Brazil</b>	216	87.7	12.3	33.5	84.3	70.6	102.4
<b>Russia</b>	145	75.3	24.7	39.2	88.2	73.3	156.9
<b>India</b>	1420	36.1	63.9	28.2	48.7	32.9	77.5
<b>China</b>	1403	63.9	36.1	38.8	73.7	72	118.2
<b>South Africa</b>	60	68.6	31.4	27.5	72.3	42.9	187.4
<b>Japan</b>	124	92	8	49	82.9	74.4	149.2
<b>USA</b>	339	83.2	16.8	38	91.8	72.5	113.1
<b>UK</b>	68	84.5	15.5	40	97.8	84.4	129.6

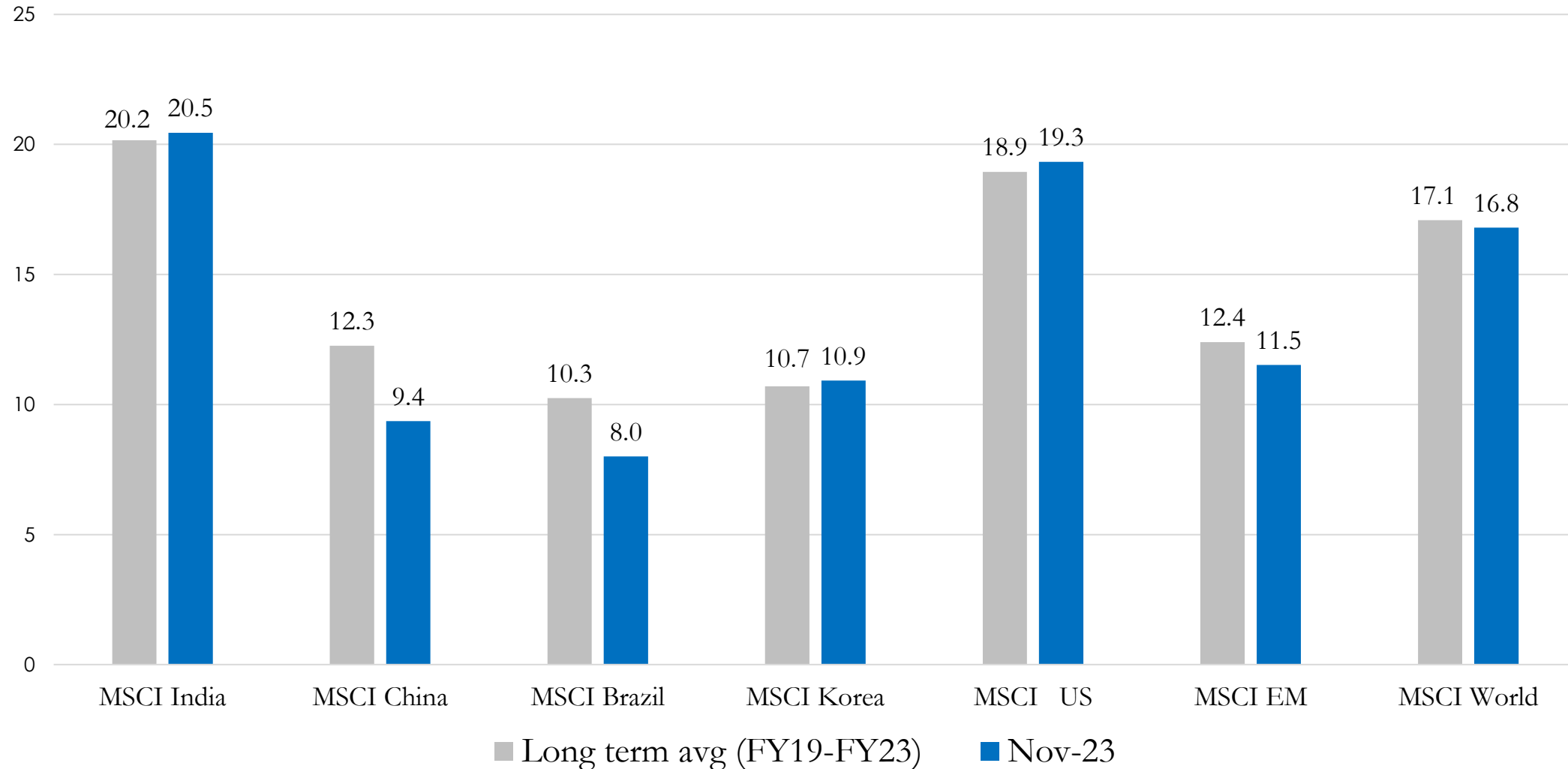


## Next Steps - Responsible Investing

- Over 500% increase in number of individual traders in equity F&O segment between FY19 and FY22.
- Another ~40lakh new individual traders (nearly 90% over FY22) added to equity F&O segment in FY23.
- 98% of individual traders in the equity F&O segment traded in options during FY 2022.
- 9 out of 10 such individual traders incurred net losses during FY19 as well as FY22.
- Number of demat accounts consistently increasing, however the pace of monthly addition of new accounts has moderated - 21 lakh per month in FY23 from 29 lakh per month in FY22.



# Most importantly, need to sustain 'Premium' being given to India



**THANK YOU**