

## Indian Securities Market- Fundamental Framework, Financial Instruments and Economic Implications

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The Indian "Securities Market" has shifted from a restricted trading system to a highly refined, resilient and globalized financial ecology or environment which turned our financial system into a more ascendant, sound financial network which enhance the efficiency and effectiveness of country and security market is a place which helps in capital and economic growth by stimulating our savings habits, transfer savings from households and other segments and allocating these savings into productive usage like commerce, trade etc. Optimum utilization of idle resources from one segment to other can be achieved through financial markets. Financial markets or security market provide medium for allocation of savings to investment. These provide a variety of assets to savers in which the investors can raise funds and can earn the maximum return from their investment. The present paper concentrated on the Systematic Composition of security market, type of market instruments and furthermore economic implications of securities market in India. The stock market is the combination of various instruments which are working as short term and long term player and the entire market at high extent ensure for progress of Indian Economy except in case of arise of uncertain situations and change in regulatory framework about market in country. Our security market doing well in respect of Indian Economy and hope to be achievement of unexpected results in this respect but it also depends on the rates of savings and investment received at last.

**Keywords:** framework, instruments, security market, impact, indian economy, development

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## 1. Introduction

Before independence our financial system is not so strong because that time people have fewer funds to save, invest and spend. So their much consideration on saving not to invest because at that time less investment opportunities are available in the market. Then after independence or we can say in 1875 first stock exchange in India started at Bombay and it is stated as oldest in Asia. Main features of the Indian Financial system before independence were closed-circle type of industrial entrepreneurship; a narrow industrial securities market, absence of issuing institutions and no intermediaries and brokers in the long-term financing of the industry. Savings from outside the country could not be invested in industry. Indian Financial System to supply finance and credit was greatly affected in the post-1950. Significant diversification and innovations in the structure of the financial institutions, have accompanied the growth of Indian Financial System. After that security market play a vital role in way of many positive impact on Indian economy. Security market is not the place of investment only for large capital investor it also motivates the middle income group to invest in it. The market is open for all type of organization whether it is public or private. India has witnessed all types of financial innovations like diversification, securitization, liberalization, and globalization etc. As a result, today the financial institutions and a large number of financial instruments lead a fairly diversified portfolio of financial claims.

## 2. Review of Literature

According to **Jamal et al. (2025)** explains that how a progressive economy depends on securities market for its development and further discuss the activities undertaken in market and how security market helpful for portfolio management of all type of investors. **Panda (2023)** explore the various innovations that take place in Indian security market for gaining efficiency in market and for improving rules, regulation associated with the market. The researcher also discussed the interest of investors, intermediaries etc. in the market. **Bhatt and Chauhan (2015)** focuses on "Trends and Challenges" exists in the Indian Security Market and also discuss the factors responsible for the movements and provide the suggestions to overcome these challenges.

**Tomar and Chauhan** focuses on the financial market and the instrument in which a stakeholders deals and about the favorable effects of this market for economy.

## 3. Objectives of Study

1. To elaborate the structure of securities Market in India
2. To understand the working and importance of various instruments traded in securities in India
3. To discuss the Impact of securities Market on Indian economy

## 4. Research Methodology

The paper based on descriptive and Qualitative discussion and further examination of secondary data. The analysis section based on studying various Research Papers published in reputed journals, Commerce magazine, Newspapers, offline books and other reference text book of eminent authors however since the topic of the paper are subject to constant change due to many amendments or change in bylaws by Government and various other authorities/regulator like SEBI and RBI and official documents of different stock exchanges. For a comprehensive study of securities market in India and understanding its impact of Indian economy, recent material are also considered. In order to get access to the latest developments in this area a number of articles published in academic journals and trade magazines are examined.

## 5. Results and Discussion

The financial system plays the main role in the upbringing of an economy by increasing economic growth, affecting economic performance of the factors means efficient utilization of resources. This is achieved by financial infrastructure, in which entities with funds allocate funds to those who have potentially more productive ways to invest those funds. A sound financial system makes possible the optimum utilization of idle funds.

### Structure of Indian Financial System

- The financial structure refers to the shape, component and their hierarchy in the financial system. The financial system consists of specialized and unspecialized financial institutions, organized and unorganized financial markets, financial instruments and services which facilitate transfer of funds.

A financial system comprises of financial institutions (EXIM BANK, NHB, IFCI) that provides intermediaries of financial markets, financial instruments (EQUITY, DEBT, DERRIVATIVE) and financial services(MUTUAL FUNDS, INSURANCE, TAX AND AUDIT CONSULTING) which are all regulated by regulators like Ministry of Finance, RBI, SEBI, IRDA, Department of Economic Affairs, Department of Company Affairs, etc., which facilitate the process of smooth and efficient transfer of funds.

- Securities Market is the market for long term funds where securities such as common stock, preferred stock and bonds are traded. Market comprises of those financial instruments/claims/obligations that are commonly and readily transferable by sale.
- The Security market mainly consists of two inter-dependent and inseparable segments, first is MONEY MARKET and the other is CAPITAL MARKET it includes primary (new issue) and secondary market (deals with the securities already exist in the market).
- One way of classifying is by the type of financial claim into the debt market and the equity market. The debt market is the financial market for fixed claims like debt instruments. The equity market is the financial market for residual claim i.e. equity instruments. The way of classifying the financial markets into money market and capital market is on the basis of maturity of claims.

