



A Study on the Portfolio Management of Indian Stock Exchanges – Paves Way For the National Economic Development

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ABSTRACT

Stock Exchanges are the investment mobilization centers and capital formation hubs for the national economic development. They facilitate the securities' trading in an organized secondary market. The first and foremost organized stock exchange has been established is the Bombay Stock Exchange in 1875 and subsequently two more stock exchanges were started in Ahmedabad and Kolkata in 1894 and 1908 respected. At present there are 24 organized stock exchanges are functioning in India in the securities trading portfolio. Effective and efficient functioning of stock exchanges in a country indicates economic barometer and the national economic development indicator. It is the stock market where the securities of various companies will be traded by the investor participants at the pre-determined prices in the stock exchanges subject to the market risks and fluctuations. The management of the recognized stock exchanges are with Organized body of the Board of directors elected by stock brokers, public representatives and government nominee from SEBI. This paper examines the importance of stock exchanges in a developed and developing countries, and describes their portfolio management,



functionaries, and services rendered to the investors and how safeguards the interests of the investors from the exploitation of stock brokers and other mediators. The role of SEBI in controlling stock exchange activities to protect the interest of common investors from the exploitation and manipulation of stock brokers. The data related the portfolio management of the stock exchanges has been taken up from the various secondary sources, published papers, and from the various reputed reference books which has been analyzed using graphical representations, diagrams, tabulation, averages and percentages.

INTRODUCTION:

Stock exchanges are the places where the investors can trade their securities at a price notified on the day. They facilitate smooth functioning and settlement of the traded securities. They create awareness among investors and come to the rescue of exploited investors protecting their interests. They organise the secondary market of securities trading after their listing process and facilitate the exchange of traded securities to the buyer transferring from the sellers in a reasonable time.

Stock exchanges are the capital mobilization centres for the national industrial development and Indian economy; The portfolio management of stock exchanges are the bench mark and measuring scale economic growth and development of a country. Stock exchanges are also treated as economic barometer and measuring scale for the growing industrial Indian economy. It is a capital mobilization source for the various industrial establishments. Subject to the market fluctuations and market risks, on public sentiments and on government financial policy decision; securities trading will depend. Market booms and depressions having impact on the securities trading in the stock exchanges.

Investors will speculate the securities price trends in the market on certain parameters and according to the market trends, it impacts on the index of the stock exchanges. Stock exchanges facilitate spot market for the investor securities and with liquidity. They provide capital fund sources mobilization to the corporate sector and public sector organizations encourage and stimulate savings attitudes among the public from their income sources.

An organised security market i.e. stock exchange provides instant readymade trading through online computerised system for the investors with high transparency, and safely. The liquidity of the investment



increases the value of the securities. Any time the investors can trade their securities with the acceptable terms and conditions and with the updated instantly announced prices.

According to Pyle **“Security Exchanges are market places where securities that have been listed there on may be bought and sold for either investment or speculation”** Stock exchanges allow trading in securities both to the genuine investors and speculators. **Stock exchanges are the organised and regulated secondary markets for various listed securities issued by the corporate sector and other industrial concerns.**

Stock exchanges are capital source centres. Through the capital mobilisation, priority sectors like industries, small, medium, largescale industries will be established and develops the national economy. MSMEs startup companies will be started by the educated youth for the creation of employment, for the manufacturing of products service. Export quality goods equipment will be exported to foreign countries and earns the foreign exchange. The more Forex reserves accumulated country is having that much of credit worthiness for the payment of import bills, interest payments, loans repayment to world economic funding organisations.

If the industrial output enhanced, country’s GDP will also be improved. Unemployment problem will be solved. Through the enhancement of purchasing power of the public, more demand for the goods and services in the market;

SIGNIFICANCE OF THE STUDY:

For the overall growth and development Indian economy, industrially, financially public and private sector wise, capital mobilization sources are very important. Therefore, capital market needs to develop. Public surplus incomes shall be invested their savings into corporate investment either in share capital or debt capital or in mutual funds or in nationalised bank deposits, Post office savings deposits or government sovereign and development bonds. With all these savings investments, they will be converted into capital market instruments, financial market instruments in corporate sector, government projects, in public sector organisation and in private sector organisations and government development projects. Accumulation of small savings funds from banks, Post office savings, LIC policies, mutual funds shall be used for industrial development schemes.