### Money Market

- Money market is main component of economy because it provides funds for short term. It is the market where money and highly liquid marketable securities are traded having maturity period of one or less than one year. It is different from stock market because in it transaction not take place as formal as in stock exchange it takes place only through oral communication and relevant document Securities traded in it also termed as money market instruments(govt.securities, commercial paper, treasury bills). Excess funds are deployed in the money market, which is availed of to meet temporary shortages of cash and other obligations.

The money market is the major mechanism through which the Reserve Bank influences liquidity and the level of interest rates.

### Function of the Money Market

- It assures supply of funds.
- Provide a place for profitable investment by investing excess reserves of commercial banks in near money assets.
- facilitate the govt. by providing short term funds at very low interest.

### Capital Market

- Capital Market is the market which include primary market where transaction takes place in newly issued bonds and equities and other is secondary market in which trading is done in old bonds and equities. It provides long term finance with the maturity period more than one year. In this market both private and public organizations often sell their securities in order to raise funds. Capital markets increase the economic growth and development. In this market three participants take part in dealing first is issuer of securities means borrower of funds like Govt. and company, second is investor means the person who deploy their savings by subscribing the issuer securities it include retail investors etc. and the third one is the intermediaries who work to match the need of issuer and investor.

The capital market is characterized by many financial instruments: Debentures, Equity and bond and many more also exists. In capital market many methods are used for trading out of which first is public issue which includes direct selling, sale through agent , second is placement method, third one is offer for sale, fourth is right issue and another is bonus issue etc.

The Capital Market deals with the stock markets which provide financing through the issuance of shares or common stock in the primary market, and enable the subsequent trading in the secondary market. Capital Markets also deals with debt securities i.e. Bond Market which provide financing through issuance of Bonds in the primary Market and subsequent trading thereof in the secondary market.

The capital market is characterized by a large variety of financial instruments: equity and preference shares, fully convertible debentures (FCDs), non-convertible debentures (NCDs) and partly convertible debentures (PCDs) etc. Currently dominate the capital market, however new instruments are warrants, participating preference shares, zero-coupon bonds, secured premium notes, etc.

### Functions of Capital Markets

- Mobilizes long-term savings to finance long-term investments.
- Encourage broader ownership of productive assets.
- Lower the costs of transactions and information.
- Improve the efficiency of capital allocation through a competitive pricing mechanism.

### Importance of Security Market

- It works for capital formation, liquidity and management of risk.
- For trading in this market there is no need for a physical location it can be done through any computer network.
- It helps to mobilise the funds or cash to where it is most productive.
- Give maximum return with less operating cost.
- It helps to lower the cost of exchange.

## 6. Impact on Indian Economy

Our security market ensures a connection between various nations by investment and focus on improving way of investment allocation with the help of diversified portfolio. The volatility in share prices work with opposite results such as positive and negative and also maximize return on investment with low cost. After the examination of various reports and other documents it is observed that there is a favorable association between improvement in financial growth and per capita GDP growth rate. Some other impacts of stock market on "Indian Financial System" are as this market provides money to issuer in name of capital for starting new business that in return create employment opportunities which proactively work in enhancing standard of living and real income of persons.

If prices of shares falls then it negatively affect the wealth that is commonly observed in respect of housing market. This decrease in share price also demotivates the investors which resulted in decrease in investment simultaneously. go down and because of that investment in security market go down which affect our economy in negative way. The active securities market works as an 'engine' of general financial development and may, in particular, accelerate the integration of informal financial systems with the institutional financial sector. Securities directly displace traditional assets such as gold and stocks of produce or indirectly, may provide portfolio assets for pension funds and similar FIs that raise savings from the traditional sector. The existence of this market extends the opportunities for institutional mechanisms so that monetary and financial policy can be implementing successfully. Furthermore, our economy is not dependent solely on security market instead of this it is affected by numerous factors but the stock market largely affected by supply and demand of stock. So, the real impact of security market on Indian economy cannot be examined absolutely.

## 7. Conclusion

Financial markets Is the place where one party transfer their resources which lying as idle to the other party who have pressing need for that. A platform that provides maximum channels for allocation of savings to investment. Return on investment not depends upon the amount of capital but it depends on the growth and demand of the financial instruments in which we want to invest. Always give priority to the business instead of stock and the past performance of the portfolio. To earn maximum return right balance in portfolio is necessary. Security market provide a variety of assets to savers as well as various forms in which the investors can raise funds and thereby decouple the acts of saving and investment. The financial markets, thus, contribute to economic development but it also depends upon the risk bearing capacity of investor and staying in market for long term.

Before a long time, the Indian market not considered as much important but in present this view has changed totally because investors from all over the world invest their savings in Indian market that is great achievement of our financial organizations and market. Now the Indian market is constantly evolving as the market which providing attractive opportunities to the investing community.

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