Stock exchanges are the investment places through secondary market trading after listing out shares issued by the corporates in the primary market issue. Stock exchanges facilitate, the security analysis and



advise the investor by the stock analysts and investment experts observing the security market trends, prospects of investment in the concerned corporate sector organisations.

Financial performance of the corporate sector organisations, goodwill of the companies, net asset value of the share, and depend on the returns of the investment, dividend declaration policies of the companies etc, are the mainly considerable factors affecting the capital investments of the companies by the public.

Investors are to decide in which type of investments is safer with less market risk and with reasonable and optimum return on investment, having liquidity, and safety for their investments. In general Banking Fixed deposits, Post Office fixed deposits term deposit, senior citizen saving schemes, Kisan Vikas Patras, and mutual fund investments, government bonds are safer when comparing to the share and capital market.

To invest in the capital market, public have sufficient investment literacy, awareness on the securities secondary market analysis, company, industry and their economic analysis to assess their credit worthiness, global-marketing of opportunities, share valuation bond-valuation, financial performance of the companies and financial statement analysis etc., to decide their appropriate investment in the concerned corporate organisations.

LITERATURE REVIEW:

Dr. Preeti Singh (2003) In her publication “Investment Management” she has classified the Indian Securities market into two categories one is Primary Market and the other one is Secondary Market. In the Primary market the Issuer is directly from the corporate company to the public, it is an Initial Public Offer (IPO), It is a New Issue Market. Stock Exchanges facilitates the trading of stocks to the investors after listing. According to the securities price fluctuations, stock exchanges move the SENSEX either upward or downward trends. She has clearly differentiated the primary and secondary market.

Tata Publisher Dr. Lakshmi Narasimham (2020): In his Publication “Financial Markets and Services” He has observed and examined the Indian Financial Market and Capital market opportunities which are available for the investors and corporates to establish their companies. Freshly established Public Limited companies getting their capital investment through the public issue “Initial Public Offer” (IPO) through the primary market, After IPO, the securities listed once in the Stock exchanges shall be traded by the investors. Owners’ capital, Debt. Capital and Mutual funds, Government Bond Market are the various capital market opportunities are available today.



Khush Dip Kaur, Kamalesh Bajaj and Anupreet Kaur (2025): of Kalyani Publishers: In the book publication, the authors were examined the marketing strategies, fundamental concepts of various types of markets, consumer behaviour and perceptions on various market opportunities and facilities provided in the online and conventional marketing segments:

OVER ALL REVIEW: The studies made by the authors revealed that the procedures of getting capital investment funds, through the Financial Market and Capital Market and Mutual Fund Markets. And the movement of stocks in trading at the stock exchanges in the secondary trading either in upward and downward trends. Procedure of IPO directly by the corporates to investors

RESEARCH GAP: In the studies of various publishers have observed only the fundamental aspects, procedures of IPO, portfolio of stock exchanges., and trading of securities in secondary markets. But the trends of stock movement, trading strategies control the stock Exchange activities to protect the interest of common investors are to pay special attention with a special focus.

STATEMENT OF THE PROBLEM:

The stock exchanges activities are subject to control the manipulations, exploitation of investors by the stock brokers the involving the inside trading and to avoid artificial price hike for the substandard company shares. Stock exchanges are meant to protect the interest of small and common investors and for the encouragement of national development, and improve the productivity, country's GDP employability to youth and finally control the stock brokers who will exploit the investors.

OBJECTIVES OF STUDY:

1. Functionaries and responsibilities of Secondary stock market and the Stock exchanges.
2. To make a detailed study on the portfolio management of Indian stock exchanges and how they are protecting the interests of common investors. Promotes national development and creates employment opportunities to the educated youth and increases country's GDP
3. To study the role of Securities exchange Board of India (SEBI) and controlling the Indian stock exchanges activities and stock brokers who will exploits the small investors to protect the interests of small investors.

**CONCEPTUAL STUDY:****1. FUNCTIONALITIES AND RESPONSIBILITIES OF SECONDARY STOCK MARKET & STOCK EXCHANGES**

It is an organisation to provide profitable market for the securities of the companies held by the investors. It is investors secondary trading market with the prices determined on the trading day. It is corporate level organisation deals with capital investments trading portfolio. The stock trading operators will play a dominant and dynamic role in regular trading and price determination manipulating the stock trading activities. Investors and small and common investors are being exploited with the unfair trading practices of stock exchange intermediaries. They will keep their own profit maximisation and selfishness leaving the common interests of investors.

- A. The main function of the stock exchange is the listing of the Securities sold in the Primary market to the investors.
- B. According to the demand & supply, the prices of the securities will be determined keeping in view of the trends of the stock market.
- C. Stock Exchanges provide capital market to the Indian corporates, economic development of the nation, so that industrial development may happen.
- D. Interests of the small investors will be protected.
- E. Stock exchange will maintain the portfolio of the companies
- F. The progressive trend of activities of the stock exchanges is treated as economic barometer of the country.
- G. Stock exchanges create market for the investors for their shares.
- H. Stock exchanges will create speculative mechanism and speculative game in the stock trading for the investors' securities.
- I. Price determination activities shall be done reasonably
- J. Stock exchange authorities must avoid unfair trade activities and also exploitation small investors.



K. All the stock exchanges must follow the regulatory guidelines of SEBI for the common interests of investors.

2. PORTFOLIO MANAGEMENT OF INDIAN STOCK EXCHANGES

“According to the Securities contracts (Regulation) Act 1956, the stock exchanges are as an organization or body of the individuals whether incorporated or not established for the purpose of assisting, regulating and controlling business in buying, selling and dealing in securities.”

As per the above definition stock exchanges are having the following features:

1. It is a place of investors' securities trading
2. It is an organised body or an association whether registered or not
3. Securities listing activities will be taken up to facilitate their trading.
4. They are under the control of SEBI to protect small investors interests.

DYNAMICS OF INDIAN STOCK MARKETS

1. Arrange continuous market for the securities.
2. Evaluates the performance of stock/securities of the corporates
3. Mobilization of savings from the public and converts them into capital investment for national industrial and economic development.
4. Encourages legal speculation of the investors.
5. Stock exchanges maintain the securities price stability keeping liquidity
6. Stock exchanges provide instant spot market for the investors' securities
7. Provide capital funds through the capital market, IPO, secondary markets for the industrial development improving country's GDP creating employment opportunities to the educated youth
8. To protect the interest of investors, controlling the mediator's exploitation through SEBI.
9. Keep and protect the liquidity for the investors' securities
10. Stock exchanges activities are the economic progress indicators of country, economic barometer., attracting FDIs for the industrial development.



11. Provide debt capital bonds to the government for the national development like industrial, irrigation, highways, rural electricity and rural area infrastructural development.
12. Provide financial market treasury bill market, commercial Papers, Call money market and commercial deposit and mutual fund market
13. Assess and analyse the stock exchange SENSEX trends
14. Stock exchanges will provide Listing of securities to facilitate trading.
15. Dealing of financial instruments like Shares, government securities, Mutual funds, derivatives, options and futures and debenture bond market.
16. Stock exchanges will convert the public savings surplus into capital mobilisation to the corporates and through so that achieves national economic development.
17. Stock exchanges determine the prices of various companies' shares keeping in view of the demand for the securities and other factors of progress in the companies.
18. Stock exchanges provide better corporate governance in taking quick policy decision, providing common interest of the investors and to control the unfair trade practices, ex: exploitation of the investors from the stock brokers and intermediaries.
19. Stock exchanges providers trading information, guidance and support to the investors creating stock trading awareness.
20. Stock, securities, and company analysis support will be given in the valuation of equity and bonds.
21. Through the 24 Indian Stock exchanges facilitate the trading of investors securities, stocks at the rates announced protecting the liquidity and interests of the investors. They provide the secondary market trading to the investors. The first organised stock exchange is Bombay Stock Exchange BSE in 1877. Later The Ahmedabad and Kolkata stock exchanges were established in 1894 and 1908 respectively.



After the IPO (Initial Public Offer) by the Corporates to the public, corporate authorities will proceed towards the listing of shares, securities in the stock exchanges duly completing negotiations, procedures and formalities with the authorities concerned to facilitate trading of securities in future to the investors with protecting the liquidity. It is the major activity and important functionary of stock exchanges.

3. ROLE OF SEBI- SECURITIES EXCHANGE BOARD OF INDIA

(Act 1992)-REGULATORY AUTHORITY OF STOCK EXCHANGES

According to the section 3 of SEBI Act 1992, Securities Exchange Board of India (SEBI) is a regulatory body authority for the securities investment secondary market which is equally powered with US Securities Exchange Commission (SEC). This regulatory body SEBI maintains the security market stable and efficiently by imposing controlling and regulatory instructions when the stock exchanges, and brokers or mediators exploit, manipulates the investors or shareholders SEBI has been established in 1992 after the Harshad Mehta's Scam of Master gain UTI mutual Funds case happened. Heavy loss incurred to the shareholders in the scam.

To protect the common interests of the shareholders, it has issued certain guidelines to all the stock exchanges and traders and licenced brokers. Moreover it has addressed the inconveniences and grievances of shareholders caused by the share traders' brokers and stock exchange operators. The following guidelines have been issued by the SEBI for the protection of investors' interest.

A. Guidelines to companies issued IPO.,



- B. Guidelines to Mediators, brokers
- C. Instructions and directions to the Stock Exchanges and trade operators
- D. Guidelines to the and awareness to the shareholders on their rights and responsibility.



SEBI SAFEGUARDS THE INTERESTS OF THE INVESTORS:

To protect the interests of investors, SEBI issue guidelines, directions, and instructions on their grievances Routine Portfolio rules and regulations, terms and conditions from time to time will be issued to the stock exchanges so that the investors can trade their securities on a smooth manner. Some of the guidelines are as shown below.

- A. It will direct the companies to prepare offer document as per the guidelines of SEBI.



- B. Companies who prepare for the public issue must file draft prospectus to SEBI before the public issue.
- C. SEBI restrict companies to make a debt issue without obtaining a credit rating and given grading.
- D. SEBI inspects the companies occasionally the books of accounts, share capital records and review the book building process.
- E. SEBI directs the companies not to proceed for rights issue or public issue when share of the company fully paid up.
- F. SEBI directs the company not to issue securities till it applies for the listing of shares.

OBSERVATIONS & FINDINGS

Stock exchanges are the economic barometers. Their activities are the indicators of economic development.

1. Capital mobilization funds will be useful for the industrial economic development.
2. Investors will be facilitated with the securities trading
3. Stock exchanges facilitate the listing process of securities of the companies.
4. Stock exchanges securities trading always be on investors speculation.
5. Through the stock exchange, portfolio activities securities trading is subject to the market risk depending on the markets upward and downward trending.
6. Stock exchange activities are subject to under the regulatory instructions of SEBI which controls unfair trade practices of stock
7. Public surplus savings be converted to the capital mobilisation leads to the growth and development of Indian economy.
8. Stock exchanges provide instant and spot market for the investors' securities.
9. Stock exchange maintains corporate governance in providing security and safety of the investors policy decisions also will be taken up in favour of security investors.

**CONCLUSION:**

Stock exchanges are the indicators for the growth and development of Indian Economy by providing capital markets for the corporate industrial organisations. Public surplus savings will be converted as capital mobilization. Public subscribed capital will be safeguarded by the stock exchanges without exploiting the investors controlling unfair trade practices of the stock brokers and intermediaries. Listing process of securities will be taken up so that to facilitate trading of securities. Price determination of securities, providing securities' trading, maintain liquidity of stock in the market, safeguarding the interest of the investors, speculation of share prices are the main portfolio of stock exchanges. The portfolio of stock exchanges is subject to the regulatory controls of SEBI. The exploitation and unfair trade practices like insider trading activities of stock brokers must be observed and controlled by the stock exchanges and strictly monitored by SEBI.

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